

Preliminary Official Statement Dated August 6, 2019

Refunding / New Money Issue: Book-Entry-Only

RATINGS: S&P Global Ratings: "A+"

*In the opinion of Bond Counsel, assuming the accuracy of and compliance by the City with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Series A Bonds are not "private activity bonds" and interest on the Series A Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; interest on the Series B Bonds is **not excluded** from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Series A Bonds and the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Series A Bonds and the Series B Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendices B-1 "Opinion of Bond Counsel and Tax Status – Series A Bonds" and B-2 "Opinion of Bond Counsel and Tax Status – Series B Bonds" herein.)*

City of Derby, Connecticut

\$11,885,000*

General Obligation Bonds, Issue of 2019, Series A (Tax-Exempt)

Dated: Date of Delivery

**Due: Serially August 1, 2020-2039
as detailed inside the front cover**

Interest on the Series A Bonds will be payable August 1, 2020 and semiannually thereafter on February 1 and August 1 in each year until maturity.

The Series A Bonds are subject to redemption prior to maturity as more fully described under "Redemption Provisions" herein.

\$11,675,000*

General Obligation Bonds, Issue of 2019, Series B (Federally Taxable)

Dated: Date of Delivery

**Due: Serially August 1, 2021-2036
as detailed inside the front cover**

Interest on the Series B Bonds will be payable August 1, 2020 and semiannually thereafter on February 1 and August 1 in each year until maturity.

The Series B Bonds are subject to redemption prior to maturity as more fully described under "Redemption Provisions" herein.

The Bonds will be general obligations of the City of Derby, Connecticut (the "City") and the City will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due. See "Security and Remedies" herein.

The Series A Bonds and Series B Bonds (collectively the "Bonds") will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The beneficial owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest payments on the Bonds will be made by the City to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owners of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. See "Book-Entry-Only Transfer System" herein.

The Registrar, Transfer Agent, Paying Agent, Certifying Agent and Escrow Agent for the Bonds will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinions of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriter by Pullman & Comley, LLC, Underwriter's Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in definitive form will be made to DTC in New York, New York on or about August 29, 2019.

PiperJaffray

**Preliminary, subject to change.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

City of Derby, Connecticut

\$11,885,000*

General Obligation Bonds, Issue of 2019, Series A (Tax-Exempt)

Dated: Date of Delivery

**Due: Serially August 1, 2020-2039
as detailed below**

Year	Principal	Coupon	Yield	CUSIP ¹	Year	Principal	Coupon	Yield	CUSIP ¹
2020	\$ 485,000	_. %	_. %	249739	2030	\$ 480,000	_. %	_. %	249739
2021	485,000	_. %	_. %	249739	2031	480,000	_. %	_. %	249739
2022	485,000	_. %	_. %	249739	2032	480,000	_. %	_. %	249739
2023	485,000	_. %	_. %	249739	2033	480,000	_. %	_. %	249739
2024	485,000	_. %	_. %	249739	2034	480,000	_. %	_. %	249739
2025	485,000	_. %	_. %	249739	2035	480,000	_. %	_. %	249739
2026	485,000	_. %	_. %	249739	2036	880,000	_. %	_. %	249739
2027	485,000	_. %	_. %	249739	2037	1,045,000	_. %	_. %	249739
2028	485,000	_. %	_. %	249739	2038	1,005,000	_. %	_. %	249739
2029	485,000	_. %	_. %	249739	2039	1,225,000	_. %	_. %	249739

\$11,675,000*

General Obligation Bonds, Issue of 2019, Series B (Federally Taxable)

Dated: Date of Delivery

**Due: Serially August 1, 2021-2036
as detailed below**

Year	Principal	Coupon	Yield	CUSIP ¹	Year	Principal	Coupon	Yield	CUSIP ¹
2021	\$ 1,110,000	_. %	_. %	249739	2029	\$ 970,000	_. %	_. %	249739
2022	1,090,000	_. %	_. %	249739	2030	955,000	_. %	_. %	249739
2023	1,075,000	_. %	_. %	249739	2031	255,000	_. %	_. %	249739
2024	1,055,000	_. %	_. %	249739	2032	245,000	_. %	_. %	249739
2025	1,035,000	_. %	_. %	249739	2033	230,000	_. %	_. %	249739
2026	1,020,000	_. %	_. %	249739	2034	220,000	_. %	_. %	249739
2027	1,005,000	_. %	_. %	249739	2035	215,000	_. %	_. %	249739
2028	985,000	_. %	_. %	249739	2036	210,000	_. %	_. %	249739

**Preliminary, subject to change.*

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds. The City is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesman or other person has been authorized by the City of Derby, Connecticut (the “City”) to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Municipal Advisor or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of this Official Statement.

Set forth in Appendix A – “2018 Financial Statements Excerpted from the City’s Comprehensive Annual Financial Report” hereto is a copy of the report of the independent auditors for the City with respect to the financial statements of the City included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement, (other than matters expressly set forth as its opinion in Appendices B-1 and B-2 "Opinion of Bond Counsel and Tax Status – Series A Bonds and Opinion of Bond Counsel and Tax Status – Series B Bonds" herein), and makes no representation that it has independently verified the same.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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I. Bond Information

Introduction

This Official Statement, including the cover page, inside cover page, and appendices, is provided for the purpose of presenting certain information relating to the City of Derby, Connecticut (the “City”), in connection with the issuance and sale of \$11,885,000* General Obligation Bonds, Issue of 2019, Series A (Tax-Exempt) (the “Series A Bonds”) and \$11,675,000* General Obligation Bonds, Issue of 2019, Series B (Federally Taxable) (the “Series B Bonds” and collectively with the Series A Bonds, the “Bonds”) of the City.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent, Certifying Agent and Escrow Agent for the Bonds.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the City.

The City deems this Official Statement to be “final” for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut serves as Municipal Advisor to the City with respect to the issuance of the Bonds (the “Municipal Advisor”). The information in this Official Statement has been prepared by the City of Derby, with the help of the Municipal Advisor. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

* Preliminary, subject to change.

City Finances

The City had a positive General Fund Balance as of June 30, 2017 of approximately \$1.2 million. During the audit process for fiscal year 2018, the Auditor determined that there were issues with the Board of Education accounts payable cut off dates for incurring expenses. The Auditor had to reverse accounts payable paid in fiscal year 2019 back to fiscal year 2018, resulting in a restatement of the General Fund Balance to approximately negative (\$1.4) million. Coupled with the General Fund Balance for fiscal year 2018 of (\$1,220,653), the City has a fund balance of approximately (\$2.5) million as of June 30, 2018.

In addition, the City overstated its revenue in each of the fiscal years 2017, 2018 and 2019 in an amount of approximately \$1.2 million, each year, respectively. This amount is the amount similar to the Alliance Grant which goes to the Board of Education. When the City finance office received the budget estimates for each of those years, the approximate \$1.2 million appeared to be included in the total State Education Cost Sharing Grant. It in fact was not, the result being the annual budgets had the figure similar to the Alliance Grant in twice. This resulted in overstating revenues for each of the years, respectively. This resulted in a budget shortfall and contributed to the reduction of General Fund Balance.

In June 2019, the City developed an eight-point recovery plan that is expected to replenish the General Fund Balance to a positive position within weeks into the start of the fiscal year 2020 operating year. This plan includes increasing the mill rate (2.5 mill increase), sale of assets (\$450,000), adjusting long-term costs (\$1.08 million), budgeting General Fund Balance replenishment (\$700,000), possible tax sale (\$1.0 million), and debt restructuring (\$1.8 million) in fiscal year 2020.

For the fiscal year 2020 budget, the Board of Apportionment and Taxation adjusted their revenue figures to properly reflect anticipated revenue from the State, including the figure for the Alliance Grant.

The Board of Apportionment and Taxation increased taxes by 2.5 mills for fiscal year 2020. The fiscal year 2020 budget is structurally balanced.

Description of the Bonds

The Bonds will mature in each of the years as set forth on the inside cover page hereof. The Bonds will be dated the date of delivery and bear interest at the rates per annum specified on the inside cover page, payable semiannually on February 1 and August 1 in each year until maturity, commencing August 1, 2020. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of the fifteenth day of January and July, or the preceding business day if the fifteenth is not a business day, in each year by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree.

Redemption Provisions*

The Bonds maturing on or before August 1, 2029 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2030 and thereafter are subject to redemption prior to maturity, at the election of the City, on and after August 1, 2029 at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the respective prices (expressed as a percentage of the principal amount of Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<i>Period During Which Redeemed</i>	<i>Redemption Price</i>
August 1, 2029 and thereafter.....	100%

Notice of redemption shall be given by the City or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds, or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

** Preliminary, subject to change.*

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the City in its discretion may determine provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds, which is obtained by dividing the principal amount of such Bond by \$5,000.

The City, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the City will reduce the outstanding principal amounts of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Bonds and will not be conducted by the City, the Registrar or Paying Agent.

Authorization and Purpose

The Bonds are being issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, the Charter of the City and certain bond resolutions approved at referenda or by the Board of Aldermen/Alderwomen with respect to the Bonds.

Use of Proceeds

<i>Project</i>	<i>Aggregate Amount</i>	<i>Outstanding Notes</i>	<i>This Issue:</i>	
	<i>Authorized</i>	<i>Due: 10/24/19</i>	<i>Series A Bonds*</i>	<i>Series B Bonds*</i>
Refunding Bonds	\$ 20,000,000	\$ -	\$ 2,235,000	\$ 11,315,000
Derby Middle School ...	28,000,000	330,000	-	360,000
School Roofs	5,955,000	-	-	-
Sewer Project	31,240,000	5,000,000	9,650,000	-
<i>Total</i>	\$ 85,195,000	\$ 5,330,000	\$11,885,000	\$ 11,675,000

* Preliminary, subject to change.

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Plan of Refunding*

A portion of the Series A Bonds and the Series B Bonds are being issued to refund at or prior to maturity all or any portion of the aggregate principal amount outstanding of certain of the City's outstanding general obligation bonds, as set forth below (the "Refunded Bonds"). The balance of the Bonds is being issued to permanently finance the outstanding \$5,330,000 bond anticipation notes maturing October 24, 2019 (the "2018 Notes") and provide an additional \$5,000,000 in permanent financing for the City's sewer project. The list of Refunded Bonds to be refunded may be changed by the City in its sole discretion due to market factors or other factors considered relevant by the City at the time of pricing the Bonds, and no assurance can be given that any particular Refunded Bond listed or any particular maturity will be refunded. The refunding is contingent upon the delivery of the Bonds.

		<i>Maturity</i>	<i>Interest</i>	<i>Par</i>	<i>Redemption</i>	<i>Redemption</i>	
<i>Issue</i>	<i>Dated Date</i>	<i>Date</i>	<i>Rate</i>	<i>Amount</i>	<i>Date</i>	<i>Price</i>	<i>CUSIP</i>
2013 (Serial Note)	3/15/2013	9/15/2019	2.200%	\$ 320,000	9/9/2019	100.00%	n/a
		9/15/2020	2.200%	310,000	9/9/2019	100.00%	n/a
		9/15/2021	2.200%	170,000	9/9/2019	100.00%	n/a
		9/15/2022	2.200%	170,000	9/9/2019	100.00%	n/a
		9/15/2023	2.200%	165,000	9/9/2019	100.00%	n/a
Sub-Total				\$ 1,135,000			
2015, Series A	9/3/2015	9/1/2019	3.000%	\$ 335,000	n/a	n/a	249739SP9
		9/1/2020	4.000%	335,000	n/a	n/a	249739SQ7
		9/1/2021	4.000%	335,000	n/a	n/a	249739SR5
		9/1/2022	5.000%	335,000	n/a	n/a	249739SS3
		9/1/2023	4.000%	335,000	n/a	n/a	249739ST1
		9/1/2024	2.250%	335,000	9/1/2023	100.00%	249739SU8
		9/1/2025	2.375%	330,000	9/1/2023	100.00%	249739SV6
		9/1/2026	2.625%	325,000	9/1/2023	100.00%	249739SW4
Sub-Total				\$ 2,665,000			
2015, Series B	9/3/2015	9/1/2019	4.000%	\$ 430,000	n/a	n/a	249739TA1
		9/1/2020	4.000%	430,000	n/a	n/a	249739TB9
		9/1/2021	5.000%	430,000	n/a	n/a	249739TC7
		9/1/2022	5.000%	430,000	n/a	n/a	249739TD5
		9/1/2023	5.000%	430,000	n/a	n/a	249739TE3
		9/1/2024	2.250%	430,000	9/1/2023	100.00%	249739TF0
		9/1/2025	2.375%	430,000	9/1/2023	100.00%	249739TG8
		9/1/2026	3.000%	430,000	9/1/2023	100.00%	249739TH6
		9/1/2027	3.000%	430,000	9/1/2023	100.00%	249739TJ2
		9/1/2028	3.000%	430,000	9/1/2023	100.00%	249739TK9
		9/1/2029	3.125%	430,000	9/1/2023	100.00%	249739TL7
		9/1/2030	3.250%	430,000	9/1/2023	100.00%	249739TM5
Sub-Total				\$ 5,160,000			
2018	10/25/2018	10/15/2019	5.000%	\$ 260,000	n/a	n/a	249739TW3
		10/15/2020	5.000%	260,000	n/a	n/a	249739TX1
		10/15/2021	5.000%	260,000	n/a	n/a	249739TY9
		10/15/2022	5.000%	260,000	n/a	n/a	249739TZ6
		10/15/2023	5.000%	260,000	n/a	n/a	249739UA9
		10/15/2024	4.000%	260,000	10/15/2023	100.00%	249739UB7
		10/15/2025	3.000%	260,000	10/15/2023	100.00%	249739UC5
		10/15/2026	3.000%	260,000	10/15/2023	100.00%	249739UD3
		10/15/2027	3.000%	260,000	10/15/2023	100.00%	249739UE1
		10/15/2028	3.125%	260,000	10/15/2023	100.00%	249739UF8
		10/15/2029	3.250%	260,000	10/15/2023	100.00%	249739UG6
		10/15/2030	3.375%	260,000	10/15/2023	100.00%	249739UH4
Sub-Total				\$ 3,120,000			
Total				\$ 12,080,000			

* Preliminary, subject to change.

Upon delivery of the Bonds, a portion of the Bond proceeds will be deposited in an irrevocable escrow fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of the Date of Delivery of the Bonds between the Escrow Agent and the City. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by the government of the United States of America, including United States Treasury securities, United States Treasury State and Local Government Series securities ("SLGS"), Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer thereof (the "Escrow Securities") and needed to pay the principal, interest payments, and redemption prices of the Refunded Bonds and the outstanding principal of the 2018 Notes. All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit Fund will be irrevocably deposited by the City for payment of the Refunded Bonds and the 2018 Notes. The balance of the proceeds of the Bonds will be used to pay costs of issuance, capitalized interest, and underwriter's discount.

Verification of Mathematical Computations

The accuracy of the mathematical computations regarding (i) the adequacy of maturing principal of and interest earned on the Escrow Securities deposited with the Escrow Agent to pay, when due, the principal of, accrued interest and redemption premium on the Refunded Bonds and the outstanding principal of the 2018 Sewer Notes on the redemption dates; (ii) the yield on the Bonds and the securities and moneys in the Escrow Deposit Fund; and (iii) net present value savings, will be verified by AMTEC of Avon, Connecticut (the "Verification Agent"). Such verification of the accuracy of the mathematical computations will be based upon information and assumptions supplied to the Verification Agent by the Underwriter. AMTEC will express no opinion on the assumptions provided to them. Bond Counsel in rendering its opinion described herein will rely on the verification report.

Sources and Uses:

	Series A		Series B		Total
	Bonds		Bonds		
Sources:					
Par Amount	\$	-	\$	-	\$ -
Net Original Issue Premium		-		-	-
Total Sources	\$	-	\$	-	\$ -
Uses:					
Deposit to Escrow	\$	-	\$	-	\$ -
Deposit to Project Fund		-		-	-
Deposit to Capitalized Interest Fund ...		-		-	-
Costs of Issuance		-		-	-
Underwriter's Discount		-		-	-
Total Uses	\$	-	\$	-	\$ -

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996.

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issued bonds for the entire amount of the school construction project and the State of Connecticut reimbursed the City for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or its Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

DTC Practices

The City can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Bonds

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the City fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the City will issue fully-registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

Security and Remedies

The Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues. The City has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. The City may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the City the amount of the tax revenue which the City would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income or qualified disabled persons.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefor or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

***THE CITY HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR
INTEREST ON ITS BONDS OR NOTES.***

Qualification for Financial Institutions

The Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Availability of Continuing Disclosure Information

The City prepares, in accordance with State law, annual audited financial statements and is required by statute to file such annual audits with the State of Connecticut, Office of Policy and Management. The City provides, and will continue to provide, to S&P Global Ratings ongoing disclosure in the form of the Annual Financial Report, Recommended and Adopted Budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data with respect to the Bonds, (ii) timely notice of the occurrence of certain events with respect to the Bonds not later than ten (10) business days after such occurrence and (iii) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

The City has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to SEC Rule 15c2-12(b)(5). Except as described below, in the past five years, the City has not failed to comply in any material respect with its undertakings under such agreements.

For the fiscal years ended June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018 the City filed its required annual financial information and operating data with the Electronic Municipal Market Access System late on April 11, 2016, March 31, 2017, April 2, 2018 and May 28, 2019, respectively. These delays were due to the additional requirements set forth by GASB Statement No. 45. The City will work together with its Municipal Advisor and Bond Counsel to ensure timely compliance in the future.

Ratings

The Bonds are rated “A+” by S&P Global Ratings (“S&P”). The City’s outstanding bonds are rated “A+” by S&P. The City furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the views of the rating agency and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the City’s bonds and notes, including the Bonds.

The City expects to furnish the rating agency with certain information and materials that the agency may request. However, the City may issue short-term or other debt for which a rating is not requested.

Underwriting

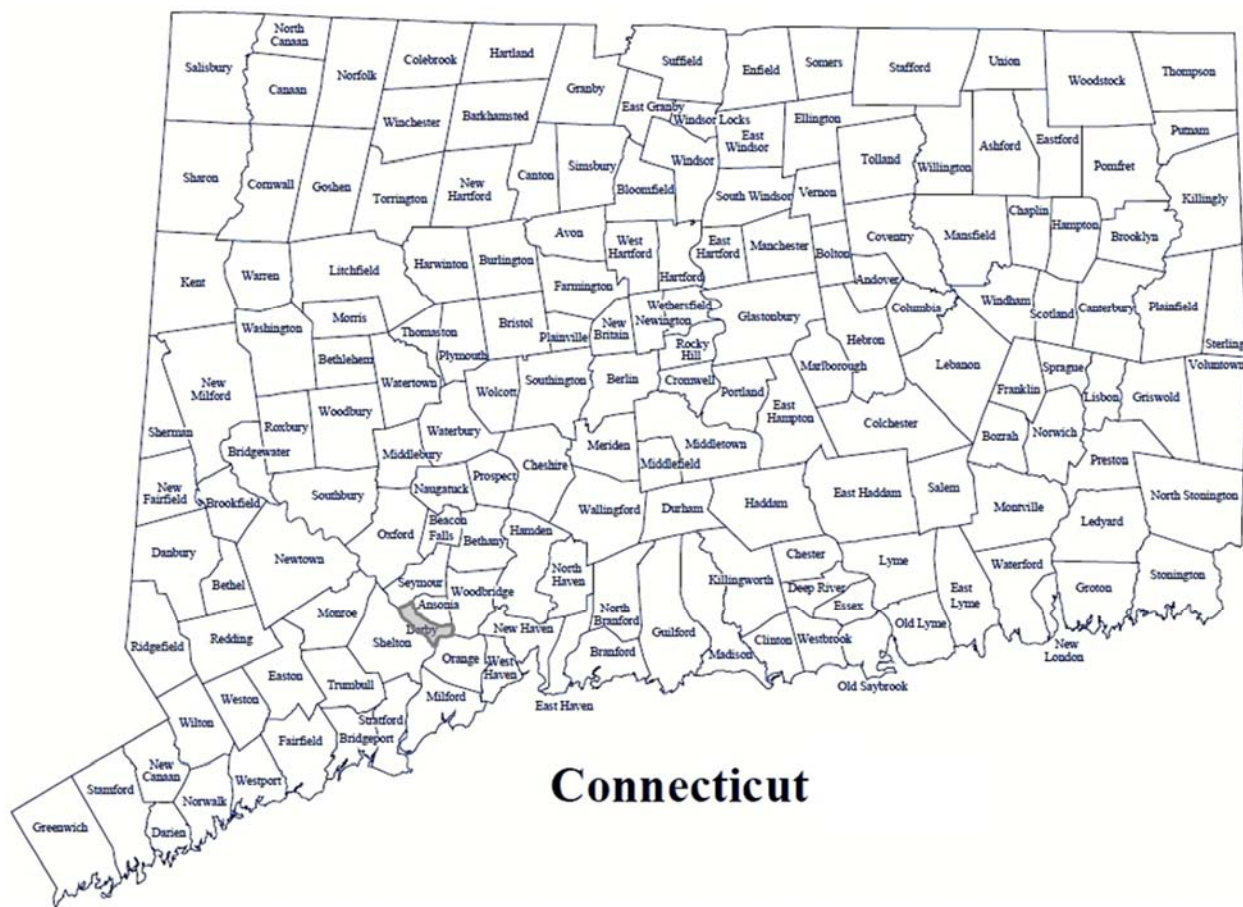
The Bonds are being purchased by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds from the City at the net aggregate purchase price of \$_____ (consisting of the principal amount of \$_____ plus net original issue premium of \$_____, less underwriter’s discount of \$_____). The Underwriter has agreed, subject to certain conditions, to purchase the Series B Bonds from the City at the net aggregate purchase price of \$_____ (consisting of the principal amount of \$_____ plus net original issue premium of \$_____, less underwriter’s discount of \$_____).

