

Preliminary Official Statement Dated April 29, 2026

New Money Issue: Book-Entry-Only

RATING: S&P Global Ratings: "AA-"

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the City with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excludable 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. (See "Tax Matters" herein.)



City of Derby, Connecticut **\$7,000,000** **General Obligation Bonds, Issue of 2026** **(Bank Qualified)**

Dated: Date of Delivery

Due: Serially May 15, 2027-2046
as shown on the inside cover page:

The \$7,000,000 General Obligation Bonds, Issue of 2026 (the "Bonds") will bear interest on November 15, 2026 and semiannually thereafter on May 15 and November 15 in each year until maturity or earlier redemption. 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 Bonds are subject to redemption prior to maturity (See "Redemption Provisions" herein.)

Electronic bids via PARITY® for the Bonds will be received until 11:30 A.M. (E.T.) on Thursday, May 7, 2026, as described in the Notice of Sale. (See Appendix D to this Official Statement).

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"). 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 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, and Certifying Agent for the Bonds will be U.S. Bank Trust Company, National Association, 185 Asylum Street, Hartford, Connecticut 06103.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Pullman & Comley, LLC, Bond Counsel, Hartford, Connecticut, and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about May 21, 2026.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.



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
\$7,000,000
General Obligation Bonds, Issue of 2026
(Bank Qualified)

Dated: Date of Delivery

Due: Serially May 15, 2027-2046
as detailed below

Year	Principal	Coupon	Yield	CUSIP ¹	Year	Principal	Coupon	Yield	CUSIP ¹
2027	\$ 350,000	.. %	.. %	249739	2037	\$ 350,000	.. %	.. %	249739
2028	350,000	.. %	.. %	249739	2038	350,000	.. %	.. %	249739
2029	350,000	.. %	.. %	249739	2039	350,000	.. %	.. %	249739
2030	350,000	.. %	.. %	249739	2040	350,000	.. %	.. %	249739
2031	350,000	.. %	.. %	249739	2041	350,000	.. %	.. %	249739
2032	350,000	.. %	.. %	249739	2042	350,000	.. %	.. %	249739
2033	350,000	.. %	.. %	249739	2043	350,000	.. %	.. %	249739
2034	350,000	.. %	.. %	249739	2044	350,000	.. %	.. %	249739
2035	350,000	.. %	.. %	249739	2045	350,000	.. %	.. %	249739
2036	350,000	.. %	.. %	249739	2046	350,000	.. %	.. %	249739

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc, which is 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, salesperson 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 or the Municipal Advisor. 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.

The independent auditors for the City are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in their opinion in Appendix A hereto), and they make no representation that they have independently verified the same.

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 Appendix B to this Official Statement), and makes no representation that it has independently verified the same.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, any such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

The Bonds have not been registered under the Securities Act of 1993, as amended, nor have the Bonds been registered under any state securities laws.

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

This Official Statement may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the City up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the City assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the City; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the City; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the City; (viii) the effects of epidemics and pandemics, including economic effects; (ix) foreign hostilities or wars; (x) foreign or domestic terrorism or domestic violent extremism; (xi) disruptions to the City’s technology network and systems, including computer systems and software; and (xii) other factors contained in this Official Statement.

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Bond Issue Summary

The information in this Bond Issue Summary, the cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Thursday, May 7, 2026 at 11:30 A.M. (Eastern Time).
Location of Sale:	Via Parity® only. (See Appendix D – Notice of Sale to this Official Statement.).
Issuer:	City of Derby, Connecticut (the “City”).
Issue:	\$7,000,000 General Obligation Bonds, Issue of 2026 (the “Bonds”).
Dated Date:	Date of Delivery.
Principal and Interest Due:	Principal due serially May 15, 2027 through May 15, 2046. Interest due May 15 and November 15 in each year until maturity, commencing November 15, 2026.
Authorization and Purpose:	The Bonds are being issued to finance various general purpose and sewer projects. See “Authorization and Purpose” and “Use of Proceeds” herein.
Redemption:	The Bonds are subject to optional redemption prior to maturity. See “Redemption Provisions” herein.
Security and Remedies:	The Bonds will be general obligations of the City, and the City will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds are rated “AA-” by S&P Global Ratings (“S&P”). See “Rating” herein.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	See “Tax Matters” herein.
Bank Qualification:	The Bonds shall be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986 for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) notice of the occurrence of certain events within ten (10) business days of the occurrence of such events, 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 to be executed substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, Hartford, Connecticut 06103.
Legal Opinion:	Pullman & Comley, LLC, of Hartford, Connecticut will act as Bond Counsel.
Municipal Advisor:	Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Milford, Connecticut, will act as Municipal Advisor.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about May 21, 2026 against payment in immediately available federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Brian Hall, Finance Director, City of Derby, 1 Elizabeth Street, Derby, Connecticut 06418. Telephone (203) 736-1453.