The Underwriter will be obligated to purchase all of the Bonds, if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has entered into a distribution agreement (the “CS&Co. Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS&Co. Distribution Agreement, CS&Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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II. The Issuer



Description of the Municipality

The City of Derby (the “City” or “Derby”) was founded in 1642, incorporated as a town in 1775 and as a city in 1893. The City covers an area of 5.3 square miles and is located at the confluence of the Naugatuck and Housatonic rivers. Derby lies ten miles north of Bridgeport, nine miles west of New Haven, 20 miles south of Waterbury, and 30 miles east of Stamford. The bureau of the Census lists the City’s population as 12,700 as of 2017.

The City is accessible to major urban areas. Connecticut Route 8, a major four-lane highway, begins at the Connecticut Turnpike (I-95) in Bridgeport, passes through the City, and continues north to Winsted. Connecticut Route 34 passes through Derby, connecting to I-91 and I-95 in New Haven and I-84 near Danbury. Passenger and freight service are available via rail, bus and common carrier. Passenger rail service is offered by Metro North Commuter Railroad Company. Bus service is provided by Connecticut Transit, Valley Transportation Company, and Valley Transit District. Regional airports are located in New Haven, Bridgeport and Oxford. International air transport is available at facilities in the New York and Hartford areas.

Located in the Derby area are a number of undergraduate and graduate programs including Yale University, the University of New Haven, Quinnipiac College, Southern Connecticut State University, Albertus Magnus College, Fairfield University, Sacred Heart University, and the University of Bridgeport. In addition, a number of community colleges and professional vocational schools are within easy commuting distance.

Major health care needs of Derby residents are provided by the Griffin Hospital located in the City. The Hospital is a not-for-profit, acute care community hospital that provides full-service and over 160 beds. There are more than 200 medical staff employed at the hospital as well as 1,400 full-time, part-time, and per diem employees. Griffin Hospital has been around since December 9, 1909, starting as a 24-bed facility. The Hospital is the largest birthing center and outpatient service provider in the area and was recently named by Fortune Magazine as one of the “100 Best Companies to Work for in America” for the seventh year in a row. Griffin Hospital was

ranked fourth in 2006, up from the previous year's ranking of eighth. In addition, the Hospital has been featured on CBS This Morning, CNBC, The Wall Street Journal, and numerous other publications. Located in nearby New Haven are St. Raphael's and Yale-New Haven Hospitals. St. Vincent's, Park City and Bridgeport Hospital are located in nearby Bridgeport.

Form of Government

The City has a Mayor, Board of Aldermen, and Board of Apportionment and Taxation form of government. Elections for the offices of Mayor, Board of Aldermen, Treasurer, and other elected officials are held in November of each odd-numbered year.

The Mayor serves as the chief executive officer of the City and is responsible for the enforcement of all laws and ordinances. The Mayor is the presiding officer at Board of Aldermen meetings and is an ex-officio member of the Board of Apportionment and Taxation and the Finance Committee. The Mayor has voting privileges on the Board of Aldermen and the Finance Committee only in the event of a tie vote. The Treasurer serves as the chief financial officer of the City and is responsible for day-to-day financial operations.

The Board of Aldermen consists of nine elected members (three from each ward) and serves as the legislative body of the City.

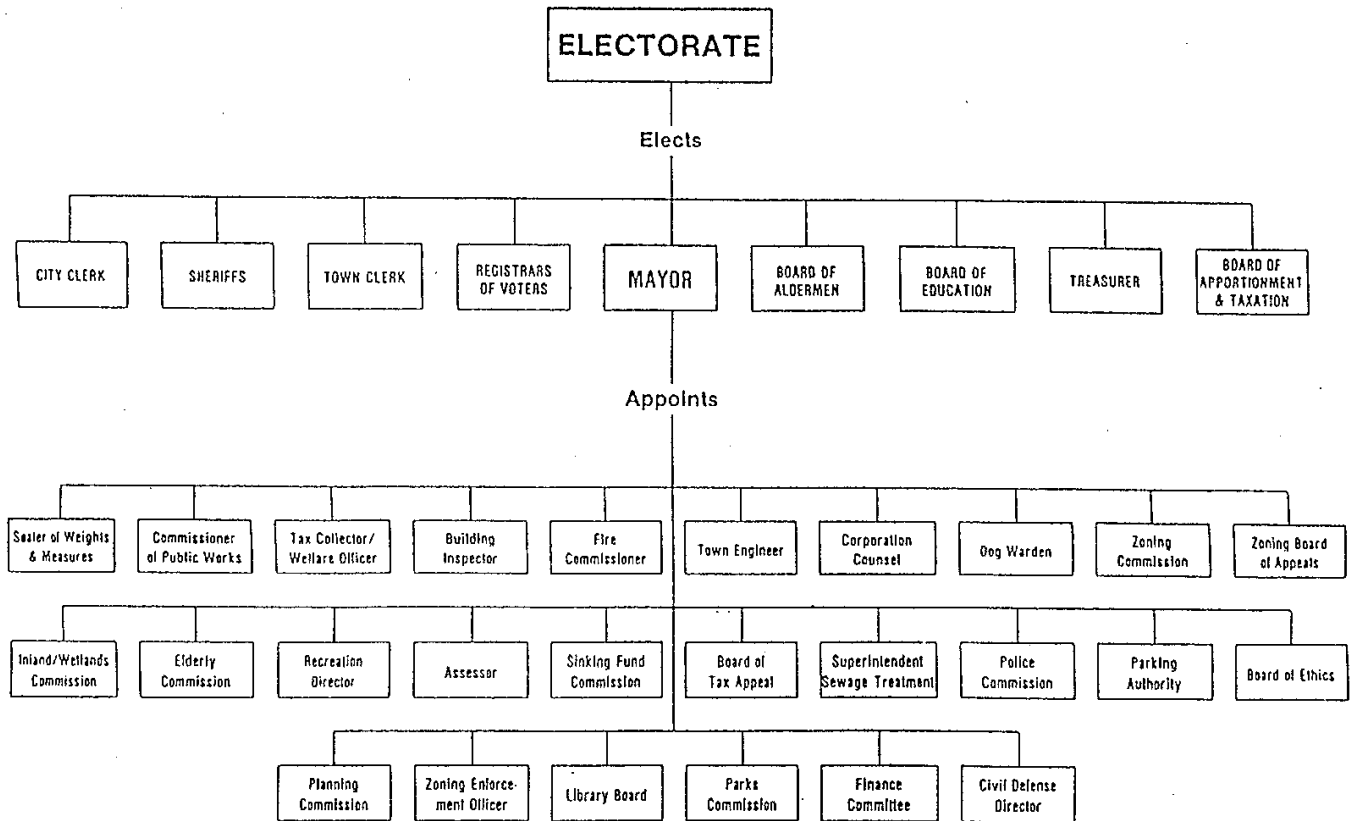
The Board of Apportionment and Taxation consists of ten elected members of which at least three must represent the minority political party. The Board approves the budget and levies taxes. Seven votes are required to approve any of the Board's actions.

Principal Municipal Officials

<i>Office</i>	<i>Name</i>	<i>Manner of Selection/Term</i>	<i>Years of Service</i>
Mayor	Richard Dziekan	Elected / 2 Years	1 year
Treasurer	Keith McLiverty	Elected / 2 Years	20 years
Tax Collector	Denise Cesaroni	Appointed / Indefinite	7 years
Finance Director	Salvatore Coppola	Appointed / Indefinite	4 years
Town Clerk	Marc Garofalo	Elected / 4 Years	5 years
Assessor	Betsy Quist	Appointed / Indefinite	1 year
Superintendent of Schools	Matt Conway	Hired / 1 year	5.5 years

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Organizational Chart



Summary of Municipal Services

The City provides the following services as authorized by its Charter: public safety (police, fire, and ambulance), highways and streets, sanitation, health and social services, culture/recreation, education, public improvements, planning and zoning, and general administrative services.

Police Protection: The City of Derby Police Department provides full-time protection and investigative services. The Department operates 24 hours a day and is administered by the Chief of Police. The Department is staffed with regular full-time police officers, supernumerary officers, and auxiliary patrol and support staff. A modern police facility features the latest communications technology.

Fire Protection: The Derby Fire Department is a volunteer organization operating from four strategically located firehouses. Volunteers are fully trained in firefighting techniques and scuba diving. The Department offers fire prevention training to the public. Located in the City is the Valley Fire Chiefs Training Center which provides firefighting training to the City as well as surrounding towns and cities.

Ambulance Service: The Ambulance Corps provides ambulance service 24 hours per day. The Corps is staffed by volunteers certified as Emergency Medical Technicians and Intravenous Technicians. The response team is supplemented by a paramedic unit at the Griffin Hospital in Derby and a paid ambulance service located in the nearby City of Shelton, if needed. The Corps is subsidized by the City and charitable organizations.

Public Works: The Public Works Department employs a full-time staff responsible for maintaining all roads, sidewalks, bridges, sewers, and municipal public buildings. The Department utilizes a computer system to monitor a road reconstruction program which was initiated in 1994.

Solid Waste: Residential waste is collected by a private firm, American Disposal Service, under contract with the City and hauled to the American Ref-Fuel Company facility located in Preston, Connecticut. In 2018-19, the City spent \$1,115,419 in fees for hauling and residential solid waste disposal of approximately 6,800 tons.

Recycling: The City contracts with a private hauler to manage its recycling program.

Sewage: Sewage is treated at a City-owned primary and secondary treatment plant with septic and sludge handling capabilities. The plant currently treats approximately 1.8 million gallons per day and has an operating capacity of 3.5 million gallons per day. Approximately 95% of the City is sewered.

Water: Water is provided by South Central Connecticut Regional Water Authority and Aquarion which has approximately 3,200 direct services in Derby. In addition, each company maintains and administers approximately 400 services connected to City-owned water lines. Approximately 50% of the company's supply is purchased from the South Central Connecticut Regional Water Authority. The Authority's safe yield capacity is 8.0 million gallons per day. A number of properties throughout the City are served by private wells.

Libraries: The Derby Public Library, which is listed on the National Register of Historic Places, offers educational, recreational and reference services. The library has two meeting rooms available for use to commercial organizations and agencies for a fee or to non-profit and/or local non-political civic groups free of charge. The rooms include the use of restrooms and kitchen facilities. A privately funded library known as the Derby Neck Library is also located in the City. It also offers comprehensive library services to the public.

Parks & Recreation: The City maintains an active Parks and Recreation Department that supports a variety of programs, run largely by volunteers, but supported by the City. The City's programs and facilities are under the stewardship of the Parks & Recreation Commission and a Director of Parks and Recreation.

Public Health: The City is within the Naugatuck Valley Health District "NVHD", which provides essential public health services by monitoring the community to diagnose and investigate health problems and hazards in the community. The NVHD also informs and educates people about health issues as well as enforces laws and regulations regarding health and safety.

Public Housing Authority: The Housing Authority manages a Section 8 program of 278 vouchers and is responsible for managing three state elderly housing sites consisting of 106 units. The Derby Public Housing Authority is led by an Executive Director and Housing Commission.

Educational System

The Derby Public School System is governed by a nine-member Board of Education and administered by a Superintendent who is selected by the Board. Members of the Board serve rotating terms of four years.

As of the 2018–19 school year, public school facilities include two elementary schools for grades kindergarten through six, a middle school for grades seven through eight and a high school for grades nine through twelve, which also provides pre-k services.

The System offers a variety of programs to meet the needs and interests of a diverse student body. The elementary and upper middle schools offer a traditional program of study. The high school program offers a broad range of courses tailored to individual students' needs and abilities. All students are carefully monitored and placed in appropriate programs designed to enhance their capabilities.

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School Facilities

School	Grades	Date of Construction (Latest Additions)	Number of Classrooms	Enrollment as of 10/1/2018	Operating Capacity
Little Raiders @ DHS.....	Pre-k	1968 (1988) (2014)	3	44	900
Irving School.....	K-6	1954 (1995)	22	313	635
Bradley School.....	K-6	1960 (1964) (1995)	22	252	500
Upper/Middle School.....	7-12	1968 (1988) (2014)	42	689	900
Total			89	1,298	2,935

Source: City of Derby Board of Education

School Enrollments

School Year	Bradley	Irving	Derby Middle School	Derby High School	Little Raiders Pre-K	Total
Historical						
2012-13	345	407	366	361	-	1,479
2013-14	376	378	364	382	-	1,500
2014-15	365	370	339	372	31	1,477
2015-16	347	328	332	345	33	1,385
2016-17	322	333	322	359	43	1,379
2017-18	279	328	351	365	41	1,364
2018-19	252	313	341	348	44	1,298
Projected						
2019-20	231	300	357	359	44	1,291

Source: City of Derby, Board of Education.

Municipal Employees¹

	2018-19	2017-18	2016-17	2015-16	2014-15
General Government	87	72	73	73	72
Board of Education	275	279	275	271	270
Total	362	351	348	344	342

¹ Full-time equivalent.

Source: City of Derby, Treasurers Office.

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Municipal Employees Bargaining Organizations

Employees	Bargaining Unit	Number of Members	Contract Expiration Date
<u>General Government</u>			
City Hall.....	Local 1303-259, Council 4, AFL-CIO	18	6/30/2019 ¹
Highway & Water Pollution.....	Local 1303-06, Council 4, AFL-CIO	18	6/30/2021
Police.....	Local 1376, Council 15, AFSCME, AFL-CIO	30	6/30/2023
	Total Organized	66	
	Non-Union	21	
	Total	87	
<u>Board of Education</u>			
Aides/Para Professionals/Nurses....	Local 1303, Council 4, AFSCME	64	6/30/2020
Nurses	CT Healthcare Associates, NUHHCE	5	6/30/2020
Administrators	Local 48, Derby Administrators Association, AFSA, AFL-CIO	7	6/30/2021
Teachers.....	Derby Education Association	129	6/30/2022
Custodians.....	Local 1303-239, Council 4, AFSCME	11	6/30/2019 ¹
Secretaries.....	Local 1303-294, Council 4, AFSCME	8	6/30/2019 ¹
	Total Organized	224	
	Non-Union	51	
	Total	275	
Total General Government and Board of Education Employees.....		362	

¹ In negotiations.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

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III. Economic and Demographic Information

The City of Derby continues to be very active in the areas of economic and community development with many projects completed in the past two years and many still ongoing.

The City has established a blight subcommittee and adopted a new ordinance to strengthen the City's enforcement of blighted properties. To date, this approach has transformed properties and over 30 others have been guided to compliance, improving the value of their property and the surrounding properties.

The City added a number of new businesses in the last two years, large and small, to its grand list including Planet Fitness, Aldi's, Panera Bread, Petal Pusher Florist, Seasonal Sweets & Catering, Professional Carpet Systems, Jersey Mike's, Wayback Burgers, Peachwave, Physician One Urgent Care, and River House Café.

These new businesses not only bring new tax dollars to Derby, they represent employment opportunities for its residents.

Also added just this month is New England Auto World, another new business that transformed the old Dworkin site from a blighted property owing thousands of dollars in back taxes to a center of economic activity. Over 200 high end used vehicles now fill a once empty car dealership, drawing consumers from all over the state.

Existing businesses are also growing and improving – Whalley Glass, On Time Printing, Dew Drop Inn, and Town Fair Tire have all made additional investments in their businesses by growing their footprint.

It is also important to note that the City capitalized on the private investment along Pershing Drive by upgrading the roads and intersections for a truly transformative renewal of this area of the City.

Archie Moore's, a popular local restaurant chain, opened in June 2006 in a former department store in the downtown area. The owners of the new franchise spent approximately \$1.5 million to refurbish the structure.

Witek Park is a 143-acre parcel that the City purchased for \$1.8 million. Approximately \$800,000 was spent constructing two new soccer fields. The property also contains hiking trails and two fishing ponds.

The current Shop Rite Plaza, comprising approximately 120,000 square feet, was an old shopping center that was vacant. A private company purchased the property and fully restored the grounds and buildings. Renovations were completed in August 2008. Shop Rite is the anchor store with fifteen smaller shops in the plaza.

The Access Road to the Derby Commerce Park an approximately 26-acre parcel located between Route 34 and Division Street in Derby has been completed with \$1,000,000 in federal funding from the U.S Economic Development Administration and \$800,000 from the Connecticut Department of Economic and Community Development. This land was deeded to the City by the Connecticut Department of Transportation for development of the Derby tax base. A request for qualifications has been assembled and made available to developers / business owners wishing to start or expand their businesses in Derby.

The City has acquired several blighted properties around the City. Several structures have already been demolished and the City is working with other property owners through the "Clean and Lien Program" to have the City's public work employees clean-up select properties with repayment of incurred costs at the time of the property's sale.

The City of Derby received \$1.5 million from State and Federal sources for the milling and paving of Hawthorn Avenue – a major road that extends from the downtown area to the Kellogg Estate.

The City and Jordan Energy are proceeding with the installation of a nearly one million kilowatt solar farm at the City's Transfer Station site. Through a process of virtual net metering, the City will purchase electricity for the next 20 to 25 years at a discount compared to existing electricity rates and will help stabilize electricity costs in the future.

The State is in the process of completing a new project in the City. The Route 34 Project that will rebuild Route 34 in front of City Hall from Route 8 to past Olivia Street is in the final design stage. The project will cost

over \$15 million and will include the addition of extra drive lanes, separate bike and pedestrian ways, and parking. The State has already notified existing property owners whose properties are in the project zone and is negotiating acquisitions.

The City is planning a development opportunity in the Hawkins, Anson, Lafayette, & Oak (HALO) Redevelopment Zone. The HALO Project is projected to be privately financed and is expected to revitalize approximately 19 acres of primarily residential properties adjacent to downtown by replacing older, high-density structures with higher value, larger lot properties. The area, when finished, will potentially include 55 single-family detached residences, 135 garden apartments, a four-story 55 and over housing unit, a community building, public green space, and public parking. Redevelopment is expected to generate over \$400,000 in increased tax revenues, reduce the residential density and improve the appearance of the City.

The City has completed the demolition, clearing and seeding of four City-owned blighted properties in the HALO area with a \$331,000 State Urban Act grant. The City has requested additional blight funding to clear up any remaining blight issues in the downtown area and will move forward to enhance the HALO neighborhood with road and sidewalk improvements, potential community garden and possible additional demolition, if needed.

The former DOT site (Derby Waste Site) is being transformed into a light industrial/commercial park with \$1,000,000 in federal funding from the U.S Economic Development Administration and \$800,000 from the Connecticut Department of Economic and Community Development. The City is waiting for permits from the Department of Environmental Protection, land acquisition and WPCA pump station improvements for a 1,800 linear foot addition. Once completed, the road construction will be put out to bid.

The City of Derby, through its Office of Economic and Community Development, plans to construct an access road for development of the Derby Commerce Park, an approximately 26-acre parcel located between Route 34 and Division Street in Derby. The City owns all the affected land within the proposed Right of Way. This land was deeded to the City by the Connecticut Department of Transportation for development of the Derby tax base. The planned Derby Commerce Park will provide new business opportunities for existing businesses wishing to expand and additional opportunities to attract new business. Currently, the City has received interest and letters from at least four businesses planning to expand their space and increase employment and two new inquiries from business owners looking to create new businesses in Derby.

Complete funding for Route 34 (Main Street in Derby) has been approved by the Federal Highway Administration and the Connecticut Department of Transportation. The project area extends approximately 3,300 feet in length and includes Route 34 from Bridge Street to Ausinio Drive and the six intersecting streets of Olivia Street/Bridge Street, Elizabeth Street, Minerva Street, Caroline Avenue, Water Street/Factory Street and Ausinio Drive/Route 8 SB on-ramp. It also includes several substantial areas of recent and proposed property development, including the pending South Side of Main Street Development and the Route 8 Access Improvements. The project includes a substantial 900-foot-long by 30-foot-high retaining wall on the south side of Route 34/Main Street. The project is expected to be completed by 2021.

The Sterling Opera House, located in downtown Derby, was constructed in 1889 and is listed on the National Register of Historic Places. The City was granted a total of \$1,144,000 by the State to repair the building's brick walls, windows, doors, electrical wiring, heating and cooling systems, replace the roof and two cupolas. Also, a 501(c)(3) organization was formed to raise funds for the Opera House. Officers are currently being chosen to sit on the Board of Directors for the organization. The City continues to seek and secure funding for the design of the interior of the Opera House. Currently, the City has \$22,500 for the design scope of a temporary room in the Sterling Opera House to be used for fundraising/art displays/awareness raising venues. The complete exterior renovation has taken place which will prevent any further deterioration of the interior. The Connecticut Department of Public Works created a courtyard at the adjacent Judicial building in 2017.

The City is in the process of cleaning up and restoring O'Sullivan Island in order to create a park and recreation center. \$40,000 was allocated and the demolition and clean-up of the old fire training school has been completed. Currently the U.S. Environmental Protection Agency is removing PCB contaminants and heavy metals with discretionary funding. The City has settled a claim with the U.S. EPA over costs associated with the removal of contaminated soil from O'Sullivan Island. Additionally, the City has conducted limited soil and ground water testing on O'Sullivan Island, where test results have shown that the area is safe for passive recreation.

Griffin Hospital, the city's largest employer and regional healthcare provider, has completed a \$35 million, state-of-the-art Cancer Center which serves the Lower Naugatuck Valley and beyond.

The Lowe's Shopping Center has been completed providing 115,000 square feet of retail space and approximately 100 new employees from Derby and surrounding areas. In the same campus, a new Dollar Tree Store has been built.

The City is home to a Starbucks, with 10 employees, and a new Gamestop video-game store. These projects totaled 1,722 square feet of new retail space and \$100,000 in renovations. Both buildings had been previously vacant and the completed renovation took place this year.

New tenants have moved into a formerly vacant car dealership and have set up a screen printing, trophy and design shop on Route 34. They will hire 10 new employees and up to 30 new employees over the next three years.

Walmart completed 30,000 square feet of newly renovated store space in 2008. Additional state judicial offices have been leased on Elizabeth Street bringing additional foot traffic into the downtown area.

The Valley Arts Council representing towns and cities in the Lower Naugatuck Valley has moved its offices into leased space on Elizabeth Street. The Council will refurbish and move permanently into a vacant fire house which housed a former homeless shelter. The group plans to bring arts and educational courses to children and the elderly in Derby.

In 2010 the City completed \$400,000 in renovations to its Senior Center. The grant funds were used for handicapped accessibility improvements, replacement and renovation of air conditioning and heating units, and a new roof.

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Population and Density

Year	Actual		Density¹
	Population	% Increase	
2017 ²	12,700	-1.6%	2,396.2
2010	12,902	4.1%	2,434.3
2000	12,391	1.6%	2,337.9
1990	12,199	-1.2%	2,301.7
1980	12,346	-2.0%	2,329.4
1970	12,599	-	2,377.2

¹ Per square mile: 5.3 square miles.

² American Community Survey 2013-2017

Source: U.S. Department of Commerce, Bureau of Census.

Age Distribution of the Population

Age	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	741	5.8%	186,188	5.2%
5 to 9 years	976	7.7	206,536	5.7%
10 to 14 years	597	4.7	225,831	6.3%
15 to 19 years	747	5.9	249,777	6.9%
20 to 24 years	655	5.2	245,849	6.8%
25 to 34 years	1,844	14.5	439,239	12.2%
35 to 44 years	1,351	10.6	433,401	12.1%
45 to 54 years	2,056	16.2	535,611	14.9%
55 to 59 years	1,046	8.2	266,501	7.4%
60 to 64 years	763	6.0	229,788	6.4%
65 to 74 years	1,100	8.7	318,515	8.9%
75 to 84 years	508	4.0	167,133	4.6%
85 years and over	316	2.5	90,109	2.5%
Total.....	12,700	100%	3,594,478	100%

Median Age (Years) 2017..... 40.9 40.8

Source: American Community Survey 2013-2017

Income Distribution

Income	City of Derby		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	91	3.1%	27,787	3.1%
10,000 - 14,999.....	54	1.9	16,143	1.8%
15,000 - 24,999.....	109	3.8	41,072	4.6%
25,000 - 34,999.....	197	6.8	52,218	5.8%
35,000 - 49,999.....	445	15.3	82,371	9.2%
50,000 - 74,999.....	668	23.0	134,356	15.0%
75,000 - 99,999.....	391	13.5	122,244	13.6%
100,000 - 149,999.....	527	18.2	186,352	20.8%
150,000 - 199,999.....	187	6.4	100,359	11.2%
200,000 and over.....	231	8.0	132,765	14.8%
Total.....	2,900	100.0%	895,667	100.0%

Source: American Community Survey 2013-2017

Income Levels

	City of Derby	State of Connecticut
Per Capita Income, 2017.....	\$ 30,321	\$ 41,365
Median Family Income, 2017.....	\$ 69,394	\$ 93,800
Median Household Income, 2017.....	\$ 57,432	\$ 73,781

Source: American Community Survey 2013-2017

Educational Attainment Years of School Completed Age 25 and Over

	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	475	5.1%	104,623	4.2%
9th to 12th grade.....	766	8.3	137,877	5.6
High School graduate.....	2,790	30.2	673,582	27.2
Some college, no degree.....	1,745	18.9	422,535	17.0
Associate's degree	1,049	11.3	188,481	7.6
Bachelor's degree.....	1,451	15.7	532,055	21.5
Graduate or professional degree.....	708	7.7	421,144	17.0
Total.....	9,247	100.0%	2,480,297	100.0%
Total high school graduate or higher (%)....		86.2%		90.2%
Total bachelor's degree or higher (%).....		24.0%		38.4%

Source: American Community Survey 2013-2017

Major Employers As of August 2019

Employer	Type of Business	Approximate Number of Employees
Griffin Hospital.....	Healthcare	1,200
City of Derby.....	Municipality	275
Home Depot.....	Retail	125
Walmart.....	Retail	125
Shop Rite.....	Supermarket	100
Lowe's.....	Retail	100
BJ's Wholesale Club.....	Retail	100
Adams'.....	Supermarket	80
United Healthcare.....	Healthcare	80
Edge Fitness.....	Gym	50
Quest Diagnostics.....	Healthcare	50
Starbucks.....	Restaurant	25

Source: City of Derby, Finance Department.

Employment by Industry
Employed Persons 16 Years and Over

Sector	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	-	0.0%	7,166	0.4%
Construction.....	614	9.7	104,122	5.8
Manufacturing.....	719	11.4	191,519	10.6
Wholesale trade.....	152	2.4	44,741	2.5
Retail trade.....	594	9.4	193,016	10.7
Transportation warehousing, and utilities....	206	3.3	68,926	3.8
Information.....	159	2.5	42,200	2.3
Finance, insurance, real estate, and leasing..	478	7.6	163,810	9.1
Professional, scientific, management, administrative, and waste management.....	903	14.3	208,130	11.5
Education, health and social services.....	1,479	23.4	478,083	26.5
Arts, entertainment, recreation, accommodation and food services.....	378	6.0	153,679	8.5
Other services (except public admin.).....	375	5.9	82,538	4.6
Public Administration.....	274	4.3	67,156	3.7
Total Labor Force, Employed.....	6,331	100%	1,805,086	100.0%

Source: American Community Survey 2013-2017

Employment Data
By Place of Residence

Period	City of Derby		Percentage Unemployed		
	Employed	Unemployed	City of Derby	Bridgeport / Stamford Labor Market	State of Connecticut
June 2019.....	6,500	308	4.5	3.9	3.9
Annual Average					
2018.....	6,402	350	5.2	4.1	4.1
2017.....	6,508	417	6.0	4.7	4.7
2016.....	6,451	453	6.5	5.2	5.3
2015.....	6,505	470	6.7	5.5	5.6
2014.....	6,366	548	7.9	6.4	6.7
2013.....	6,242	614	9.0	7.5	7.9
2012.....	6,287	679	9.7	8.0	8.3
2011.....	6,363	744	10.5	8.5	8.8
2010.....	6,388	775	10.8	8.7	9.0
2009.....	6,270	654	9.4	7.9	8.2

Source: State of Connecticut, Department of Labor.

Commute to Work

	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Drove alone	5,051	81.2%	1,387,093	78.2%
Car pools	510	8.2	143,925	8.1
Used public transportation	61	1.0	86,778	4.9
Walked	173	2.8	51,059	2.9
Used other means	104	1.7	19,988	1.1
Worked at home	325	5.2	85,156	4.8
Total	6,224	100.0%	1,773,999	100.0%
Mean travel to work (minutes)	23.5		26.0	

Source: American Community Survey 2013-2017

Age Distribution of Housing

Year Built	City of Derby		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	1,568	28.7%	338,011	22.4%
1940 to 1969.....	1,817	33.3	535,477	35.5
1970 to 1979.....	706	12.9	200,217	13.3
1980 to 1989.....	730	13.4	191,939	12.7
1990 to 1999.....	325	6.0	114,261	7.6
2000 or 2009.....	231	4.2	105,131	7.0
2010 or later.....	85	1.6	22,675	1.5
Total Housing Units.....	5,462	100.0%	1,507,711	100.0%

Source: American Community Survey 2013-2017

Housing Inventory

Housing Units	City of Derby		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	2,204	40.4%	892,621	59.2%
1-unit, attached.....	741	13.6	81,393	5.4
2 units.....	883	16.2	123,040	8.2
3 or 4 units.....	532	9.7	130,914	8.7
5 to 9 units.....	626	11.5	82,787	5.5
10 to 19 units.....	112	2.1	56,540	3.8
20 or more units.....	321	5.9	128,477	8.5
Mobile home.....	43	0.8	11,564	0.8
Boat, RV, van, etc.....	-	-	375	0.0
Total Inventory.....	5,462	100.0%	1,507,711	100.0%

Source: American Community Survey 2013-2017

Owner Occupied Housing Values

Specified Owner-Occupied Units	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	24	0.9%	24,038	2.7%
\$50,000 to \$99,000.....	120	4.3	29,789	3.3
\$100,000 to \$149,999.....	497	17.6	83,320	9.2
\$150,000 to \$199,000.....	827	29.3	141,024	15.6
\$200,000 to \$299,999.....	823	29.2	244,356	26.9
\$300,000 to \$499,999.....	438	15.5	236,671	26.1
\$500,000 to \$999,999.....	69	2.4	106,192	11.7
\$1,000,000 or more.....	24	0.9	41,408	4.6
Total.....	2,822	100.0%	906,798	100.0%
Median Value.....	\$194,600		\$270,100	

Source: American Community Survey 2013-2017

Building Permits

Fiscal Year	Number of		Value
Ending 6/30	Permits		
2018	580	\$	12,523,252
2017	749		9,207,439
2016	787		10,683,552
2015	310		1,959,832
2014	595		12,234,265
2013	564		8,216,327
2012	532		7,312,871
2011	643		8,770,719
2010	525		8,229,173
2009	689		9,446,685

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IV. Tax Base Data

Property Tax – Assessments

The City of Derby had a general property revaluation effective October 1, 2016. The City is preparing for its next revaluation effective October 1, 2021. Under Section 12-62 of the Connecticut General Statutes, the City must do a revaluation every five years based on generally accepted appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the City for inclusion onto the Grand List are the responsibilities of the City's Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located with the City on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the City by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the City; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 31. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent (8%) of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at six percent (6%) per annum, at such rate approved by the legislative body at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The City has not approved the use of this abatement provision to date.

Motor Vehicle Property Tax Cap: Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. For the assessment year October 1, 2017 (the fiscal year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The City's mill rate for motor vehicles for the fiscal year ending June 30, 2019 is 39.37 mills.

For the fiscal year ending June 30, 2019, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

Levy

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real estate and personal property tax bills are payable in two installments – July 1 and January 1.

Motor vehicle bills are due in full regardless of amount on July 1. Supplemental motor vehicle taxes (those vehicles registered between October 2 and July 31) are due in full on January 1. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is included as a revenue item in the budget. Delinquent taxes are sent out frequently at various times during the year, with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2.00. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after research determination, at which time they cease to be carried as receivables.

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 (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes which are deemed to be uncollectible.

Comparative Assessed Valuations

(\$ in Thousands)

Grand List of 10/1	Residential Real Property (%)	Commercial & Industrial Real Property (%)	Other Real Property (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List (000's)	Less Exemption	Net Taxable Grand List (000's)	Percent Change
2018	67.6	14.4	1.8	6.0	10.2	\$ 733,028	\$ 9,440	\$ 723,588	0.66
2017	66.6	17.6	1.7	6.2	9.9	726,695	7,862	718,833	0.40
2016 ¹	67.4	15.1	1.8	6.0	9.7	722,159	6,173	715,986	(0.31)
2015	64.9	17.7	1.8	5.9	9.7	723,601	5,353	718,248	(4.08)
2014	69.0	15.0	1.7	5.6	8.7	755,924	7,091	748,833	0.06
2013	69.0	14.8	1.8	5.8	8.6	754,753	6,354	748,399	0.48
2012	69.2	15.2	1.6	5.6	8.4	751,508	6,673	744,835	(0.07)
2011 ¹	69.1	15.3	1.5	5.7	8.4	752,076	6,727	745,349	(18.25)
2010	71.8	15.8	1.0	4.8	6.6	919,989	8,245	911,744	0.45
2009	72.0	16.0	1.1	4.5	6.4	916,168	8,473	907,695	(0.14)

¹ Revaluation.

Connecticut General Statutes Section 12-81(72) exempts new manufacturing equipment from property taxation by the City. The State of Connecticut will directly reimburse the City for 100% of the foregone taxes.

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Property Tax Levies and Collections

Fiscal Year Ending 6/30	Grand List of 10/1	Net Taxable Grand List (000s)	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2019
2020 ¹	2018	\$ 723,588	41.87	\$29,974,824	IN COLLECTION		
2019 ¹	2017	718,833	39.37	28,300,416	98.1%	1.9%	1.9%
2018	2016 ²	715,986	39.37	28,188,329	98.8%	1.2%	0.8%
2017	2015	718,248	39.37	28,277,423	98.7%	1.3%	0.5%
2016	2014	748,833	35.74	26,763,309	98.4%	1.6%	0.5%
2015	2013	748,399	35.74	26,747,798	96.8%	3.2%	0.4%
2014	2012	744,835	35.34	26,322,469	96.8%	3.2%	0.3%
2013	2011 ²	745,349	35.50	26,459,890	96.8%	3.2%	0.3%
2012	2010	911,744	27.90	25,437,658	96.6%	3.4%	0.3%
2011	2009	907,695	27.40	24,870,843	97.1%	2.9%	0.3%

¹ Subject to audit.

² Revaluation.

Sources: Tax Collector's Office, City of Derby.

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
United Illuminating.....	Utility	\$ 13,070,849	1.81%
500 NHA LLC.....	Shopping Center	10,341,660	1.43%
49 Pershing Drive LLC.....	Shopping Center	9,425,500	1.30%
Home Depot USA, Inc.....	Retail	8,899,091	1.23%
Antinozzi, Peter et al.....	Shopping Center	7,774,240	1.07%
Yankee Gas Services.....	Utility	6,509,898	0.90%
GMS Brothers & Sons LLC.....	Trucking Company	5,646,670	0.78%
Realty Income Sub 318, LLC.....	Real Estate	5,441,380	0.75%
Red Raider Derby LLC.....	Shopping Center	5,086,620	0.70%
Opuszyński, Jean A.....	Shopping Mall	2,939,300	0.41%
Total.....		\$ 75,135,208	10.38%

¹ Based on October 1, 2018 Net Taxable Grand List of \$723,588,000.

Source: Tax Assessor, City of Derby

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V. Debt Summary ¹
Principal Amount of Indebtedness
As of August 29, 2019
(Pro Forma)

Long-Term Debt			Amount of	Outstanding	Final
Dated	Purpose	Rate %	Original	After	Fiscal Year
			Issue	This Issue	Maturity
02/28/01	CWF.....	2.00	\$ 2,347,440	\$ 68,467	2020
09/03/15	Series B - Schools.....	2.00-5.00	8,580,000	2,130,000	2036
10/25/18	General Purpose.....	3.00-5.00	3,590,000	1,450,000	2039
10/25/18	Sewers.....	3.00-5.00	7,370,000	7,370,000	2039
10/25/18	School.....	3.00-5.00	1,620,000	640,000	2039
Total Outstanding.....			\$ 23,507,440	\$ 11,658,467	
This Issue					
08/29/19	Series A - General Purpose.....	<i>tbd</i>	\$ 938,700	\$ 938,700	2040
08/29/19	Series A - School.....	<i>tbd</i>	1,296,300	1,296,300	2040
08/29/19	Series A - Sewer.....	<i>tbd</i>	9,650,000	9,650,000	2040
08/29/19	Series B - General Purpose.....	<i>tbd</i>	4,838,400	4,838,400	2037
08/29/19	Series B - School.....	<i>tbd</i>	6,836,600	6,836,600	2037
Sub-Total This Issue.....			\$ 23,560,000	\$ 23,560,000	
Total.....			\$ 47,067,440	\$ 35,218,467	

¹ Excludes Refunded Bonds.

Outstanding Short-Term Debt

The City's \$5,330,000 of short-term BANs that mature on October 24, 2019 will be refunded by this issue.

State of Connecticut Clean Water Fund Program

The City of Derby is a participant in the State of Connecticut's Clean Water Fund Program (General Statutes Sections 22a-475 et seq., as amended), which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan).

Overlapping/Underlying Debt
As of August 29, 2019

The City of Derby has no overlapping or underlying debt.

Annual Bonded Debt Maturity Schedule
As of August 29, 2019
(Pro Forma)

Fiscal Year Ended 6/30	Principal Payments²	Interest Payments²	Total Payments	This Issue:		Total Principal	Cumulative Principal Retired %
				Series A Bonds	Series B Bonds		
2020 ¹	\$ 438,467	\$ 620,415	\$ 1,058,882	\$ -	\$ -	\$ 438,467	1.2%
2021	370,000	423,206	793,206	485,000	-	855,000	3.7%
2022	370,000	404,706	774,706	485,000	1,110,000	1,965,000	9.3%
2023	370,000	386,206	756,206	485,000	1,090,000	1,945,000	14.8%
2024	370,000	367,706	737,706	485,000	1,075,000	1,930,000	20.3%
2025	370,000	351,056	721,056	485,000	1,055,000	1,910,000	25.7%
2026	370,000	338,106	708,106	485,000	1,035,000	1,890,000	31.0%
2027	370,000	327,006	697,006	485,000	1,020,000	1,875,000	36.4%
2028	370,000	315,906	685,906	485,000	1,005,000	1,860,000	41.6%
2029	370,000	304,575	674,575	485,000	985,000	1,840,000	46.9%
2030	370,000	292,781	662,781	485,000	970,000	1,825,000	52.1%
2031	370,000	280,525	650,525	480,000	955,000	1,805,000	57.2%
2032	1,060,000	254,425	1,314,425	480,000	255,000	1,795,000	62.3%
2033	1,055,000	214,531	1,269,531	480,000	245,000	1,780,000	67.3%
2034	1,055,000	174,722	1,229,722	480,000	230,000	1,765,000	72.3%
2035	1,055,000	134,913	1,189,913	480,000	220,000	1,755,000	77.3%
2036	1,050,000	94,938	1,144,938	480,000	215,000	1,745,000	82.3%
2037	625,000	62,500	687,500	880,000	210,000	1,715,000	87.2%
2038	625,000	37,500	662,500	1,045,000	-	1,670,000	91.9%
2039	625,000	12,500	637,500	1,005,000	-	1,630,000	96.5%
2040	-	-	-	1,225,000	-	1,225,000	100.0%
Total.....	\$ 11,658,467	\$ 5,398,223	\$ 17,056,690	\$ 11,885,000	\$ 11,675,000	\$ 35,218,467	

¹ Excludes principal payments of \$1,119,343 and interest payments of \$207,290 made between July 1, 2019 and August 29, 2019.

² Excludes Refunded Bonds.

**THE CITY OF DERBY HAS NEVER DEFAULTED IN THE PAYMENT OF ITS
DEBT OBLIGATIONS EITHER AS TO PRINCIPAL OR INTEREST**

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Debt Statement
As of August 29, 2019
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose (Includes this Issue).....	\$ 7,227,100
Schools (Includes this Issue).....	10,902,900
Sewer (Includes this Issue).....	17,088,467
Total Long-Term Debt	35,218,467
Short-Term Debt	-
Total Direct Debt	35,218,467
Less: Self-Supporting Sewer Debt ¹	(17,088,467)
Total Direct Net Debt	18,130,000
Overlapping/Underlying Debt	-
Total Overall Net Debt	\$ 18,130,000

¹ Sewer debt is self-supporting.