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 \$7,000,000 General Obligation Bonds, Issue of 2026 (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 Trust Company, National Association will certify and act as Registrar, Transfer Agent, Paying Agent, and Certifying 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.

Public Health Considerations

Commencing in late 2019, an outbreak of a respiratory disease caused by a new strain of coronavirus (“COVID-19”) resulted in a global public health crisis. The federal and State governments both declared public health emergencies and, along with local governments, took action to limit the spread of the outbreak and reduce the resulting economic impact. The federal and State public health emergency declarations have since been terminated.

To date, the COVID-19 outbreak has had no material adverse effect on the finances of the City. However, prospective investors should assume that restrictions and limitations related to COVID-19 and any future variants or pandemics may be instituted by the federal or State governments and that any resurgence of COVID-19 or another infectious disease could have a material adverse effect on the City and its financial and operational performance.

The City received \$3,651,734.28 from the American Rescue Plan Act of 2021 in response to the COVID-19 pandemic (the “COVID-19 Aid”). The City developed a plan for the use of such funds that focused on infrastructure improvements and other initiatives that complied with the program eligibility criteria. No assurance can be given that the City would receive federal aid akin to the COVID-19 Aid if another pandemic or similar public health emergency were to occur.

Cybersecurity

The City, like many other public and private entities, relies on technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. To mitigate the risk of business operations impacted and/or damage from cyber incidents or cyber-attacks, the City invests in various forms of cybersecurity and operational controls, including but not limited to, multi-factor authentication, user training, and intrusion detection and prevention. The City is up to date with its software, including Windows 11 and Microsoft Office 365. In addition, the City invests in cybersecurity insurance, so that a claim can be made to the insurance provider (Cowbell) in the event of a cyber-attack. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact on business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial. The City’s Police department’s IT vendor was transitioned

away after a cyber-attack in 2024. Most legacy servers have been retired, and the IT infrastructure vendor was moved to the same vendor that handles the City’s IT support (APEX Technologies). The remaining legacy vendor and server that handles the police’s dispatch software is set to be migrated to a cloud-based solution (NexGen) by June of 2026.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The City is susceptible to significant winter storms, hurricanes and tropical storms. The City cannot predict the timing, extent or severity of climate change and its impact on its operations and finances.

Municipal Advisor

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Milford, Connecticut, has served as Municipal Advisor to the City in connection with the issuance of the Bonds (the “Municipal Advisor”) and has assisted in matters related to the planning, structuring and terms of the Bonds. 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 this Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Bonds

The Bonds will be dated the date of delivery and will mature on May 15 in each of the years as set forth on the inside cover page to this Official Statement. Interest on the Bonds will be payable semiannually on May 15 and November 15 in each year until maturity, commencing November 15, 2026. 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 last business day of April and October, 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 May 15, 2033 are not subject to redemption prior to maturity. The Bonds maturing on May 15, 2034 and thereafter are subject to redemption prior to maturity, at the election of the City, on and after May 15, 2033 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:

<u>Redemption Date</u>	<u>Redemption Price</u>
May 15, 2033 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 but not more than sixty (60) 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.

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 Connecticut General Statutes, 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

Project	Aggregate Amount Authorized	Maturing Notes Due: 5/21/26	This Issue: The Bonds
2022 Road Impr. Program	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
2025 Capital Plan	6,500,000	-	2,000,000
Sewer Project	31,240,000	-	2,000,000
Total	\$ 40,740,000	\$ 3,000,000	\$ 7,000,000

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Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), 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.