Current Debt Ratios
As of August 29, 2019
(Pro Forma)

Population ¹	12,700
Net Taxable Grand List at 70% of Full Value (10/1/18)	\$ 723,588,000
Estimated Full Value	\$ 1,033,697,143
Equalized Net Taxable Grand List 2016 ²	\$ 1,028,072,827
Money Income per Capita (2017) ¹	\$ 30,321

	Total Direct Debt: \$35,218,467	Total Overall Net Debt: \$18,130,000
Debt per Capita.....	\$2,773.11	\$1,427.56
Ratio to Net Taxable Grand List.....	4.87%	2.51%
Ratio to Estimated Full Value.....	3.41%	1.75%
Ratio to Equalized Grand List.....	3.43%	1.76%
Debt per Capita to Money Income per Capita.....	9.15%	4.71%

¹ American Community Survey 2013-2017

² Office of Policy and Management, State of Connecticut.

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Bond Authorization

The City of Derby has the power to incur indebtedness as provided by the Connecticut General Statutes and the City Charter. The authorization of bonds or notes to finance public improvements must be approved by the Board of Aldermen and the Board of Apportionment and Taxation. After such approvals, the proposed borrowing must also be approved at referendum by the legal voters of the City.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years. Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost. The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except for notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the notes from time to time in terms not to exceed six months until such time that the final grant payments are received.

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system or a sewage system. In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year.

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

“Annual receipts from taxation” (the “base”) are defined as total tax collections including interest and penalties, late payment of taxes and state payments for revenue losses under Connecticut General Statutes Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

Statement of Debt Limitation
As of August 29, 2019
(Pro Forma)

Total Tax Collections (including interest and lien fees)

For the year ended June 30, 2018 \$ 28,461,741

Reimbursement For Revenue Loss:

Tax relief for elderly..... -

Base for Debt Limitation Computation..... \$ 28,461,741

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 64,038,917	-	-	-	-
4 1/2 times base.....	-	\$ 128,077,835	-	-	-
3 3/4 times base.....	-	-	\$ 106,731,529	-	-
3 1/4 times base.....	-	-	-	\$ 92,500,658	-
3 times base.....	-	-	-	-	\$ 85,385,223
Total Debt Limitation	\$ 64,038,917	\$ 128,077,835	\$ 106,731,529	\$ 92,500,658	\$ 85,385,223

Indebtedness:

Bonds Outstanding.....	1,450,000	2,770,000	7,438,467	-	-
Series A Bonds (This Issue).....	938,700	1,296,300	9,650,000	-	-
Series B Bonds (This Issue).....	4,838,400	6,836,600	-	-	-
Notes	-	-	-	-	-
Debt Authorized But Unissued	-	370,212	14,085,000	-	-
Total Indebtedness	7,227,100	11,273,112	31,173,467	-	-
Less: Self-supporting sewer debt ¹	-	-	(31,173,467)	-	-
Total Net Indebtedness	7,227,100	11,273,112	-	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS..... \$ 56,811,817 \$ 116,804,723 \$ 106,731,529 \$ 92,500,658 \$ 85,385,223

¹ Sewer debt is self-supporting.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$199,232,187.

Authorized but Unissued Debt
As of August 29, 2019
(Pro Forma)

Project	Aggregate Amount Authorized	Outstanding Notes Due: 10/24/19	Previously Bonded	Grants/ Paydowns/ Other Funds Applied	This Issue:		Authorized but Unissued
					Series A Bonds*	Series B Bonds*	
Refunding Bonds	\$ 20,000,000	\$ -	\$ -	\$ -	\$ 2,235,000	\$ 11,315,000	\$ -
Derby Middle School	28,000,000	330,000	8,580,000	18,359,788	-	360,000	370,212
School Roofs	5,955,000	-	1,620,000	3,805,397	-	-	529,603
Sewer Project	31,240,000	5,000,000	7,370,000	135,000	9,650,000	-	14,085,000
Total	\$ 85,195,000	\$ 5,330,000	\$ 17,570,000	\$ 22,300,185	\$ 11,885,000	\$ 11,675,000	\$ 14,984,815

Five-year Debt Statement Summary

Fiscal Year Ended 6/30	Net Assessed Value (000s)	Estimated Full Value ¹ (000s)	Net Long-Term Debt ² (000s)	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population ³	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income (%) ⁴
2019 ⁵	\$ 718,833	\$ 1,026,904	\$ 11,090	1.54%	1.08%	12,700	\$ 873.23	2.88%
2018	715,986	1,022,837	12,180	1.70%	1.19%	12,700	959.06	3.16%
2017	718,248	1,026,069	13,506	1.88%	1.32%	12,700	1,063.45	3.51%
2016	748,833	1,069,761	14,846	1.98%	1.39%	12,700	1,168.95	3.86%
2015	748,399	1,069,141	7,070	0.94%	0.66%	12,700	556.67	1.84%

¹ Assessment Ratio: 70%.

² Long-term debt less school building construction grants receivable.

³ U.S. Department of Commerce, Bureau of Census, American Community Survey 2013-2017.

⁴ Money Income per Capita: American Community Survey 2013-2017 data: \$30,321 used for all calculations.

⁵ Unaudited.

Comparison of Annual Debt Service to General Fund Expenditures and Transfers Out

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures ¹	Ratio of General Fund Debt Service Service To Total General Fund Expenditures
2019 ²	\$ 1,800,000	\$ 42,677,580	4.22%
2018	2,098,699	51,373,683	4.09%
2017	2,121,736	51,584,302	4.11%
2016	1,253,566	56,056,519	2.24%
2015	1,255,477	44,816,694	2.80%
2014	1,266,853	42,706,935	2.97%
2013	1,401,400	42,321,485	3.31%

¹ GAAP basis of accounting. Includes Transfers out.

² Unaudited

Source: Annual Audited Financial Statements.

VI. Financial Administration

Fiscal Year

The City's fiscal year begins July 1 and ends June 30.

Basis of Accounting

See footnote number 1 in "Notes to Financial Statements" of Appendix A.

Budget Procedure

The General Fund is prepared on a modified accrual basis of accounting and is authorized annually by the Board of Apportionment and Taxation (the "Board"). The City follows these procedures in its budget-making process:

- a) Each board of the City government and each officer of the City under whose control money is expended submits a budget request on or before April 1 to the Board.
- b) In May, the Board prepares a preliminary budget and holds public hearings, after which the Board may make modifications to the preliminary budget.
- c) Not later than three days after the last business day in May, the Board approves the final budget and fixes the tax rate. The Board 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 revenues 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.

General Fund appropriations typically lapse at year-end except appropriations for capital projects which continue until completion of the project. 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 appropriations at the project level. Total expenditures cannot exceed total appropriations by project, over the length of the project.

City Financial Operations

The City had a positive General Fund Balance as of June 30, 2017 of approximately \$1.2 million. During the audit process for fiscal year 2018, the Auditor determined that there were issues with the Board of Education accounts payable cut off dates for incurring expenses. The Auditor had to reverse accounts payable paid in fiscal year 2019 back to fiscal year 2018, resulting in a restatement of the General Fund Balance to approximately negative (\$1.4) million. Coupled with the General Fund Balance for fiscal year 2018 of (\$1,220,653), the City has a fund balance of approximately (\$2.5) million as of June 30, 2018.

In addition, the City overstated its revenue in each of the fiscal years 2017, 2018 and 2019 in an amount of approximately \$1.2 million, each year, respectively. This amount is the amount similar to the Alliance Grant which goes to the Board of Education. When the City finance office received the budget estimates for each of those years, the approximate \$1.2 million appeared to be included in the total State Education Cost Sharing Grant. It in fact was not, the result being the annual budgets had the figure similar to the Alliance Grant in twice. This resulted in overstating revenues for each of the years, respectively. This resulted in a budget shortfall and contributed to the reduction of General Fund Balance.

City's Approach to Eliminating Accumulated General Fund Deficit

In June 2019, the City developed an eight-point recovery plan that is expected to replenish the General Fund Balance to a positive position within weeks into the start of the fiscal year 2020 operating year. This plan includes increasing the mill rate (2.5 mill increase), sale of assets (\$450,000), adjusting long-term costs (\$1.08 million), budgeting General Fund Balance replenishment (\$700,000), possible tax sale (\$1.0 million), and debt restructuring (\$1.8 million) in fiscal year 2020.

For the fiscal year 2020 budget, the Board of Apportionment and Taxation adjusted their revenue figures to properly reflect anticipated revenue from the State, including the figure for the Alliance Grant.

The Board of Apportionment and Taxation increased taxes by 2.5 mills for fiscal year 2020. The fiscal year 2020 budget is structurally balanced.

The City and the Board of Education have commenced recording accounts payable and accrued payroll when incurred on a monthly basis. The Board of Education will be providing detail reports for accounts payable and payroll going forward. A reconciliation with the City's general ledger and the Board of Education ledger will be done on a monthly basis starting August 2019, to ensure that liabilities and expenditures are properly recorded.

The Board of Education has committed to utilize a double entry accounting software to reconcile cash, accounts receivable, accounts payable, deferred inflows of financial resources in addition to the income and expenditure ledgers that are already being utilized to have a complete self-balancing set of accounts. This will assist to quickly identify variances. That information will then be timely shared between the City and Board of Education to ensure that both the City and Board of Education ledgers are in agreement. Starting August 2019, such reconciliation will occur between the 15th and 30th of the month following the month end.

In addition, the City has begun a monthly review of the miscellaneous, grant and deferred revenue accounts prior to internal and external reporting of financial information. Additional staff will assist with the implementation of this new process.

Audit

The City of Derby, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent CPA firm to audit its financial records annually. The audit is conducted in compliance with Public Act 77-611 and contains the financial statements of the City and the auditor's opinion thereon, in addition to specific comments and recommendations. For the fiscal year ended June 30, 2018, the financial statements of the City were audited by MAWC, LLC, Shelton, Connecticut.

Liability 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 claims exceeding \$100,000.

See Note number 17 in "Notes to Financial Statements" of Appendix A.

Pension Plans

The City's various pension plans cover substantially all full-time employees of the City, except teachers, who are covered by the State Teachers' Retirement Fund. Teachers are required by law to contribute 7% of their salary to the State of Connecticut Teachers' Retirement Fund Board. Neither the City nor the Board of Education are required to make any contribution to this fund.

Police employees are covered by the Connecticut's Municipal Employees Retirement System (CMERS) which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The City's required contribution to CMERS for the fiscal year ended June 30, 2018 amounted to \$1,003,321. The City's required contribution to CMERS for the fiscal year ended June 30, 2019 amounted to \$811,673.

The plan provides retirement, disability and death benefits. General Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Policemen and Firemen-Compulsory retirement age for police and fire members is age 65. Normal Retirement: For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

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

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

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

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

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

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

General government employees are covered under a single-employer pension plan, the City of Derby Public Employee Retirement System. The most recent pension valuation report was completed as of July 1, 2017. City employees are required to contribute 3.5% of salary to the pension plan. The City's contribution to the plan in fiscal year 2018 amounted to \$672,000 or approximately 67% of Annual Pension Cost. The City has budgeted \$740,000 to the plan for fiscal year 2019, but will only contribute \$200,000. The remaining balance will be used to replenish General Fund Balance. This \$200,000 contribution represents approximately 25% of the Annual Pension Cost.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2017	\$ 14,352,906	\$ 17,158,942	\$ 2,806,036	83.6%	\$ 5,366,656	52.3%
7/1/2015	13,561,047	17,069,466	3,508,419	79.4%	4,990,591	70.3%
7/1/2013	10,830,382	13,948,946	3,118,564	77.6%	4,593,192	67.9%
7/1/2011	9,427,786	11,634,282	2,206,496	81.0%	4,405,936	50.1%
7/1/2009	8,968,572	10,602,983	1,634,411	84.6%	4,189,263	39.0%

Annual Pension Cost and Net Pension Obligation Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contributions	% of APC Contributed
6/30/2019 ¹	\$ 811,673	\$ 200,000	24.64%
6/30/2018	1,003,321	572,000	57.01%
6/30/2017	969,392	572,000	59.01%
6/30/2016	849,200	572,000	67.36%
6/30/2015	849,200	572,000	67.36%
6/30/2014	671,242	572,000	85.22%

¹ Unaudited. The City budgeted \$740,000 for FY 2019 but only contributed \$200,000 and the remaining \$540,000 will be used to replenish fund balance.

Sensitivity to Net Pension Liability

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

	1% Decrease to 6.00%	Current Discount Rate 7.00%	1% Increased to 8.00%
Net Pension Liability (Asset)			
Derby Police - MERS.....	\$ 5,149,134	\$ 2,956,423	\$ 1,130,109

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

	1% Decrease to 6.00%	Current Discount Rate 7.00%	1% Increased to 8.00%
Net Pension Liability (Asset)			
City Employees' Retirement.....	\$ 5,235,274	\$ 3,071,204	\$ 1,234,203

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 12” herein.

The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – An amendment of GASB Statement No. 25, which replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and GASB Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans.

Other Post-employment Benefits

In addition to providing pension benefits, the City also provides post-retirement health care benefits to all employees who retire from the City on or after attaining age 65. As of June 30, 2017, there were 110 retirees and beneficiaries receiving benefits. The cost of retirees' health benefits is recognized as an expenditure as claims are paid. An actuarial valuation was performed as of July 1, 2016 which determined the funding status of the Plan and determined the Annual Required Contribution (ARC) for fiscal years ending June 30, 2018 and June 30, 2019. The valuation determined an actuarial accrued liability of \$24,535,315, of which 0% is currently funded. Annual contributions made for the fiscal ended June 30, 2018 totaled about \$696,720 and the contribution for fiscal year ended June 30, 2019 was \$740,000.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2016	-	\$ 24,535,315	\$ 24,535,315	0.0%	\$18,977,100	129.3%
7/1/2014	-	25,953,329	25,953,329	0.0%	15,478,100	167.7%
7/1/2012	-	27,332,100	27,332,100	0.0%	14,583,700	187.4%
7/1/2010	-	24,088,600	24,088,600	0.0%	15,002,000	160.6%
7/1/2008	-	28,984,119	28,984,119	0.0%	14,840,533	195.3%

Source: The July 2018 valuation is in the process of being completed.

Annual OPEB Cost and Net OPEB Obligation Trend Information

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	% of AOC Contributed	OPEB Obligation
6/30/2019 ¹	\$ 3,272,895	\$ 740,000	22.61%	N/A
6/30/2018	3,218,099	696,720	21.65%	\$ 28,468,642
6/30/2017	3,103,859	916,225	29.52%	17,538,161
6/30/2016	3,060,650	1,218,120	39.80%	15,350,528
6/30/2015	2,754,017	642,507	23.33%	13,507,996
6/30/2014	2,732,653	697,975	25.54%	11,396,486

¹ Unaudited.

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease to 2.87%	Current Discount Rate 3.87%	1% Increased to 4.87%
Net OPEB Liability.....	\$29,589,978	\$34,552,232	\$25,585,798

Investment Practices

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 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.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 5” herein.

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 employees. 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.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 9” herein.

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 current year or the three prior years.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 15” herein.

Capital Improvement Plan

Purpose	Fiscal 2019-20	Fiscal 2020-21	Fiscal 2021-22	Fiscal 2022-23	Fiscal 2022-23	Total
Town & City Clerk.....	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Storm Ambulance.....	-	100,000	100,000	100,000	100,000	400,000
Fire Marshal.....	-	-	-	-	-	-
Fire Department.....	32,000	32,000	64,000	223,116	32,000	383,116
Public Works.....	10,000	10,000	10,000	10,000	10,000	50,000
City Hall.....	79,282	74,522	74,781	73,899	74,128	376,612
Library.....	800	800	800	800	800	4,000
Board of Education.....	66,148	140,000	153,000	133,000	133,000	625,148
Police Department.....	14,000	92,000	94,000	93,000	97,000	390,000
Total	\$ 202,230	\$ 469,322	\$ 496,581	\$ 633,815	\$ 446,928	\$ 2,248,876

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General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis)
Estimated Actual and Adopted Budget (Budgetary Basis)

	Adopted Budget 6/30/2020¹	Estimated Actual 6/30/2019²	Actual 6/30/2018	Actual 6/30/2017	Actual 6/30/2016	Actual 6/30/2015
Revenues:						
Property Taxes.....	\$ 30,155,824	\$ 28,187,640	\$ 28,392,020	\$ 28,363,970	\$ 26,811,205	\$ 27,110,958
Sale of Assets.....	-	1,450,000	-	-	-	-
Interest and Lien Fees.....	80,000	220,123	301,274	243,710	314,470	690,855
Intergovernmental..... ³	10,804,597	13,700,061	17,539,578	19,206,507	15,541,595	14,130,654
City Departments.....	3,299,295	4,751,697	3,075,637	3,934,576	3,220,734	2,267,729
Investment Income.....	77,000	56,000	133,755	7,485	9,108	69
Total.....	\$ 44,416,716	\$ 48,365,521	\$ 49,442,264	\$ 51,756,248	\$ 45,897,112	\$ 44,200,265
Expenditures:						
General Government	\$ 12,108,576	\$ 10,693,632	\$ 12,756,947	\$ 13,048,814	\$ 12,601,444	\$ 11,211,160
Public Safety	4,369,184	4,836,311	4,669,701	4,536,787	4,502,880	4,197,713
Public Works	3,332,924	3,039,150	3,252,297	3,586,737	3,287,888	3,411,236
Culture and Recreation.....	936,833	943,667	970,335	982,455	987,745	913,398
Health & Welfare.....	354,320	358,246	310,247	267,395	297,162	283,205
Board of Education..... ³	20,508,606	22,469,971	26,691,955	26,469,328	23,611,655	22,108,184
Capital Outlay.....	555,468	589,968	623,502	571,050	834,179	993,446
Debt Service	1,031,689	1,800,000	2,098,699	2,121,736	1,253,566	1,255,477
Fund Balance Replenishment.....	1,200,000	740,000	-	-	-	-
Total.....	\$ 44,397,600	\$ 45,470,945	\$ 51,373,683	\$ 51,584,302	\$ 47,376,519	\$ 44,373,819
Excess (Deficiency) of Revenues						
Over Expenditures.....	19,116	2,894,576	(1,931,419)	171,946	(1,479,407)	(173,554)
Other financing sources (uses):						
Proceeds from Bond Issuance.....	-	-	-	-	12,460,000	-
Premium on Bond Proceeds.....	-	-	-	-	682,584	-
Payments to Escrow Agent.....	-	-	-	-	(4,101,743)	-
Transfers In.....	-	-	810,766	-	56,350	-
Transfers Out.....	-	-	-	-	(8,680,000)	(442,875)
Total Other financing sources (uses).....	-	-	810,766	-	417,191	(442,875)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....						
Fund Balance, Beginning of Year.....	349,620	(2,544,956)	(1,424,303)⁴	1,038,354	2,100,570	2,716,999
Fund Balance, End of Year.....	\$ 368,736	\$ 349,620	\$ (2,544,956)	\$ 1,210,300	\$ 1,038,354	\$ 2,100,570

¹ Budgetary basis of accounting.

² Subject to audit.

³ The Board of Education pass through grants are not included in the 6/30/2020 adopted budget.

⁴ Restated.

Municipal General Budget Expenditures Cap: Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2017-2019 biennium budget legislation did not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2018 and June 30, 2019. The 2019-2021 biennium budget legislation does not provide funding for the municipal revenue sharing grant in fiscal years June 30, 2020 and June 30, 2021, but provides that such funding will resume following July 1, 2021.

Comparative Balance Sheets - General Fund

	6/30/2018	6/30/2017 ¹	6/30/2016	6/30/2015	6/30/2014
Assets					
Cash and Cash Equivalents.....	\$ 2,061,444	\$ 3,489,505	\$ 3,013,959	\$ 1,528,077	\$ 2,428,302
Investments.....	-	-	-	-	-
Receivables:					
Property taxes	981,364	928,228	917,167	1,134,900	1,893,537
Other	273,225	92,581	356,448	348,060	1,576,044
Intergovernmental	204,331	26,623	799,492	337,937	177,561
Due from Other Funds.....	743,815	591,532	916,811	1,055,601	285,101
Other Assets.....	-	-	-	-	-
Total Assets	4,264,179	5,128,469	6,003,877	4,404,575	6,360,545
Liabilities and Fund Balances					
Accounts Payable	4,479,708	2,318,499	1,406,130	1,183,440	1,496,855
Deferred Revenue	-	-	-	-	2,059,159
Due to Other Funds.....	1,036,531	500,000	1,247,654	-	87,532
Total Liabilities	5,516,239	2,818,499	2,653,784	1,183,440	3,643,546
Deferred Inflows of Resources					
Deferred Revenues.....	1,292,896	1,099,670	2,311,739	1,120,565	-
Total Deferred Inflows of Resources	1,292,896	1,099,670	2,311,739	1,120,565	-
Fund Balances					
Nonspendable.....	-	-	-	-	-
Restricted.....	-	-	-	-	-
Assigned.....	-	-	-	-	-
Unassigned.....	(2,544,956)	1,210,300	1,038,354	2,100,570	2,716,999
Total Fund Balance	(2,544,956)	1,210,300	1,038,354	2,100,570	2,716,999
Total Liabilities, Fund Balance and Deferred Inflows of Resources	4,264,179	5,128,469	6,003,877	4,404,575	6,360,545
Analysis of General Fund Balance					
Operating revenues	\$ 49,442,264	\$ 51,756,248	\$ 45,897,112	\$ 44,200,265	\$ 43,430,691
Fund balance as a percent of operating revenues	-5.15%	2.34%	2.26%	4.75%	6.26%
Unassigned fund balance as a percent of operating revenues	-5.15%	2.34%	2.26%	4.75%	6.26%

¹ The 2017 fund balance was restated to negative \$1,424,303

Intergovernmental Revenues as a Percent of General Fund Revenues

Fiscal Year Ended 6/30	Intergovernmental Revenues	Total Revenues	Percent
2019 ¹	\$ 13,700,061	\$ 48,365,521	28.33%
2018	17,539,578	49,442,264	35.47%
2017	19,206,507	51,756,248	37.11%
2016	15,541,595	45,897,112	33.86%
2015	14,130,654	44,200,265	31.97%
2014	13,542,428	43,430,691	31.18%
2013	13,667,576	42,672,131	32.03%

¹ Subject to audit.

Source: Annual Audited Financial Statements.

VII. Legal and Other Information

Litigation

Following consultation with the City Attorney, and other attorneys providing legal services to the City, City officials advise that the City of Derby, Connecticut, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the City officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the City which would materially adversely affect its financial position.

Documents Furnished at Delivery

Upon delivery of the Bonds, the Underwriter will be furnished with the following:

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the City, signed by the Mayor and the Treasurer which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that on the date of execution of the Bond Purchase Agreement for the Bonds, and on the date of delivery of and payment for the Bonds, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds.
4. The approving opinions of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut, in substantially the forms attached hereto as Appendices B-1 and B-2.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C.
6. A copy of the Escrow Agreement.
7. Any other documents required by the Bond Purchase Agreement for the Bonds.

A record of the proceedings taken by the City in authorizing the Bonds will be kept on file at the principal office of the Certifying Agent, U.S. Bank National Association, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103 and may be examined upon reasonable request.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the City, and executed for and on behalf of the City by the following officials:

CITY OF DERBY, CONNECTICUT

By _____
Richard Dziekan
Mayor

By _____
Keith A. McLiverty
Treasurer

Dated: August __, 2019

Appendix A

2018 Financial Statements Excerpted from the City's Audited Financial Statements

The following includes the Audited Financial Statements of the City of Derby, Connecticut for the fiscal year ended June 30, 2018. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.



Guiding Successful People

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Principals
John A. Accavallo CPA
Darin L. Offerdahl MBA CPA
Kerry L. Emerson

Sandra M. Woodbridge CPA*
Dominic L. Cusano MBA CPA*
*indicates retired

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Employer Contributions, Changes in the Net Pension Liability and Related Ratios, City's Municipal Employers' Retirement System Contributions, City's Proportionate Share of Net Pension Liability-Teachers Retirement System and the City's Total OPEB Liability and Related Ratios on pages 5-11 and pages 65-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated on our consideration of the City of Derby, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Derby, Connecticut's internal control over financial reporting and compliance.

MAWC, LLC

Shelton, Connecticut
March 22, 2019

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, 2018. 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 \$21,739 (*net position*).
- The government's total net position decreased by \$4,661.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund deficit of \$6,342, a decrease in the deficiency of \$5,581 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$(2,545) or (4.95%) of total general fund expenditures.
- The City's governmental funds total debt increased by \$3,422 or 6.04% during the current fiscal year.
- The City's business-type activities total debt decreased by \$202 or 41.54% 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Library Endowment, the Field House Project, School Roof 2014 and the Sewer 2015, Roads 2015 funds, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 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 25-63 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information — In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on page 65-69 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 72-80 of this report followed by other schedules.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of City, assets exceeded liabilities by \$21,739 (Net position) at the close of the fiscal year ended June 30, 2018.

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	
	As restated				As restated	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,846	\$ 9,189	\$ 3,132	\$ 3,299	\$ 16,978	\$ 12,488
Capital assets	73,701	73,123	5,524	5,514	79,225	78,637
Total assets	87,547	82,312	8,656	8,813	96,203	91,125
Deferred outflows of resources	-	1,944	-	-	-	1,944
Long-term liabilities outstanding	\$ 53,247	54,349	285	457	53,532	54,806
Other liabilities	19,300	11,377	355	487	19,655	11,864
Total liabilities	72,547	65,726	640	944	73,187	66,670
Deferred inflows of resources	1,279	-	-	-	1,279	-
Net assets:						
Invested in capital assets, net of related debt	46,466	49,713	5,239	5,057	51,705	54,770
Restricted	9	9	-	-	9	9
Unrestricted	(32,754)	(31,192)	2,778	2,812	(29,976)	(28,380)
Total net position	\$ 13,721	\$ 18,530	8,017	\$ 7,869	\$ 21,738	\$ 26,399

At the close of the fiscal year ended June 30, 2018, the City is able to report positive balances in all categories of net position as a whole for its separate governmental and business-type activities. All categories in the prior year were able to report positive net asset numbers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government total net position decreased by \$4,661 in the current fiscal year. The majority of this decrease was due to unanticipated increases in insurance costs and the City receiving less in anticipated state grants.

Governmental Activities — Governmental activities decreased the City's net position by \$4,950, thereby accounting for the decrease in the net position of City. Key elements of this increase are as follows:

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

	Governmental Activities		Business-type Activities		Total	
	As restated				As restated	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 1,307	\$ 1,523	\$ 2,593	\$ 2,661	\$ 3,900	\$ 4,184
Operating grants and contributions	16,806	18,204	-	-	16,806	18,204
Capital Grants and contributions	492	535	-	-	492	535
General revenues:						
Property Taxes	28,688	28,633	-	-	28,688	28,633
Grants and contributions not restricted to specific programs	2,939	3,829	-	-	2,939	3,829
Unrestricted investment earnings	262	147	-	-	262	147
TOTAL REVENUES	50,494	52,871	2,593	2,661	53,087	55,532
EXPENSES						
General government	14,640	15,594	-	-	14,640	15,594
Public works	3,727	4,052	2,304	2,305	6,031	6,357
Public safety	5,168	5,648	-	-	5,168	5,648
Culture and recreation	1,349	1,466	-	-	1,349	1,466
Health and welfare	1,126	1,135	-	-	1,126	1,135
Education	27,478	27,288	-	-	27,478	27,288
Capital outlay	1,200	651	-	-	1,200	651
Debt service	756	765	-	-	756	765
TOTAL EXPENSES	55,444	56,599	2,304	2,305	57,748	58,904
Increase (Decrease) in Net Position before transfers	(4,950)	(3,728)	289	356	(4,661)	(3,372)
Transfers	141	-	(141)	-	-	-
INCREASE(DECREASE) IN NET POSITION	(4,809)	(3,728)	148	356	(4,661)	(3,372)
Net position at beginning of year, as restated	18,530	22,258	7,869	7,513	26,399	29,771
NET POSITION, ending	\$ 13,721	\$ 18,530	\$ 8,017	\$ 7,869	\$ 21,738	\$ 26,399

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

- The Water Pollution Control Authority revenues were significantly higher than expenses by \$289, due to steady revenues and slightly reduced expenses compared to the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUNDS FINANCIAL ANALYSIS

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance-deficit of \$6,342, a decrease in the deficiency of \$5,581 in comparison with the prior year. This deficit is primarily caused by the General Fund (\$2,545), Sewer 2015(\$4,417) Roads 2015(\$2,715) Projects which will be eliminated with reduced spending, increased taxes and a future bond issue.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the unassigned fund was \$(2,545). 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 \$51,374. Unreserved and total fund balance represents (4.95%) of total general fund expenditures.

The general fund balance decreased by \$1,931 before operating transfers in , during the current fiscal year. Key factors in this incline are as follows:

- A decrease in Intergovernmental revenues of \$1,680
- An increase in General Government expenditures of \$180.
- An increase in Public Safety of \$129.
- An increase in Board of Education expenditures of \$994.
- An increase in Board of Education grant expenditures of \$913 which are offset against grant revenues.
- An increase in Debt Service of \$868.
- A decrease in Capital Outlay of \$518.
- A decrease in Public Works of \$334.

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 \$7,242 of which \$4,635 represents an investment in capital assets net of related debt. Net position of the Parking Authority at the end of the year amounted to \$775 of which \$605 represents an investment in capital assets net of related debt. The total increase in net position for the Business-Type Activities- Enterprise Fund was \$148. 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 (\$693 increase in appropriations) can be briefly summarized as follows:

- \$299 in increases in General Government which was primarily due to increased workers compensation costs.
- \$92 in increases in Public Safety primarily due to overtime-extra duty wages.
- \$170 in increases in Public Works primarily increased wages and motorized maintenance costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018, amounts to \$79,226 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and infrastructure. The total decrease in the City's governmental activities investment in capital assets for the current fiscal year was \$3,059 increase (2.78%) for governmental activities and \$309 increase (3.08%) for business-type activities.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 6,552	\$ 595	\$ 7,147
Construction in progress	1,151	-	1,151
Buildings and system	40,526	3,576	44,102
Machinery and equipment	2,216	1,354	3,570
Infrastructure	23,256	-	23,256
	<u>\$ 73,701</u>	<u>\$ 5,525</u>	<u>\$ 79,226</u>

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

LONG TERM DEBT

Long-Term Debt — At the end of the current fiscal year, the City and WPCA had total bonded debt and notes payable outstanding of \$12,180 and \$488 (including a capital lease of \$126), respectively. This amount is backed by the full faith and credit of the government.

Net Pension Liability — At the end of the current fiscal year, the City had total net pension liability of \$6,028. This obligation decreased \$2,880 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 \$29,590. This obligation increased \$1,121 during the fiscal year.

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

	Principal	Interest
Governmental Activities		
Due in one year	\$ 1,090	\$ 394
Due in 2 to 6 years	4,960	1,408
Due in 7 to 11 years	3,140	697
Due in 12 to 16 years	2,140	329
Due in 17 to 20 years	850	30
	<u>\$ 12,180</u>	<u>\$ 2,858</u>
Business-type Activities		
Due in one year	\$ 117	\$ 3
Due in the next 2 to 6 years	78	1
	<u>\$ 196</u>	<u>\$ 4</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City’s governmental activities total debt increased by \$3,422 (6.04%) and business type activities decreased by \$203 (41.54%) during the current fiscal year.

The City maintains an “AA-” rating from Standard & Poor’s for general obligation debt.

The current debt limitation for the City is \$199,232, 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 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- The unemployment rate for the County for the fiscal year decreased to 5.5% vs. 6.2% in the prior year, consistent with the Connecticut unemployment rate.
- The Connecticut state government has been reporting an anticipated deficit for 2017-2018, which will translate into decreased State aid to the City.
- Inflationary trends in the region are comparable to the national indices.

All of these factors were considered in preparing the City’s budget for the 2018-2019 fiscal year.

During the current fiscal year, undesignated and unreserved fund balance in the general fund decreased to \$(2,545). The City has not appropriated any amounts of fund balance for spending in the 2018-2019 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,640,039	\$ 2,867,288	\$ 13,507,327
Investments	1,205,801	-	1,205,801
Receivables:			
Property taxes, net of allowance for collection losses of \$220,000	981,364	-	981,364
Special assessments, net of allowance for collection losses of \$3,232	-	245,875	245,875
Intergovernmental	432,207	-	432,207
Other	273,225	86,432	359,657
Notes receivable	58,946	-	58,946
Inventories	9,260	-	9,260
Due from other funds	245,521	(66,972)	178,549
Capital assets (net of accumulated depreciation)			
Land	6,551,792	594,858	7,146,650
Buildings	40,526,255	3,576,119	44,102,374
Machinery and equipment	2,215,760	1,353,509	3,569,269
Construction in progress	1,150,898	-	1,150,898
Infrastructure	23,256,159	-	23,256,159
TOTAL ASSETS	\$ 87,547,227	\$ 8,657,109	\$ 96,204,336
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,355,669	\$ 354,949	\$ 5,710,618
Deferred revenue - grants	584,239	-	584,239
Bonds anticipation notes	13,360,000	-	13,360,000
Notes Payable:			
Due within one year	1,455,717	193,718	1,649,435
Due in more than one year	51,791,641	91,551	51,883,192
TOTAL LIABILITIES	72,547,266	640,218	73,187,484
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	1,278,512	-	1,278,512
NET POSITION			
Investment in capital assets, net of related debt	46,465,527	5,239,217	51,704,744
Restricted for:			
Inventories	9,260	-	9,260
Unrestricted:			
Net position	(32,753,338)	2,777,674	(29,975,664)
TOTAL NET POSITION	13,721,449	8,016,891	21,738,340
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 87,547,227	\$ 8,657,109	\$ 96,204,336

See notes to financial statements.

**CITY OF DERBY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

		Program Revenues			Changes in Net Assets Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ (14,638,523)	\$ 542,671	\$ 544,516	\$ 4,599	\$ (13,546,737)		\$ (13,546,737)
Public works	(3,727,354)	1,422	-	379,123	(3,346,809)		(3,346,809)
Public safety	(5,168,104)	600,955	9,120	-	(4,558,029)		(4,558,029)
Culture and recreation	(1,349,460)	99	2,573	-	(1,346,788)		(1,346,788)
Health and welfare	(1,126,059)	161,811	678,638	-	(285,610)		(285,610)
Education	(27,477,996)	-	15,570,839	79,564	(11,827,593)		(11,827,593)
Capital outlay	(1,200,469)	-	-	29,035	(1,171,434)		(1,171,434)
Debt service	(756,194)	-	-	-	(756,194)		(756,194)
TOTAL GOVERNMENTAL ACTIVITIES	(55,444,159)	1,306,958	16,805,686	492,321	(36,839,194)		(36,839,194)
TOTAL BUSINESS-TYPE ACTIVITIES-							
SEWER AND PARKING AUTHORITY	(2,304,188)	2,593,386	-	-	-	\$ 289,198	289,198
TOTAL PRIMARY GOVERNMENT	<u>\$ (57,748,347)</u>	<u>\$ 3,900,344</u>	<u>\$ 16,805,686</u>	<u>\$ 492,321</u>	(36,839,194)	289,198	(36,549,996)
GENERAL REVENUES							
Property taxes					28,687,887	-	28,687,887
Grants and contributions not restricted to specific programs					2,938,679	-	2,938,679
Unrestricted investment earnings(loss)					263,003	79	263,082
TRANSFERS					141,275	(141,275)	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>32,030,844</u>	<u>(141,196)</u>	<u>31,889,648</u>
CHANGE IN NET POSITION					(4,808,350)	148,002	(4,660,348)
NET POSITION AT JULY 1, 2017, as restated (Note 19)					<u>18,529,799</u>	<u>7,868,889</u>	<u>26,398,688</u>
NET POSITION AT JUNE 30, 2018					\$ 13,721,449	\$ 8,016,891	\$ 21,738,340

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Library Endowment Fund</u>	<u>Field House Project</u>	<u>School Roof 2014</u>	<u>Sewer 2015</u>	<u>Roads 2015</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS								
Cash and cash equivalents	\$ 2,061,444	\$ 15,834	\$ 3,869,406	\$ 297,736	\$ 2,718,911	\$ 1,170,897	\$ 505,807	\$ 10,640,035
Investments	-	1,205,801	-	-	-	-	-	1,205,801
Receivables:								
Property taxes, net of allowance of \$220,000	981,364	-	-	-	-	-	-	981,364
Intergovernmental	204,331	-	-	-	-	-	227,876	432,207
Other	273,225	-	-	-	-	-	58,946	332,171
Inventories	-	-	-	-	-	-	9,260	9,260
Due from other funds	743,815	-	-	-	877,285	-	252,498	1,873,598
TOTAL ASSETS	<u>\$ 4,264,179</u>	<u>\$ 1,221,635</u>	<u>\$ 3,869,406</u>	<u>\$ 297,736</u>	<u>\$ 3,596,196</u>	<u>\$ 1,170,897</u>	<u>\$ 1,054,387</u>	<u>\$ 15,474,436</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 4,479,708	\$ -	\$ -	\$ -	\$ 577,959	\$ 185,775	\$ 112,223	\$ 5,355,665
Bond anticipation notes payable	-	-	-	1,775,000	7,435,000	3,700,000	450,000	13,360,000
Due to other funds	1,036,531	-	-	394,685	-	-	196,861	1,628,077
TOTAL LIABILITIES	<u>5,516,239</u>	<u>-</u>	<u>-</u>	<u>2,169,685</u>	<u>8,012,959</u>	<u>3,885,775</u>	<u>759,084</u>	<u>20,343,742</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue-taxes	888,799	-	-	-	-	-	-	888,799
Deferred revenue-grants	404,097	-	-	-	-	-	180,142	584,239
	1,292,896	-	-	-	-	-	180,142	1,473,038
FUND BALANCES(DEFICITS)								
Nonspendable	-	-	-	-	-	-	9,260	9,260
Restricted	-	1,205,801	3,869,406	-	-	-	443,017	5,518,224
Assigned	-	15,834	-	-	-	-	-	15,834
Unassigned	(2,544,956)	-	-	(1,871,949)	(4,416,763)	(2,714,878)	(337,116)	(11,885,662)
TOTAL FUND BALANCES (DEFICIT)	<u>(2,544,956)</u>	<u>1,221,635</u>	<u>3,869,406</u>	<u>(1,871,949)</u>	<u>(4,416,763)</u>	<u>(2,714,878)</u>	<u>115,161</u>	<u>(6,342,344)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,264,179</u>	<u>\$ 1,221,635</u>	<u>\$ 3,869,406</u>	<u>\$ 297,736</u>	<u>\$ 3,596,196</u>	<u>\$ 1,170,897</u>	<u>\$ 1,054,387</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.								73,700,864
Long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.								888,799
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.								(1,278,512)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.								(53,247,358)
Net position of governmental activities								<u>\$ 13,721,449</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, 2018

	Library					Other		Total
	General	Endowment Fund	Field House Project	School Roof 2014	Sewer 2015	Roads 2015	Governmental Funds	Governmental Funds
REVENUES								
Property taxes	\$ 28,392,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,392,020
Interest and lien fees	301,274	-	-	-	-	-	-	301,274
Intergovernmental	17,539,578	-	-	-	-	-	702,731	18,242,309
City departments	3,075,637	-	-	-	-	-	161,811	3,237,448
Net increase(decrease) in fair market value of investments	-	96,377	-	-	-	-	-	96,377
Other	-	45,937	-	-	-	-	-	45,937
Investment income	133,755	27	17,285	-	11,484	-	33,108	195,659
TOTAL REVENUES	49,442,264	142,341	17,285	-	11,484	-	897,650	50,511,024
EXPENDITURES								
Current:								
General government	12,756,947	-	-	-	-	-	157,930	12,914,877
Public safety	4,669,701	-	-	-	-	-	-	4,669,701
Public works	3,252,297	-	-	-	-	-	-	3,252,297
Culture and recreation	970,335	41,257	-	-	-	-	-	1,011,592
Health and welfare	310,247	-	-	-	-	-	751,605	1,061,852
Board of education-operations	22,167,168	-	-	-	-	-	-	22,167,168
Board of education-grants	4,524,787	-	-	-	-	-	-	4,524,787
Capital outlay	623,502	-	1,103,024	5,400	1,673,296	1,126,625	24	4,531,871
Debt service:								
Principal retirement	1,325,800	-	-	-	-	-	-	1,325,800
Interest	772,899	-	-	-	-	-	-	772,899
TOTAL EXPENDITURES	51,373,683	41,257	1,103,024	5,400	1,673,296	1,126,625	909,559	56,232,844
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,931,419)	101,084	(1,085,739)	(5,400)	(1,661,812)	(1,126,625)	(11,909)	(5,721,820)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	810,766	-	-	65,000	-	-	10,000	885,766
Operating transfers out	-	(45,000)	-	-	(699,491)	-	-	(744,491)
TOTAL OTHER FINANCING (USES) SOURCES	810,766	(45,000)	-	65,000	(699,491)	-	10,000	141,275
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,120,653)	56,084	(1,085,739)	59,600	(2,361,303)	(1,126,625)	(1,909)	(5,580,545)
Fund balance(deficit) at July 1, 2017, as restated	(1,424,303)	1,165,551	4,955,145	(1,931,549)	(2,055,460)	(1,588,253)	117,070	(761,799)
FUND BALANCES (DEFICIT) AT JUNE 30, 2018	\$ (2,544,956)	\$ 1,221,635	\$ 3,869,406	\$ (1,871,949)	\$ (4,416,763)	\$ (2,714,878)	\$ 115,161	\$ (6,342,344)