Tax Matters

Federal Taxes. In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations.

Bond Counsel's opinion with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the City with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986 (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Bonds, the City will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bond proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned upon compliance by the City with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

Original Issue Discount. The initial public offering prices of certain maturities of the Bonds may be less than the stated principal amount (the "OID Bonds"). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such OID Bonds are expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds are sold. Under existing law, original issue discount on the OID Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the OID Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such OID Bond and will be added to the owner's basis. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such an OID Bond.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the case of owners of OID Bonds purchasing such OID Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium. The initial public offering prices of certain maturities of the Bonds may be more than their stated principal amounts payable at maturity (the "OIP Bonds"). In general, an owner who purchases an OIP Bond must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the OIP Bond for federal income tax purposes. Prospective purchasers of OIP Bonds at a premium to its principal amount should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences. 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 Taxes. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excludable 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 for 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.

Accrued original issue discount on an OID Bond is also excludable 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 for individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Bonds.

Changes in Federal and State Tax Law. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the 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 that may occur after the date of its opinion. Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The discussion above does not purport to deal with all aspects of federal or 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 own tax advisors regarding the federal, state and local tax consequences of owning and disposing 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 be** designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986 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 winning bidder'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.

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, 2021, June 30, 2022, June 30, 2023, June 30, 2024 and June 30, 2025 the City failed to file its required annual financial information and operating data with the Electronic Municipal Market Access System. The City filed failure to file notices on March 2, 2022, March 3, 2023, March 1, 2024, March 3, 2025, and March 2, 2026, respectively. The City filed the completed annual financial information and operating data on August 1, 2022, June 6, 2023, June 4, 2024, June 30, 2025, and March 24, 2026, respectively. The City will work together with its Municipal Advisor and Bond Counsel to ensure timely compliance in the future.

Rating

The Bonds are rated "AA-" by S&P Global Ratings ("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.

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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 12,487 as of 2020-2024 Five-year Estimates, U.S. Census Bureau.

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 is Yale-New Haven Hospital. St. Vincent’s, Park City and Bridgeport Hospital are located in nearby Bridgeport.

Form of Government

The City has a Mayor, Board of Aldermen/Alderwomen, and Board of Apportionment and Taxation form of government. Elections for the offices of Mayor, Board of Aldermen/Alderwomen, 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/Alderwomen 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/Alderwomen 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/Alderwomen consists of nine elected members (three from each ward) and serves as the legislative body of the City.