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, 2018**

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

Net change in fund balances - total governmental funds	\$ (5,580,545)
--	----------------

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.	578,254
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Revenues that are reported as in the year revenues provide current financial resources to governmental funds.	(5,403)
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City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.	(343,019)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<div style="border-top: 1px solid black; display: inline-block;">542,363</div>
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Change in Net Position	\$ <u>(4,808,350)</u>
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CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual	Final Budget-
	Budget	Budget		Favorable
				(Unfavorable)
REVENUES				
Property taxes	\$ 28,082,466	\$ 28,082,466	\$ 28,392,020	\$ 309,554
Interest and lien fees	80,000	80,000	301,274	221,274
Intergovernmental	11,935,407	11,941,790	13,741,275	1,799,485
Investment income	10,000	10,000	133,755	123,755
City departments	<u>2,311,362</u>	<u>2,997,997</u>	<u>3,075,637</u>	<u>77,640</u>
TOTAL REVENUES	42,419,235	43,112,253	45,643,961	2,531,708
EXPENDITURES				
Current				
General government	12,350,499	12,650,314	12,756,947	(106,633)
Public safety	4,242,055	4,333,558	4,669,701	(336,143)
Public works	3,344,201	3,513,759	3,252,297	261,462
Culture and recreation	976,204	1,016,924	970,335	46,589
Health and welfare	337,059	352,269	310,247	42,022
Board of Education-operations	18,389,806	18,389,806	18,368,865	20,941
Board of Education-grants	-	-	4,524,787	(4,524,787)
Capital outlay	591,968	668,180	623,502	44,678
Debt service				
Principal retirements	2,187,443	2,039,958	1,325,800	714,158
Interest	<u>-</u>	<u>147,485</u>	<u>772,899</u>	<u>(625,414)</u>
TOTAL EXPENDITURES	<u>42,419,235</u>	<u>43,112,253</u>	<u>47,575,380</u>	<u>(4,463,127)</u>
REVENUES OVER(UNDER) EXPENDITURES	-	-	(1,931,419)	(1,931,419)
OTHER FINANCING SOURCES				
Operating transfer in	<u>-</u>	<u>-</u>	810,766	<u>810,766</u>
REVENUES AND OTHER FINANCING				
SOURCES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(1,120,653)	<u>\$ (1,120,653)</u>
Fund balance(deficit) at July 1, 2017, as restated (Note 19)			<u>(1,424,303)</u>	
FUND BALANCE(DEFICIT) AT JUNE 30, 2018			<u>\$ (2,544,956)</u>	

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

Business-type Activities - Enterprise Funds			
	Water Pollution Control Authority	Parking Authority	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 2,768,820	\$ 98,468	\$ 2,867,288
Sewer assessments receivable (net of allowance for uncollectible of \$3,232)	245,875	-	245,875
Grant receivable	-	-	-
Accounts receivable	-	86,432	86,432
Due from other funds	76,898	-	76,898
TOTAL CURRENT ASSETS	3,091,593	184,900	3,276,493
CAPITAL ASSETS (net of accumulated depreciation)			
Land	212,500	382,358	594,858
Buildings	3,358,278	217,842	3,576,120
Machinery and equipment	1,349,082	4,427	1,353,509
	4,919,860	604,627	5,524,487
TOTAL ASSETS	\$ 8,011,453	\$ 789,527	\$ 8,800,980
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 343,328	\$ 11,621	\$ 354,949
Due to other funds	141,275	2,595	143,870
Capital lease-current portion	76,346	-	76,346
Bonds and loan payable-current portion	117,372	-	117,372
TOTAL CURRENT LIABILITIES	678,321	14,216	692,537
NONCURRENT LIABILITIES			
Capital lease	13,303	-	13,303
Bonds and loan payable	78,248	-	78,248
TOTAL LIABILITIES	769,872	14,216	784,088
NET POSITION			
Investment in capital assets, net of related debt	4,634,591	604,627	5,239,218
Unrestricted	2,606,990	170,684	2,777,674
TOTAL NET POSITION	7,241,581	775,311	8,016,892
TOTAL LIABILITIES AND NET POSITION	\$ 8,011,453	\$ 789,527	\$ 8,800,980

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business Type Activities- Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
OPERATING REVENUES			
Sewer usage fees	\$ 2,407,258	\$ -	\$ 2,407,258
Rental and fees	-	144,048	144,048
Other revenues	15,694	-	15,694
Interest and lien fees	26,387	-	26,387
Total operating revenues	2,449,339	144,048	2,593,387
OPERATING EXPENSES	2,153,869	135,965	2,289,834
OPERATING INCOME(LOSS)	295,470	8,083	303,553
NONOPERATING REVENUES (EXPENSES)			
Grant income	-	-	-
Interest income	79	-	79
Interest expense	(14,354)	-	(14,354)
Total nonoperating income(expense)	(14,275)	-	(14,275)
OPERATING TRANSFERS OUT	(141,275)	-	(141,275)
CHANGE IN NET POSITION	139,920	8,083	148,003
Net position at July 1, 2017	7,101,661	767,228	7,868,889
NET POSITION AT JUNE 30, 2018	<u>\$ 7,241,581</u>	<u>\$ 775,311</u>	<u>\$ 8,016,892</u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	Water Pollution Control Authority	Parking Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,716,790	\$ 112,942	\$ 2,829,732
Cash payments to suppliers	(1,414,453)	(114,243)	(1,528,696)
Due to general fund	-	(72,687)	(72,687)
Cash payments to employees	(595,970)	-	(595,970)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	706,367	(73,988)	632,379
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Purchase of capital assets	(308,851)	-	(308,851)
Payment of principal and interest	(185,835)	-	(185,835)
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	(494,686)	-	(494,686)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	79	-	79
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	211,760	(73,988)	137,772
Cash and cash equivalents at July 1, 2017	2,557,060	172,456	2,729,516
Cash and cash equivalents at June 30, 2018	<u>\$ 2,768,820</u>	<u>\$ 98,468</u>	<u>\$ 2,867,288</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss) from operations	\$ 295,470	\$ 8,083	\$ 303,553
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	283,043	15,269	298,312
Changes in assets and liabilities:			
Accounts receivable	344,347	(31,105)	313,242
Due from other funds	(76,899)	-	(76,899)
Accounts payable	(139,594)	6,452	(133,142)
Due to other funds	-	(72,687)	(72,687)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 706,367</u>	<u>\$ (73,988)</u>	<u>\$ 632,379</u>
Supplemental cash flow information			
Cash paid during the year for interest	<u>\$ 14,354</u>		

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,216,030
Investments, at fair value	14,635,862
Other receivables	<u>9,868</u>
TOTAL ASSETS	<u><u>\$ 15,861,760</u></u>
LIABILITIES - other	<u>-</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	<u><u>15,861,760</u></u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
City of Derby	\$ 572,000
Plan members	91,864
Total contributions	<u>663,864</u>
Investment income	
Net realized/unrealized gain (loss) on investments	1,393,286
Interest and dividends	98,428
	<u>1,491,714</u>
Less investment management fees	<u>(61,928)</u>
Net investment income(loss)	<u>1,429,786</u>
	TOTAL ADDITIONS 2,093,650
DEDUCTIONS - benefits and other deductions	<u>908,031</u>
	CHANGE IN NET POSITION 1,185,619
Net position held in trust for pension benefits at July 1, 2017	<u>14,676,141</u>
NET POSITION HELD IN TRUST FOR BENFITS	
AT JUNE 30, 2018	<u><u>\$ 15,861,760</u></u>

See notes to financial statements.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

Accounting Estimates

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

Implementation of New Accounting Standards

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e.,

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

- (i) *Pension Trust Funds* — account for the activities of the City’s Public Employee Retirement System defined benefit pension plans, which accumulate resources for pension, benefit payments to qualified employees.
- (ii) *Agency Funds* — account for monies held as a custodian for outside groups and agencies.

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

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

Deferred Outflows/Inflows of Resources —In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2018, (\$1,278,512) were required to be reported as deferred outflows of resources related to the pension.

Long-Term Obligations — In the government-wide financial statements, and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 as of July 1, 2017, previously stated	\$ (3,082,341)
Add: Field House Building Project	4,955,145
Deduct: Prior period adjustment(See note 19)	<u>(2,634,603)</u>
Fund balances of general, special revenue, capital project funds and as of July 1, 2017, as restated	(761,799)
Add: general fixed assets and infrastructure as of July 1, 2017	116,632,747
Add: tax revenue receivable as of July 1, 2017	894,200
Add: deferred outflows as of July 1, 2017	1,944,480
Deduct: accumulated depreciation as of July 1, 2017 on above governmental capital assets	(43,510,137)
Deduct: general obligation bonds payable as of July 1, 2017	(13,505,800)
Deduct: bond premium as of July 1, 2017	(665,879)
Deduct: capital lease payable as of July 1, 2017	(1,063,135)
Deduct: net pension liability as of July 1, 2017	(8,907,598)
Deduct: OPEB obligation as of July 1, 2017	(28,468,642)
Deduct: compensation absences payable and other long-term liabilities as of July 1, 2017	<u>(4,058,638)</u>
NET POSITION AS OF JULY 1, 2017	<u>\$ 18,529,799</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 \$53,247,359 difference are as follows:

Bonds payable	\$ 12,180,000
Bonds premium	649,174
Compensated absences	3,754,416
Net pension liability	6,027,627
Other post-employment obligations	29,589,978
Capital leases	743,545
Post-closure landfill	<u>302,618</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 53,247,358</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.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$578,254 difference are as follows:

Capital outlay	\$ 3,058,831
Depreciation expense	<u>(2,480,577)</u>
Net adjustment to decrease net changes in fund balances	
- total governmental funds, to arrive at changes in net position of governmental activities	<u>\$ 578,254</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 \$3,422,333 difference are as follows:

Principal repayments/(increase in long-term liabilities):	
Bond principal payments	\$ 1,325,800
Bond premium	16,705
Other miscellaneous long-term liabilities	22,240
Capital leases	319,590
Net pension liability	2,879,971
Compensated absences	(20,636)
Other post-employment obligations	<u>(1,121,336)</u>
Net adjustment to decrease net position in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,422,334</u>

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

CITY OF DERBY, CONNECTICUT
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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 \$693,018 were approved by the Board of Apportionment and Taxation during the fiscal year. The budget for the General Fund is presented on a basis consistent with generally accepted accounting principles.

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis at June 30, 2018	\$ 45,643,961	\$ 47,575,380	\$(2,544,956)
State Teachers' Retirement on-behalf payments	3,443,217	3,443,217	-
State Teachers' OPEB	355,086	355,086	-
Balance, GAAP basis at June 30, 2018	<u>\$ 49,442,264</u>	<u>\$ 51,373,683</u>	<u>\$(2,544,956)</u>

Encumbrances

Encumbrances, which are purchase orders, contracts and other legal commitments, are recorded in order to reserve the unexpended portion of the applicable appropriation. In the General Fund, encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities and

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provide the authority for the carryover of appropriations to the subsequent year in order to complete these transactions. As of June 30, 2018, 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.

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, 2018:

	Carrying and Fair Values
Deposits	\$ 13,885,671
Money market accounts	3,526
Certificates of Deposit	1,322,090
	<u>\$ 15,211,287</u>
Govt	\$ 10,640,039
Business	2,867,288
Fiduciary	<u>1,703,959</u>
	<u>\$ 15,211,286</u>

At June 30, 2018, the carrying amount of the City's deposits was \$15,211,287. The bank balances of funds on deposit totaled \$15,990,987. Of the bank balances, \$1,540,339 was covered by federal depository insurance (up to \$250,000) or Security Investor Protection Corporation (up to \$500,000), \$1,595,065 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 \$13,129,103 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

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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.

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, 2018 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	\$ 817,847	\$ 1,205,801	N/A	N/A
School Scholarship Fund:				
Mutual funds-Equity	56,242	56,242	N/A	N/A
Pension Trust Fund:				
Investment at Beirne Wealth				
Aqr Small Cap Multi Style Fund CI I	751,247	890,169	*	N/A
Aqr International Multi Style Fund I	636,133	793,748	*	N/A
Other Mutual funds-Stock Funds	1,428,085	1,699,166	N/A	N/A
Other Mutual funds-Equity Funds	1,731,486	1,906,588	N/A	N/A
Stocks	2,742,591	3,620,773	N/A	N/A
Corporate Bonds	634,849	609,590	BBB	8.72
US Treasury Securities	218,910	217,091	AA+	11.42
Federal Home Loan Mortgage Bonds	220,609	213,510	AA+	16.08
Other Holdings	46,350	53,328	N/A	N/A
EntrustPermal Structured Income Fund II-A Ltd.	1,000,000	1,039,301	*	N/A
Mendon Capital Ltd	300,000	333,427	N/A	N/A
Verition Interenational Multi-Strategy Fund LTD	300,000	309,084	N/A	N/A
Golden Tree Distresses Fund 2014	433,582	433,582	N/A	N/A
Boyd Watterson-State Government Fund LP	375,000	379,457	N/A	N/A
Boyd Watterson-GSA Fund	2,000,000	2,137,047	*	N/A
TOTAL	\$ 13,692,930	\$ 15,897,904		

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

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

CITY OF DERBY, CONNECTICUT
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NOTE 6 — RECEIVABLES

As of June 30, 2018, receivables by type for the City's government-wide financial statements were as follows:

	<u>General</u>	<u>Nonmajor governmental Funds</u>	<u>Water Pollution Control Authority</u>	<u>Total</u>
Receivables:				
Taxes and interest	\$ 1,201,364	\$ -	\$ -	\$ 1,201,364
Accounts and Other	273,225	58,946	-	332,171
Sewer Assessments	-	-	249,107	249,107
Intergovernmental	<u>204,331</u>	<u>227,876</u>	<u>-</u>	<u>432,207</u>
Gross receivables	1,678,920	286,822	249,107	2,214,849
Less allowance for collection losses	<u>220,000</u>	<u>-</u>	<u>3,232</u>	<u>223,232</u>
Net receivables	<u>\$ 1,458,920</u>	<u>\$ 286,822</u>	<u>\$ 245,875</u>	<u>\$ 1,991,617</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent property taxes	\$ 888,799	\$ -
Various education grants		404,097
Nonmajor governmental funds:		
Community Development	-	106,183
Police Grant	<u>-</u>	<u>73,959</u>
	<u>\$ 888,799</u>	<u>\$ 584,239</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 — INTERFUND ACCOUNTS

As of June 30, 2018, 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	\$ 743,815	\$ 1,036,531
Enterprise	76,898	143,870
Sewer 2015	877,285	-
School Roof Project 2015	-	394,685
	<u>1,697,998</u>	<u>1,575,086</u>
Nonmajor funds:		
School Lunch	82,349	
Library construction	103,282	6,296
Middle School Project	21,325	-
Road construction 2015	-	-
System-wide School Capital	22,254	-
Other capital projects	23,288	163,049
Land acquisition	-	27,517
	<u>252,498</u>	<u>196,862</u>
Trust and Agency Funds		
Student Activity Funds	-	178,548
Total	<u>\$ 1,950,496</u>	<u>\$ 1,950,496</u>

The General Fund interfund payable is due to various Capital Projects Funds for advances of bond monies received by the General Fund yet to be remitted to their respective Capital Project Funds. These amounts are expected to be repaid within one year. Capital Projects Funds interfund receivable and payable represent amounts due from/to the other capital projects for operations, and are being repaid as funds become available. The interfund transfers for the year ended June 30, 2018 is as follows:

<u>Funds</u>	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Major:		
General Fund	\$ 810,766	\$ -
Enterprise	-	141,275
Sewer 2015	-	699,491
Library Endowment Fund	-	45,000
School Roof Project 2015	65,000	-
	<u>875,766</u>	<u>885,766</u>
Nonmajor funds:		
Community Development	10,000	-
Total	<u>\$ 885,766</u>	<u>\$ 885,766</u>

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

NOTE 8 — CAPITAL ASSETS

Governmental activities - capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Disposal/ Transfers	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,551,792	\$ -	\$ -	\$ 6,551,792
Contruction in progress	-	1,150,898	-	1,150,898
Total Capital Assets, not being depreciated	6,551,792	1,150,898	-	7,702,690
Capital assets, being depreciated:				
Buildings	60,575,693	81,515	-	60,657,208
Property under capital lease	4,377,544	-	-	4,377,544
Rolling equipment	4,628,705	236,798	-	4,865,503
Machinery, vehicles and equipment	3,593,885	11,700	-	3,605,585
Infrastructure	36,905,128	1,577,920	-	38,483,048
	110,080,955	1,907,933	-	111,988,888
Less accumulated depreciation for:				
Buildings	18,878,513	1,252,440	-	20,130,953
Property under capital lease	2,654,546	218,710	-	2,873,256
Rolling equipment	4,248,896	85,274	-	4,334,170
Machinery, vehicles and equipment	3,373,047	52,399	-	3,425,446
Infrastructure	14,355,135	871,754	-	15,226,889
	43,510,137	2,480,577	-	45,990,714
Total capital assets, being depreciated, net	66,570,818	(572,644)	-	65,998,174
Governmental activities capital assets, net	\$ 73,122,610	\$ 578,254	\$ -	\$ 73,700,864

CITY OF DERBY, CONNECTICUT
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Depreciation expense by function for the year ended June 30, 2018 is as follows:

Education	\$ 768,112
General	887,223
Public safety	278,695
Public works	293,926
Culture and recreation	252,621
	<u>\$ 2,480,577</u>

Business-type activities - capital asset activity for the year ended June 30, 2018 was as follows:

	Balance				Balance
	July 1, 2017	Additions	Disposal		June 30, 2018
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 594,858	\$ -	\$ -		\$ 594,858
Capital assets, being depreciated:					
Buildings	12,423,932	11,996	-		12,435,928
Machinery, vehicles and equipment	<u>2,518,587</u>	<u>296,855</u>	<u>-</u>		<u>2,815,442</u>
	14,942,519	308,851	-		15,251,370
Less accumulated depreciation for:					
Buildings	8,680,166	179,643	-		8,859,809
Machinery, vehicles and equipment	<u>1,343,264</u>	<u>118,669</u>	<u>-</u>		<u>1,461,933</u>
	10,023,430	298,312	-		10,321,742
Total capital assets, being depreciated, net	<u>4,919,089</u>	<u>10,539</u>	<u>-</u>		<u>4,929,628</u>
Business-type activities capital assets, net	<u>\$ 5,513,947</u>	<u>\$ 10,539</u>	<u>\$ -</u>		<u>\$ 5,524,486</u>

NOTE 9 – BOND ANTICIPATION NOTES

Bond anticipation note transactions for the year ended June 30, 2018 were as follows:

Outstanding, July 1, 2017	\$ 7,850,000
New Borrowings	25,280,000
Repayments	<u>19,770,000</u>
Outstanding, June 30, 2018	<u>\$ 13,360,000</u>

The outstanding balance at June 30, 2018 consists of one bond anticipation note due October 2018 at an interest rate of 2.75% per annum.

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 — LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Due within One Year</u>
Governmental Activities:					
Refunding-2009	\$ 230,800	\$ -	\$ 230,800	\$ -	\$ -
General-2013	1,790,000	-	330,000	1,460,000	325,000
General-2015	3,335,000	-	335,000	3,000,000	335,000
General-2015	<u>8,150,000</u>	<u>-</u>	<u>430,000</u>	<u>7,720,000</u>	<u>430,000</u>
Total	13,505,800	-	1,325,800	12,180,000	1,090,000
Bond premium	665,879	-	16,705	649,174	16,705
Capital leases	1,063,135	-	319,590	743,545	229,012
Net pension liability	8,907,598	-	2,879,971	6,027,627	-
OPEB obligation	28,468,642	1,121,336	-	29,589,978	-
Compensated absences	3,733,780	33,455	12,819	3,754,416	100,000
Landfill postclosure care costs	<u>324,858</u>	<u>-</u>	<u>22,240</u>	<u>302,618</u>	<u>20,000</u>
Total governmental activities long-term liabilities	<u>\$ 56,669,692</u>	<u>\$ 1,154,791</u>	<u>\$ 4,577,125</u>	<u>\$ 53,247,358</u>	<u>\$ 1,455,717</u>
Business-type activities:					
Refunding-2009	\$ 49,200	\$ -	\$ 49,200	\$ -	\$ -
Loan payable	<u>312,992</u>	<u>-</u>	<u>117,372</u>	<u>195,620</u>	<u>117,372</u>
Total	362,192	-	166,572	195,620	117,372
Capital lease	<u>125,741</u>	<u>39,239</u>	<u>75,331</u>	<u>89,649</u>	<u>76,346</u>
Total Business-type activities long-term liabilities	<u>\$ 487,933</u>	<u>\$ 39,239</u>	<u>\$ 241,903</u>	<u>\$ 285,269</u>	<u>\$ 193,718</u>

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

CITY OF DERBY, CONNECTICUT
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As of June 30, 2018, the City's outstanding general obligation bonds were as follows:

	<u>Outstanding Amount</u>
Governmental Activities:	
\$2,980,000 serial bond; issue of 2013; due September 2023; effective interest 2.20%	\$ 1,460,000
\$3,880,000 Series A bond; issue of 2015; due September 2026; effective interest ranging from 2.0%-5.0%	3,000,000
\$8,580,000 serial B bond; issue of 2015; due September 2035; effective interest ranging from 2.0%-5.0%	7,720,000
	<u>12,180,000</u>
Less current portion	1,090,000
Long term portion	<u>\$ 11,090,000</u>

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

As of June 30, 2018, the City's outstanding business-type obligation bonds were as follows:

	<u>Outstanding Amount</u>
Business-type activities:	
\$2,347,440 note payable in monthly payments of \$9,781 plus interest at 2%, issued February 2001; and due February 2020	\$ 195,620
	<u>195,620</u>
Less current portion	117,372
Long term portion	<u>\$ 78,248</u>

CITY OF DERBY, CONNECTICUT
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The annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:
Governmental Activities:

	Principal	Interest	Total
2019	\$ 1,090,000	\$ 393,559	\$ 1,483,559
2020	1,085,000	357,490	1,442,490
2021	1,075,000	321,488	1,396,488
2022	935,000	283,371	1,218,371
2023	935,000	243,004	1,178,004
2024	930,000	202,693	1,132,693
2025	765,000	174,781	939,781
2026	760,000	157,150	917,150
2027	755,000	137,409	892,409
2028	430,000	120,244	550,244
2029	430,000	107,344	537,344
2030	430,000	94,175	524,175
2031	430,000	80,469	510,469
2032	430,000	66,225	496,225
2033	425,000	51,531	476,531
2034	425,000	36,922	461,922
2035	425,000	22,313	447,313
2036	425,000	7,438	432,438
	<u>\$ 12,180,000</u>	<u>\$ 2,857,605</u>	<u>\$ 15,037,605</u>

Business-type activities:

	Principal	Interest	Total
2019	117,372	2,837	120,209
2020	78,248	587	78,835
	<u>\$ 195,620</u>	<u>\$ 3,424</u>	<u>\$ 199,044</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
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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, 2019	\$ 251,316	\$ 78,865
June 30, 2020	222,529	13,856
June 30, 2021	222,529	-
June 30, 2022	91,759	-
	788,133	92,721
Less amount representing interest	44,588	3,072
Net present value of lease payments	<u>\$ 743,545</u>	<u>\$ 89,649</u>

Governmental Activities

Property and equipment carried at a cost of \$4,377,544 with accumulated amortization of \$2,873,256 has been acquired under capital lease arrangements. The monthly payments under these leases were \$29,152 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 \$185,119 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
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Debt Limitation

The Connecticut General Statutes provide that the City's total outstanding and authorized debt shall not exceed seven times the total tax collections (including interest and lien fees) and revenues received for tax relief of the elderly for the year ended June 30, 2018 (\$199,232,184), 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, 2018,	\$ 28,461,741
Reimbursement for revenue loss:	
Tax Relief for Elderly	-

Base	<u>\$ 28,461,741</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	\$ 64,038,916				
4 ½ times base		\$ 128,077,833			
3 ¾ times base			\$ 106,731,527		
3 ¼ times base				\$ 92,500,657	
3 times base	-	-	-	-	\$ 85,385,222
Total debt limitation	64,038,916	128,077,833	106,731,527	92,500,657	85,385,222
Indebtedness:					
Bonds payable	3,994,474	8,185,526	195,620	-	-
Bond anticipation note:	3,700,000	2,225,000	7,435,000	-	-
Bonds authorized and unissued	3,700,000	19,814,474	31,004,380	-	-
	<u>11,394,474</u>	<u>30,225,000</u>	<u>38,635,000</u>	<u>-</u>	<u>-</u>
Debt Limitation in excess of outstanding and authorized debt	<u>\$ 52,644,442</u>	<u>\$ 97,852,833</u>	<u>\$ 68,096,527</u>	<u>\$ 92,500,657</u>	<u>\$ 85,385,222</u>

CITY OF DERBY, CONNECTICUT
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NOTE 11 – 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, 2018 is as follows:

	Water Pollution Control Authority	Parking Authority	Total Enterprise Funds
Operating Revenues	\$ 2,449,339	\$ 144,048	\$ 2,593,387
Operating Expenses	2,153,869	135,965	2,289,834
Operating Income(Loss)	295,470	8,083	303,553
Non-Operating(Expenses) Revenues	(14,275)	-	(14,275)
Change in Net Position	281,195	8,083	289,278
Beginning Net Position	7,101,661	767,228	7,868,889
Ending Net Position	7,241,581	775,311	8,016,892
Net Cash Provided By (Used In):			
Operating Activities	706,367	(73,988)	632,379
Capital and Financing Activities	-	-	-
Noncapital Financing Activities	(494,686)	-	(494,686)
Investing Activities	79	-	79
Beginning Cash and Equivalents	2,557,060	172,456	2,729,516
Ending Cash and Equivalents	<u>\$ 2,768,820</u>	<u>\$ 98,468</u>	<u>\$ 2,867,288</u>

NOTE 12 – FUND BALANCE/DEFICITS AND EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS

The components of fund balance for the governmental funds at June 30, 2018 are as follows:

	General Fund	Library Endowment Fund	Field House Project	School Roof 2014	Sewer 2015	Roads 2015	Other Governmental Funds
Nonspendable:							
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,260
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,260</u>
Restricted:							
Capital projects	-	-	3,869,406	-	-	-	199,971
Education	-	-	-	-	-	-	243,046
Library	-	1,205,801	-	-	-	-	-
Public Safety	-	-	-	-	-	-	1
	<u>-</u>	<u>1,205,801</u>	<u>3,869,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,018</u>
Assigned:							
Library	<u>-</u>	<u>15,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:	(2,544,956)	-	-	(1,871,949)	(4,416,763)	(2,714,878)	(337,117)
	<u>\$ (2,544,956)</u>	<u>\$ 1,221,635</u>	<u>\$ 3,869,406</u>	<u>\$ (1,871,949)</u>	<u>\$ (4,416,763)</u>	<u>\$ (2,714,878)</u>	<u>\$ 115,161</u>

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The following funds had a fund deficit as of June 30, 2018:

Major Funds:

General Fund	\$ 2,544,956
Middle School Project	\$ 215,743
School Roof 2015	\$ 1,891,949
Sewer 2015	\$ 4,416,763
Roads 2015	\$ 2,714,878

Other Funds:

-Other Capital Projects	\$ 103,723
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The General Fund deficit will be eliminated with additional taxation and a reduction of spending. The deficits for Other Capital Project Funds will be reduced or eliminated through permanent financing or the receipt of grant funds. The Middle School, School 2014, Sewer 2015, Roads 2015 deficits will be eliminated with bond proceeds.

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

General government	\$ 106,633
Public Safety	\$ 336,143
Board of Education-grants	\$ 4,524,797
Interest on bonds	\$ 625,414

NOTE 13– EMPLOYEE RETIREMENT PLANS

CONNECTICUT MUNICIPAL EMPLOYEES’ RETIREMENT PLAN

Organization

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

Plan description

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

The plan has 4 sub plans as follows:

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

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Benefit provisions

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

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

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

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

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

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

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

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

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

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

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

Contributions

Employer:

Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. There is also an annual administrative fee per active & retired member

Employees:

For employees not covered by social security, each person is required to contribute 5% of compensation.

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For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

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

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

Pension Liability

At June 30, 2017, the City reported a liability of \$2,956,423 for its proportionate share of the CMERS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2017. Net Pension Liability of the City: The components of the net pension liability of the City at June 30, 2018 was as follows:

	Derby Police MERS
Total pension liability	\$ 40,616,595
Plan fiduciary net assets	<u>37,660,172</u>
Net Pension Liability	<u>\$ 2,956,423</u>
Plan fiduciary net position as a percentage of the total pension liability	92.72%
Percentage of the total	<u>7.394109%</u>

Pension expense and deferred outflows/inflows of resources

For the year ended June 30, 2018, the City recognized pension expense for their portion of the CMERS of \$795,149. At June 30, 2018, the County reported deferred outflows of resources related to pensions from the following sources:

CITY OF DERBY, CONNECTICUT
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	Derby Police MERS
	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 214,711
Changes in assumptions	62,029
Net difference between projected and actual earnings on investments	<u>205,851</u>
Total	<u>\$ 482,591</u>
Percentage of total	<u>7.394109%</u>
Pension Expense	<u>\$ 795,149</u>

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

<u>Year Ending June 30,</u>	Derby Police MERS
2018	\$ 132,292
2019	260,134
2020	116,584
2021	<u>(26,419)</u>
Total	<u>\$ 482,591</u>

Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement period:

Inflation	3.25%
Salary	4.25-11.00%, including inflation
Investment rate of return	8% net of pension plan investment expense, including inflation

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

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

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Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	MERS - Target Allocatio n	MERS- Long-Term Expected Real Rate of Return
Large Cap Equity	16.0%	5.8%
Developed non-US equities	14.0%	6.6%
Emerging Markets(non-US)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging bond fund	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	<u>3.0%</u>	0.4%
	<u>100%</u>	

Sensitivity

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to 7%	Current Discount Rate 8%	1% Increased to 9%
<u>Net Pension Liability (Asset)</u>			
Derby Police-MERS	<u>\$ 5,149,134</u>	<u>\$ 2,956,423</u>	<u>\$ 1,130,109</u>

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Connecticut State Teachers' Retirement Fund

Organization

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

Plan description

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

Benefit provisions

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

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

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

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

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

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

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

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

Contributions-State of Connecticut

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

Employer (School Districts)

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

Employees:

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

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were \$3,443,217 for the year ended June 30, 2018.

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

At June 30, 2018, the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>\$ 29,767,390</u>
Total	<u>\$ 29,767,390</u>

CITY OF DERBY, CONNECTICUT
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ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

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

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

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

DISCOUNT RATE

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected

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future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Other Information

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

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

CITY EMPLOYEES' RETIREMENT PLAN

Plan Description

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, 2017, employee membership data related to the pension plan was as follows:

Inactive plan members or beneficiaries currently receiving benefit	61
Inactive plan members entitled to but not receiving benefits	41
Active plan members	<u>130</u> <u>232</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.

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For the year ended June 30, 2018, the City's total payroll for all employees amounted to \$18,289,571 and the City's total covered payroll amounted to \$5,336,656. 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.

	<u>Pension Trust Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,216,030
Investments, at fair value	14,635,862
Other receivables	9,868
TOTAL ASSETS	<u>\$ 15,861,760</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Other liabilities	\$ -
Due to general fund	-
TOTAL CURRENT LIABILITIES	<u>-</u>
NET POSITION	
Reserved for employee retirement system	<u>15,861,760</u>
TOTAL NET POSITION	<u>15,861,760</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 15,861,760</u>

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018

ADDITIONS	
Contributions	
Employer contributions from general fund	\$ 572,000
Employee contributions	91,864
Total contributions	<u>663,864</u>
Investment income	
Net appreciation in fair value of investments	1,393,286
Interest and dividends	98,428
	<u>1,491,714</u>
Less investment expenses -	
investment management fees	61,928
Net investment income	<u>1,429,786</u>
Total additions	<u>2,093,650</u>
DEDUCTIONS	
Benefits and other deductions	908,031
Net change in net assets	<u>1,185,619</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, Beginning of year	<u>14,676,141</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES, End of year	<u>\$ 15,861,760</u>

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Investments and Rate of Return:

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

Asset Class	Target Allocation	City Employees' Retirement Long-Term	
		Expected Real Rate of Return*	Weighting
Large Cap Equity	30.00%	4.48%	1.34%
Mid/Small Cap Equity	10.00%	5.09%	0.51%
International Equity	20.00%	5.63%	1.13%
High Quality Fixed Income	35.00%	1.24%	0.43%
High Yield Fixed Income	<u>5.00%</u>	3.05%	<u>0.15%</u>
	<u>100%</u>		<u>3.56%</u>
Long-term inflation expectation			<u>2.75%</u>
Long-term expected nominal return			<u>6.31%</u>

*Long Term Returns are provided by Beirne Wealth Consulting.

Rate of Return: The returns are geometric means. The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation. The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation and rebalancing. The investment return assumption used assumed a change in the long-term asset allocation shown above. The plan sponsor will be reviewing the plan's investment and corresponding assumptions in the coming year. Based on the results of this analysis, we expect that there will be changes in the asset allocation and/or investment return assumption. An expected rate of return of 7.00% was used. The July 1, 2017 Actuarial Valuation directly calculated the July 1st, 2017 Total Pension Liability (TPL). The July 1, 2017 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2018.

CITY OF DERBY, CONNECTICUT
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Net Pension Liability of the City: The components of the net pension liability of the City at June 30, 2018 were as follows:

	Employees' Retirement 2018
Total pension liability	\$ 20,116,882
Plan fiduciary net assets	15,851,889
Net Pension Liability	<u>\$ 4,264,993</u>
Plan fiduciary net position as a percentage of the total pension liability	78.80%
Covered-employee payroll	<u>\$ 5,336,656</u>
Net pension liability as a % of covered payroll	<u>79.92%</u>

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

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

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

Concentrations

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

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

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

	1% Decrease to	Current	1% Increased to
<u>Net Pension Liability (Asset)</u>	<u>6.00%</u>	<u>Discount Rate</u>	<u>8.00%</u>
		<u>7.00%</u>	
City Employees' Retirement	<u>\$ 5,235,274</u>	<u>\$ 3,071,204</u>	<u>\$ 1,234,203</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: For the year ended June 30, 2018, the City recognized pension expense of \$985,767 for the City Pension Plan. The City reported deferred outflows of resources related to pensions from the following sources:

	<u>City Pension</u>	
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 124,097	\$ (430,742)
Changes in assumptions	536,487	(1,609,763)
Net difference between projected and actual earnings on investments	<u>-</u>	<u>(381,182)</u>
Total	<u>\$ 660,584</u>	<u>\$ (2,421,687)</u>

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

<u>Year Ending June 30,</u>	<u>City Pension</u>
2018	\$ (176,395)
2019	(288,210)
2020	(562,456)
2021	(507,321)
2022	<u>(226,721)</u>
Total	<u>\$ (1,761,103)</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - POST-RETIREMENT BENEFITS

The City provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2016. The post-retirement plan does not issue stand-alone financial reports.

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

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

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation.

Active plan members	352
Retirees	62
Spouses of Retirees	-
Total members	<u>414</u>

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

Total OPEB liability	\$ 28,468,642
Plan fiduciary net position	<u>-</u>
Towns net OPEB liability	<u>\$ 28,468,642</u>
Covered payroll	N/A
Total OPEB liability as a % of covered payroll	N/A

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

Discount rate

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Actuarial Assumptions

Valuation Date	July 1, 2016
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Inflation	2.75%
Healthcare cost trend rates	8.11% - 4.40% over 65 years
Salary increases	Grade by service for certified, 3.50% for all others

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

Balance as of June 30, 2017, as restated	<u>\$ 28,468,642</u>
Service cost	\$ 2,024,591
Interest on net OPEB liability	1,079,295
Administrative expenses	-
Investment gains or losses	-
Differences between expected & actual	42,901
Expected assumptions changes or inputs	(1,328,731)
Contributions made	<u>(696,720)</u>
Decrease in net OPEB liability	<u>1,121,336</u>
Net OPEB liability, ending	<u>\$ 29,589,978</u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	<u>\$ 29,589,978</u>	<u>\$ 34,552,232</u>	<u>\$ 25,585,798</u>

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

	1% Decrease (6.75% decreasing to 3.75%)	1% Increase (8.75% decreasing to 3.75%)
Healthcare Cost Trend Rates		
Net OPEB liability	<u>\$ 29,589,978</u>	<u>\$ 36,402,800</u>

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

OPEB Expense and Deferred outflows/inflows of Resources

The City recognized OPEB expense of \$2,998,391. The City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,079	\$ -
Net difference between projected and actual earnings	-	(1,241,314)
Changes of assumptions or other inputs	-	-
Total	<u>\$ 40,079</u>	<u>\$ (1,241,314)</u>

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

<u>Year Ending June 30,</u>	
2019	\$ (84,595)
2020	\$ (84,595)
2021	\$ (84,595)
2022	\$ (84,595)
2023	\$ (84,595)
Thereafter	(778,260)

NOTE 15 –COMMITMENTS AND CONTINGENT LIABILITIES

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

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

Construction Commitments

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

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 -RISK MANAGEMENT

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

NOTE 17- CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Derby place a final cover on its landfill when it was closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The recognition of these landfill closure and postclosure care costs is based on the amount of landfill used during the year. The estimated remaining cost of the postclosure care is \$302,619, 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, 2018. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The landfill closure costs of \$1,100,000 was financed by general obligation bonds of \$300,000 issued during fiscal year ended June 30, 1995, and by State grants estimated at \$800,000. These landfill grants and postclosure costs have been included in Other Governmental Funds.

NOTE 18 – SELF INSURANCE

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

	Year ended	
	June 30, 2018	June 30, 2017
Amount of claims liabilities at the beginning of the fiscal year	\$ 467,100	\$ 308,520
Incurred claims	6,594,415	5,815,010
Payments on claims	<u>6,145,452</u>	<u>5,656,430</u>
Amount of claims liabilities at the end of the fiscal year	<u>\$ 916,063</u>	<u>\$ 467,100</u>

NOTE 19- PRIOR PERIOD ADJUSTMENT

The City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during the year ended June 30, 2018. The standard requires that the beginning balance of the OPEB obligation be restated by \$10,930,482. The General Fund balance was overstated in prior years due understatement of accounts payable and accrued payroll. The Field House Project was reclassified from an Agency Fund to a Capital Project Fund where it is properly classified. The prior period adjustments are as follows:

CITY OF DERBY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	<u>OPEB Liability</u>	<u>Net Assets</u>	<u>OPEB Expense</u>	<u>General Fund Fund Balance</u>	<u>Field House Project</u>
Balance at June 30, 2017, before restatement	\$ 17,538,160	\$ 27,139,739	\$ 2,998,391	\$ 1,210,300	\$ -
Accounts payable and accrued payroll not correctly reported in previous years		\$ (2,634,603)		(2,634,603)	-
Fund originally classified as a Agency Fund that should have been classified as a capital project fund	-	4,955,145	-	-	4,955,145
Restatement of OPEB balance (GASB 75)	<u>10,930,482</u>	<u>(10,930,482)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2017, as restated	<u>\$ 28,468,642</u>	<u>\$ 18,529,799</u>	<u>\$ 2,998,391</u>	<u>\$ (1,424,303)</u>	<u>\$ 4,955,145</u>

NOTE 20 – SUBSEQUENT EVENTS

A bond anticipation note was issued October 2018 in the amount of \$5,330,000 for the Sewer 2015 Project. This note bears and interest rate of 3.0% and is due October 2019. The City also issued general obligations bonds in the amount of \$12,580,000 to pay the maturing bond anticipation notes of \$13,360,000. The general obligation bonds bear and interest rate ranging from 3.0% to 5.0% and are payable starting in October 2019 through October 2038.

Subsequent events were evaluated through March 26, 2018, the date of the financial statements were available to be issued.