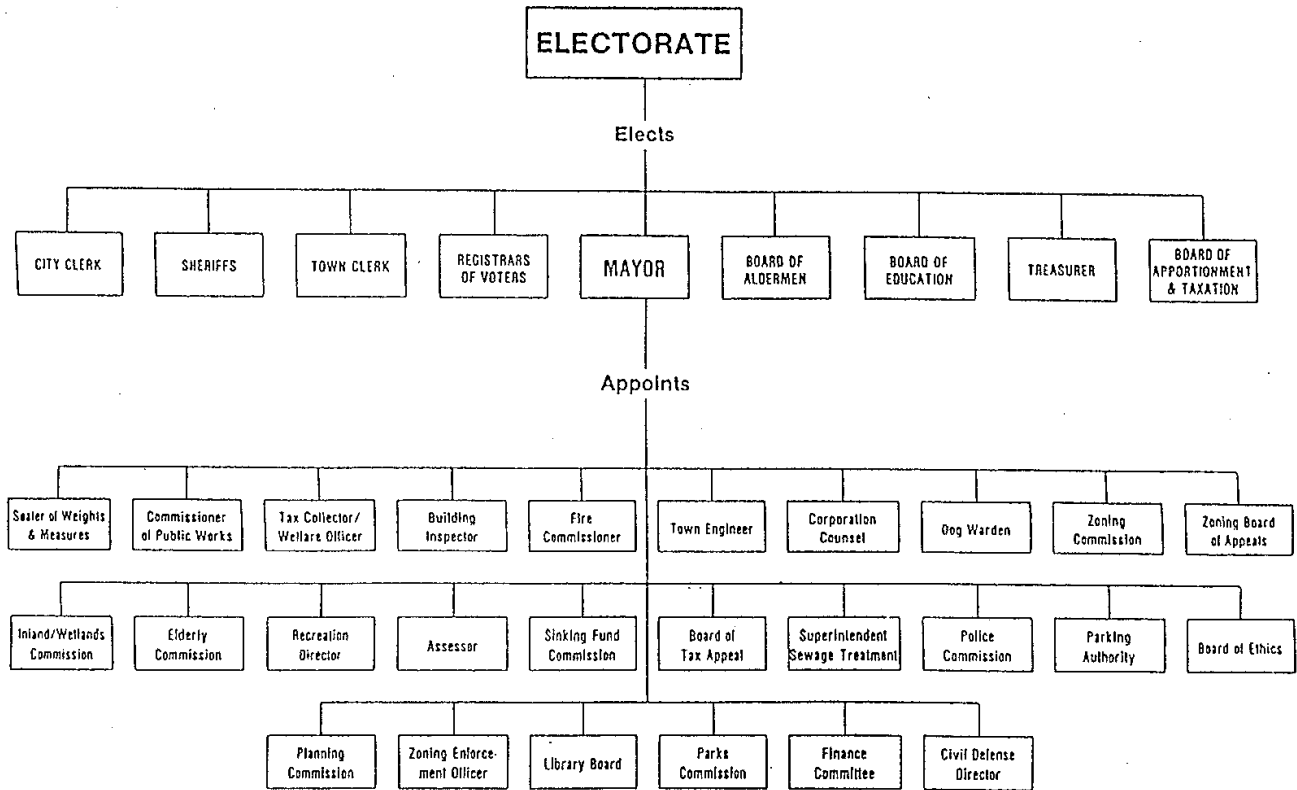
The Board of Apportionment and Taxation consists of ten elected members of which at least three must represent the minority political party. The Board approves the budget and levies taxes. Seven votes are required to approve any of the Board’s actions.

Principal Municipal Officials

Office	Name	Manner of Selection/Term	Years of Service
Mayor	Joseph L. DiMartino	Elected / 2 Years	2 years
Treasurer	Barbara J. Montalvo	Elected / 2 Years	1 years
Tax Collector	Jodie S. Enriquez	Appointed / Indefinite	1 years
Finance Director	Brian Hall	Appointed / Indefinite	2 years
Town / City Clerk	Marc J. Garofalo	Elected / 4 Years	12 years
Assessor	Betsy Quist	Appointed / Indefinite	7 years
Superintendent of Schools	Matt Conway	Hired / 1 year	13 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, City Carting, Inc., under contract with the City and hauled to the American Ref-Fuel Company facility located in Preston, Connecticut. In 2024-25, the city spent \$1,807,290 in fees for hauling and residential solid waste and recycling disposal.

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 sewerred.

Water: Water is provided by South Central Connecticut Regional Water Authority (“SCCRWA”) 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 SCCRWA. 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 (the “Board”) and administered by a Superintendent who is selected by the Board. Members of the Board serve rotating terms of four years.

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 10/1/2025	Operating Capacity
Little Raiders @ DHS	Pre-k	1968 (1988) (2014)	3	67	900
Irving School	K-6	1954 (1995)	22	291	635
Bradley School	K-6	1960 (1964) (1995)	22	253	500
Upper/Middle School	7-12	1968 (1988) (2014)	42	596	900
Total			89	1,207	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						
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
2019-20	231	306	361	331	49	1,278
2020-21	231	272	322	355	43	1,223
2021-22	245	300	303	381	50	1,279
2022-23	265	306	291	387	57	1,306
2023-24	272	329	282	395	59	1,337
2024-25	246	319	312	354	68	1,299
2025-26	253	291	290	306	67	1,207
Projected						
2026-27	244	281	285	364	67	1,241

Source: City of Derby, Board of Education.