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**CITY OF DERBY, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
CITY EMPLOYEE RETIREMENT SYSTEM
PENSION CONTRIBUTIONS
JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,003,231	\$ 969,392	\$ 849,200	\$ 849,200
Contributions in relation to the contractually required contribution	<u>572,000</u>	<u>572,000</u>	<u>572,000</u>	<u>572,000</u>
Contribution deficiency(excess)	<u>\$ 431,231</u>	<u>\$ 397,392</u>	<u>\$ 277,200</u>	<u>\$ 277,200</u>
 City's Covered payroll	 <u>\$ 5,336,656</u>	 <u>\$ 5,165,262</u>	 <u>\$ 4,990,591</u>	 <u>\$ 4,990,591</u>
 Contribtions as a percentage of covered payroll	 <u>10.72%</u>	 <u>11.07%</u>	 <u>11.46%</u>	 <u>11.46%</u>

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

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

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

	Year ending June 30, 2018 City Retirement Plan	Year ending June 30, 2017 City Retirement Plan	Year ending June 30, 2016 City Retirement Plan	Year ending June 30, 2015 City Retirement Plan
Total Pension Liability				
Service cost	\$ 776,874	\$ 750,603	\$ 664,870	\$ 614,710
Interest on total pension liability	1,431,319	1,348,949	1,267,010	1,194,069
Effect of economic/demographic gains or (losses)	(526,463)	-	240,440	-
Change in assumptions	(1,967,488)	-	1,039,443	-
Benefit payments	<u>(908,031)</u>	<u>(988,834)</u>	<u>(852,970)</u>	<u>(918,621)</u>
Net change in total pension liability	(1,193,789)	1,110,718	2,358,793	890,158
Total Pension Liability, beginning	<u>20,116,882</u>	<u>19,006,164</u>	<u>16,647,371</u>	<u>15,757,213</u>
Total pension liability, ending (a)	18,923,093	20,116,882	19,006,164	16,647,371
Fiduciary Net Position				
Employer contributions	\$ 572,000	\$ 572,000	\$ 572,000	\$ 572,000
Member contributions	91,864	101,178	149,599	214,256
Investment income net of investment expenses	1,491,886	2,000,627	(360,774)	431,291
Benefit payments	(908,031)	(988,834)	(852,970)	(918,621)
Administrative expenses	<u>(61,928)</u>	<u>(39,030)</u>	<u>(48,745)</u>	<u>(15,281)</u>
Net change in plan fiduciary net position	1,185,791	1,645,941	(540,890)	283,645
Fiduciary Net Position, beginning	14,666,098	13,020,157	13,561,047	13,277,402
Fiduciary net position, ending (b)	<u>15,851,889</u>	<u>14,666,098</u>	<u>13,020,157</u>	<u>13,561,047</u>
Net pension liability, ending (a)-(b)	<u>\$ 3,071,204</u>	<u>\$ 5,450,784</u>	<u>\$ 5,986,007</u>	<u>\$ 3,086,324</u>
Fiduciary net position as a % of total pension liability	<u>83.77%</u>	<u>72.90%</u>	<u>68.50%</u>	<u>81.46%</u>
Covered payroll	<u>\$ 5,336,656</u>	<u>\$ 5,165,262</u>	<u>\$ 4,990,591</u>	<u>\$ 4,776,920</u>
Net pension liability as a % of covered payroll	<u>57.55%</u>	<u>105.53%</u>	<u>119.95%</u>	<u>64.61%</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 600,669	\$ 650,374	\$ 610,891	\$ 690,314
Contributions in relation to the contractually required contribution	<u>600,669</u>	<u>650,374</u>	<u>610,891</u>	<u>690,314</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered payroll	<u>\$ 3,424,096</u>	<u>\$ 3,424,096</u>	<u>\$ 3,166,730</u>	<u>\$ 3,166,730</u>
Contribtions as a percentage of covered payroll	<u>17.54%</u>	<u>18.99%</u>	<u>19.29%</u>	<u>21.80%</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	<u>\$ 29,767,390</u>	<u>\$ 31,404,825</u>	<u>\$ 25,021,409</u>	<u>\$ 23,127,278</u>
Total	<u>\$ 29,767,390</u>	<u>\$ 31,404,825</u>	<u>\$ 25,021,409</u>	<u>\$ 23,127,278</u>
City's covered-employee payroll	\$ 12,983,001	\$ 12,604,855	\$ 12,237,723	\$ 11,943,560
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

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

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

Total OPEB liability	
Service Cost	\$ 2,024,591
Interest on net OPEB liabilities	1,079,295
Difference between expected & actual experience	42,901
Changes of benefit terms	-
Changes of assumptions	(1,328,731)
Benefit Payments	<u>(696,720)</u>
Net change in Total OPEB Liability	1,121,336
Total OPEB Liability - beginning	<u>28,468,642</u>
Total OPEB Liability - ending	<u>\$ 29,589,978</u>
Covered Payroll	<u>\$ 19,546,413</u>
 Total OPEB liability as a % of covered payroll	 151.38%

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

SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF DERBY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

SPECIAL REVENUE FUNDS

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

Library Construction — is used to account for library improvements.

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

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

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

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

CITY OF DERBY, CONNECTICUT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue		
	School Lunch	Community Development	Other Special Revenue Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 18,416	\$ 56,155	\$ 73,960
Receivables - intergovernmental	202,876	25,000	-
Receivables - other	-	58,946	-
Inventory	9,260	-	-
Due from other funds	82,349	-	-
TOTAL ASSETS	\$ 312,901	\$ 140,101	\$ 73,960
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 60,595	\$ 51,628	\$ -
Deferred revenue	-	106,183	73,959
Bond anticipation note payable	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	60,595	157,811	73,959
FUND BALANCES (DEFICIT)			
Nonspendable	9,260	-	-
Restricted	243,046	-	-
Assigned	-	-	-
Unassigned	-	(17,710)	1
Total fund balances (deficits)	252,306	(17,710)	1
TOTAL LIABILITIES AND FUND BALANCES	\$ 312,901	\$ 140,101	\$ 73,960

CITY OF DERBY, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

REVENUES			
Federal and State government	\$ 620,011	\$ 80,198	\$ 2,522
Charges for services	161,811	-	-
Other	-	-	-
Interest on investments	-	32,842	-
TOTAL REVENUES	781,822	113,040	2,522
EXPENDITURES			
General government	-	157,208	722
Culture and recreation	-	-	-
Health and welfare	749,083	-	2,522
Capital outlay	-	-	-
TOTAL EXPENDITURES	749,083	157,208	3,244
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,739	(44,168)	(722)
OTHER FINANCING SOURCES			
Operating transfers out	-	10,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	32,739	(34,168)	(722)
Fund balance(deficit) at July 1, 2017	219,567	16,458	723
FUND BALANCES (DEFICIT) AT JUNE 30, 2018	\$ 252,306	\$ (17,710)	\$ 1

Capital Projects

<u>Middle School Project</u>	<u>Library Construction</u>	<u>Land Acquisitions</u>	<u>Phase III Roadways</u>	<u>System-wide School Capital Improvements</u>	<u>Other Capital Project Funds</u>	<u>Total</u>
\$ 212,932	\$ 9,018	\$ 69,145	\$ 24,024	\$ 6,061	\$ 36,096	\$ 505,807
-	-	-	-	-	-	227,876
-	-	-	-	-	-	58,946
-	-	-	-	-	-	9,260
21,325	103,282	-	-	22,254	23,288	252,498
<u>\$ 234,257</u>	<u>\$ 112,300</u>	<u>\$ 69,145</u>	<u>\$ 24,024</u>	<u>\$ 28,315</u>	<u>\$ 59,384</u>	<u>\$ 1,054,387</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,223
-	-	-	-	-	-	180,142
450,000	-	-	-	-	-	450,000
-	6,296	27,517	-	-	163,048	196,861
<u>450,000</u>	<u>6,296</u>	<u>27,517</u>	<u>-</u>	<u>-</u>	<u>163,048</u>	<u>939,226</u>
-	-	-	-	-	-	9,260
-	106,004	41,628	24,024	28,315	-	443,017
-	-	-	-	-	-	-
(215,743)	-	-	-	-	(103,664)	(337,116)
<u>(215,743)</u>	<u>106,004</u>	<u>41,628</u>	<u>24,024</u>	<u>28,315</u>	<u>(103,664)</u>	<u>115,161</u>
<u>\$ 234,257</u>	<u>\$ 112,300</u>	<u>\$ 69,145</u>	<u>\$ 24,024</u>	<u>\$ 28,315</u>	<u>\$ 59,384</u>	<u>\$ 1,054,387</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 702,731
-	-	-	-	-	-	161,811
-	-	-	-	-	-	-
-	7	138	-	62	59	33,108
<u>-</u>	<u>7</u>	<u>138</u>	<u>-</u>	<u>62</u>	<u>59</u>	<u>897,650</u>
-	-	-	-	-	-	157,930
-	-	-	-	-	-	-
-	-	-	-	-	-	751,605
-	-	-	24	-	-	24
<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>909,559</u>
-	7	138	(24)	62	59	(11,909)
-	-	-	-	-	-	10,000
-	-	-	-	-	-	-
-	7	138	(24)	62	59	(1,909)
<u>(215,743)</u>	<u>105,997</u>	<u>41,490</u>	<u>24,048</u>	<u>\$ 28,253</u>	<u>(103,723)</u>	<u>117,070</u>
<u>\$ (215,743)</u>	<u>\$ 106,004</u>	<u>\$ 41,628</u>	<u>\$ 24,024</u>	<u>\$ 28,315</u>	<u>\$ (103,664)</u>	<u>\$ 115,161</u>

SUPPLEMENTAL INFORMATION

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

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

- Student Scholarship Fund
- Student Activity
- Performance Bonds

**CITY OF DERBY, CONNECTICUT
COMBINING SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2018**

	Restated Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash	\$ 395,800	\$ 274,505	\$ 177,051	\$ 493,254
LIABILITIES				
Due to student groups	\$ 300,950	\$ 190,807	\$ 177,051	\$ 314,706
Due to General Fund	94,850	83,698	-	178,548
Total Liabilities	\$ 395,800	\$ 274,505	\$ 177,051	\$ 493,254
STUDENT SCHOLARSHIP FUNDS				
ASSETS				
Cash	\$ 27,576	\$ 61,060	\$ 97,461	\$ (8,825)
Investments	36,822	30,544	11,124	56,242
Total Assets	\$ 64,398	\$ 91,604	\$ 108,585	\$ 47,417
LIABILITIES				
Due to student groups	\$ 64,398	\$ 91,604	\$ 108,585	\$ 47,417
PERFORMANCE BONDS				
ASSETS				
Cash	\$ 1,097,048	\$ 128,960	\$ 1,222,508	\$ 3,500
LIABILITIES				
Due to developers	\$ 1,097,048	\$ 128,960	\$ 1,222,508	\$ 3,500
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 1,520,424	\$ 464,525	\$ 1,497,020	\$ 487,929
Investments	36,822	30,544	11,124	56,242
Total Assets	\$ 1,557,246	\$ 495,069	\$ 1,508,144	\$ 544,171
LIABILITIES				
Due to student groups	\$ 365,348	\$ 282,411	\$ 285,636	\$ 362,123
Due to developers	1,097,048	128,960	1,222,508	3,500
Due to General Fund	94,850	83,698	-	178,548
Total Liabilities	\$ 1,557,246	\$ 495,069	\$ 1,508,144	\$ 544,171

OTHER SCHEDULES

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED,
COLLECTED AND OUTSTANDING – GENERAL FUND
YEAR ENDED JUNE 30, 2018**

Grand List Year	Uncollected Taxes July 01, 2017 and Current List	Additions/ (Deductions)	Balance to be Collected
2003	\$ 1,997	\$ -	\$ 1,997
2004	2,080	-	2,080
2005	3,498	-	3,498
2006	5,239	-	5,239
2007	9,308	-	9,308
2008	28,180	(212)	27,969
2009	31,855	(227)	31,629
2010	49,926	(226)	49,701
2011	50,144	(226)	49,918
2012	62,850	(30)	62,821
2013	94,758	(6,364)	88,394
2014	206,763	(9,923)	196,841
2015	601,629	(48,206)	553,422
	1,148,228	(65,413)	1,082,815
2016	28,403,323	(111,182)	28,292,141
	<u>\$ 29,551,551</u>	<u>\$ (176,595)</u>	<u>\$ 29,374,956</u>

**CITY OF DERBY, CONNECTICUT
SCHEDULE OF SPECIAL ASSESSMENTS
YEAR ENDED JUNE 30, 2018**

Assessment of:	Uncollected Special Assessments June 30, 2018
1974	
Academy Hill	\$ 1,407
Donna Avenue	1,407
Kindle Lane	3,926
Krakow Street	47,924
Marshall Lane	5,483
Paugassette Road	1,689
Pine Street	3,274
Roosevelt Drive	16,852
Sodom Lane	4,492
	<u>86,454</u>
1976	
David Humphrey's Road	1,626
John Street	3,252
	<u>4,878</u>
1976	
Harrison Avenue	2,700
Water bills	1,716
	<u>4,416</u>
TOTAL	<u><u>\$ 95,748</u></u>

Collections				Taxes Receivable June 30, 2018
Taxes	Interest	Lien Fees	Total	
\$ -	\$ -	\$ -	\$ -	\$ 1,997
-	-	-	-	2,080
-	-	-	-	3,498
-	-	-	-	5,239
1,547	1,856	24	3,427	7,761
3,895	6,147	24	10,066	24,074
6,802	6,352	48	13,202	24,826
15,742	17,379	72	33,193	33,959
14,758	14,551	72	29,381	35,159
18,849	14,158	120	33,127	43,972
27,452	15,842	1,669	44,963	60,942
65,588	29,530	2,121	97,239	131,253
317,400	71,853	2,478	391,731	236,022
472,033	177,668	6,628	656,329	610,782
27,701,559	103,317	536	27,805,412	590,582
<u>\$ 28,173,592</u>	<u>\$ 280,985</u>	<u>\$ 7,164</u>	<u>\$ 28,461,741</u>	<u>\$ 1,201,364</u>

CITY OF DERBY, CONNECTICUT
SCHEDULE OF NATIONALLY RECOGNIZED MUNICIPAL
SECURITIES INFORMATION REPOSITORY
YEAR ENDED JUNE 30, 2018

Gross Grand List-October 1, 2016	\$ 723,068,933
Net Grand List-October 1, 2016	\$ 716,895,101

	<u>Grand List Assessment</u>
Ten Largest Taxpayers:	
United Illuminating Co.	\$ 12,598,660
Antinozzi, Peter, Concetta & Justine	11,265,240
49 Pershing Drive LLC	9,425,500
Home Depot	8,203,720
Yankee Gas Services Co.	6,394,520
Realty Income SUB 318, LLC	5,441,380
500 NHA LLC	4,879,630
Opuszynski Jean A	4,127,760
Red Raider Derby LLC	3,775,660
500 NHA LLC	3,644,410

Debt Statement as of June 30, 2018:

Short Term Debt	\$ 13,360,000
Long Term Debt	<u>12,180,000</u>
Total Direct Debt	25,540,000
Less: School construction grants	-
Water assessments receivable, net of allowance	-
Total Net Direct Debt	<u><u>\$ 25,540,000</u></u>

Current Debt Ratios

(Pro Forma)	
Population (2016)*	12,755
Net Grand List(Taxable) - October 1, 2016	\$ 716,895,101
Estimated Full Value (70%)	\$ 723,068,933
Equalized Net Taxable Grand List (2016)**	\$ 975,413,503
Money Income per Capita (2015)*	\$ 55,316

* 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	2,002	2,002
Ratio to Net Taxable Grand List	3.56%	3.56%
Ratio to Estimated Full Value	3.53%	3.53%
Ratio to Equalized Net Taxable Grand List	2.62%	2.62%

Appendix B-1

Opinion of Bond Counsel and Tax Status –Series A Bonds

APPENDIX B-1 - OPINION OF BOND COUNSEL AND TAX STATUS – SERIES A BONDS

The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the initial purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the initial purchaser.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

City of Derby
Derby, Connecticut

We have represented the City of Derby, Connecticut as Bond Counsel in connection with the issuance by the City of \$11,885,000* General Obligation Bonds, Issue of 2019, Series A (Tax-Exempt), dated as of August 29, 2019.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the City of Derby is authorized to issue the Bonds; the City is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the City when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the City has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the City without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The City officials authorized to issue the Bonds have executed written representations and agreements on behalf of the City relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant

* Preliminary, subject to change.

to Section 103 of the Code; and (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The City officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the City relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The City's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds will **not** be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds is excluded

from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE DISCOUNT.

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross

income for federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Owners of the Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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Appendix B-2

Opinion of Bond Counsel and Tax Status –Series B Bonds

APPENDIX B-2 - OPINION OF BOND COUNSEL AND TAX STATUS – SERIES B BONDS

The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the initial purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the initial purchaser.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

City of Derby
Derby, Connecticut

We have represented the City of Derby, Connecticut as Bond Counsel in connection with the issuance by the City of \$11,675,000* General Obligation Bonds, Issue of 2019, Series B (Federally Taxable), dated as of August 29, 2019.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the City of Derby is authorized to issue the Bonds; the City is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the City when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the City has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the City without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

It is our opinion that, under existing statutes and regulations, interest on the Bonds is not excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

* Preliminary, subject to change.

Very truly yours,

Day Pitney LLP

FEDERAL TAX STATUS OF THE BONDS.

Federal Income Taxes

In the opinion of Bond Counsel, under existing law, interest on the Bonds is not excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Section 103 of the Internal Revenue Code of 1986, as amended.

United States Tax Consequences

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the Bonds by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Bond at its issue price, which is the first price at which a substantial amount of the Bonds is sold to the public, and who hold the Bonds as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, or United States Holders (as defined below) that have a “functional currency” other than the United States dollar (Special Taxpayers). This summary is applicable only to a person (United States Holder) who or which is the beneficial owner of the Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

United States Holders

Payments of Stated Interest. In general, for a beneficial owner who or which is a United States Holder, interest on a Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner's method of accounting for tax purposes.

Bonds Purchased at Original Issue Discount. The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount unless the amount of such excess is less than a specified *de minimis* amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity), in which case the original issue discount is treated as zero. The prices set forth on the inside cover page of the Official Statement for the Bonds are expected to be the initial offering prices at which a substantial amount of the Bonds were ultimately sold to the public. A United States Holder of a Bond having a maturity more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Bond) the daily portion of original issue discount, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. A United States Holder may irrevocably elect to include in gross income all interest that accrues on a Bond using the constant-yield method, subject to certain modifications.

Bonds Purchased at Original Issue Premium. The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these the Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The prices set forth on the inside cover page of the Official Statement for the Bonds are expected to be the initial offering prices at which a substantial amount of the Bonds were ultimately sold to the public. A holder of a Bond may elect to treat such excess as “amortizable bond premium,” in which case the amount of interest required to be included in the taxpayer's income each year with respect to interest on the Bond will be reduced by the amount of amortizable bond premium allocable (based on the Bond's yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer's tax basis in the Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the Internal Revenue Service (“IRS”).

Bonds Purchased at a Market Discount. A Bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the Bond is less than the Bond's adjusted issue price, unless such difference is less than a specified *de minimis* amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the Bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. This election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the tax basis of the Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elects to accrue such discount on a constant yield-to-maturity basis. This election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the Bond in an amount not exceeding the accrued market discount on such Bond until maturity or disposition of the Bond.

Purchase, Sale, Exchange, and Retirement of Bonds. A United States Holder's tax basis in a Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Holder's income with respect to the Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's adjusted tax basis in the Bond. Except to the extent described above under *Bonds Purchased at a Market Discount*, gain or loss recognized on the sale, exchange or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the Bond was held for more than one year.

Backup Withholding. United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Bonds, if they fail to provide an accurate Form W-9, “Request for Taxpayer Identification Number and Certification,” or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided that the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Medicare Tax Affecting U.S. Owners. For taxable years beginning after December 31, 2012, a U.S. owner that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) of the U.S. owner's “net investment

income” for the taxable year and (2) the excess of the U.S. owner’s modified adjusted gross income for the taxable year over a certain threshold. A U.S. owner’s net investment income will generally include its interest income and its net gains from the disposition of the Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual, estate, or trust should consult its own tax advisor regarding the applicability of the Medicare tax.

Information Reporting

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law, or is notified by the RS that it has failed properly to report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the Bonds.

Any payments of interest and original issue discount on the Bonds to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership, or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending on a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the Bonds, including the tax consequences under state, local, foreign, and other tax laws, and the possible effects of changes in federal or other tax laws.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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Appendix C

Form of Continuing Disclosure Agreement

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the City substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of August 29, 2019 by the City of Derby, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$11,885,000* General Obligation Bonds, Issue of 2019, Series A (Tax-Exempt), and \$11,675,000* General Obligation Bonds, Issue of 2019, Series B (Federally Taxable), each dated as of August 29, 2019 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated August 15, 2019 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2019) as follows:

(i) Financial statements of the Issuer's general fund, and any system-wide school capital improvements, water pollution control authority, parking authority, pension trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

* Preliminary, subject to change.

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage or amount of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt and total net direct debt, as of the close of the fiscal year,
- (F) total direct debt and total net direct debt of the Issuer per capita,
- (G) ratios of the total direct debt and total net direct debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of holders of the Bonds, if material;

(h) Bond calls, if material, and tender offers;

(i) Bond defeasances;

(j) release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

Events (o) and (p). The term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Treasurer, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Treasurer is City Hall, 1 Elizabeth Street, Derby, Connecticut 06418.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial

owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

CITY OF DERBY

By _____
Richard Dziekan
Mayor

By _____
Keith A. McLiverty
Treasurer

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