Municipal Employees¹

	2025-26	2024-25	2023-24	2022-23	2021-22
General Government	81	79	86	89	85
Board of Education	326	326	323	322	324
Total	407	405	409	411	409

¹ Full-time equivalent.

Source: City of Derby, Treasurer's 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	15	6/30/2027
Highway & Water Pollution.....	Local 1303-06, Council 4, AFL-CIO	21	6/30/2029
Police.....	Local 1376, Council 15, AFSCME, AFL-CIO	31	6/30/2028
	Total Organized	67	
	Non-Union	14	
	Total	81	
<u>Board of Education</u>			
Aides/Para Professionals/Nurses..	Local 1303, Council 4, AFSCME	63	6/20/2028
Nurses.....	CT Healthcare Associates, NUHHCE	5	6/30/2029
Administrators.....	Local 48, Derby Administrators Association, AFSA, AFL-CIO	9	6/30/2028
Teachers.....	Derby Education Association	145	6/30/2026
Custodians.....	Local 1303-239, Council 4, AFSCME	11	6/30/2029
Secretaries.....	Local 1303-294, Council 4, AFSCME	7	6/30/2027
	Total Organized	240	
	Non-Union	5	
	Total	245	
	Total General Government and Board of Education Employees.....	326	

Source: City of Derby, Treasurer's Office.

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 (i) 5% or less with respect to teachers' contracts, and 15% with respect to municipal employees 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

Economic Development

The City of Derby continues to be very active in the areas of economic and community development with many projects completed in the past decade and many others advancing toward construction.

The City has strengthened blight abatement and property maintenance efforts through targeted enforcement and proactive engagement with owners. This approach has transformed problem locations, helped dozens of properties reach compliance, and protected neighborhood values while creating a more attractive environment for private investment.

Derby has welcomed a steady stream of new and expanding businesses—small, medium, and large—adding to the grand list and broadening services for residents and visitors. Recent years have seen additional restaurants and specialty retail downtown, new personal services and fitness options along key corridors, and continued growth among legacy Derby employers. These investments not only contribute tax revenue, they also create and sustain employment opportunities for our residents.

The City advanced a pivotal site-control initiative within the Downtown Redevelopment Zone by executing a contract to purchase the scrapyards property at 2 Factory Street. This strategic acquisition resolves a long-standing barrier at the heart of the redevelopment area and enables relocation of the metal recycling use to a more appropriate industrial setting. With environmental review completed, the City's vision for the broader 14-acre area includes mixed-use redevelopment with medical services and housing components, consistent with transit-oriented development goals and Main Street reinvestment.

Existing Derby businesses continue to invest and expand—adding space, upgrading façades, and improving operations. The City's Office of Economic and Community Development works closely with local employers to navigate permitting, connect to incentives, and coordinate with regional workforce and small-business partners, ensuring that Derby companies remain competitive and able to grow in place.

The City capitalized on private and public investment along Route 34 and within the downtown core by pairing redevelopment with major corridor upgrades. The comprehensive reconstruction of Main Street (Route 34)—completed in fall 2025—modernized signals, widened travel lanes, improved drainage, added a landscaped median, enhanced lighting and sidewalks with pedestrian bump-outs, and optimized on-street parking. Elizabeth, Minerva, and Third Streets were converted to one-way operations to streamline circulation and increase parking supply, supporting downtown businesses and new residential development.

Cedar Village at Minerva Square, an \$18 million mixed-use residential investment near City Hall, delivered high-quality apartments and ground-floor commercial space following brownfield remediation. The project brought new households to the core, increased customer activity for nearby businesses, and demonstrated strong market demand for transit-accessible living in Derby's walkable downtown.

Derby continues to expand recreational amenities and riverfront access. Successive phases of the Derby Greenway have extended bicycle and pedestrian connectivity along the Housatonic and Naugatuck Rivers, linking neighborhoods, parks, and the downtown district. These investments support healthy lifestyles, regional trail tourism, and the City's long-term vision to activate its waterfronts as public assets.

Downtown storefront activity has strengthened with renewed interest from restaurateurs and service businesses seeking visible, walkable locations along and just off Main Street. To support this momentum, the City paired corridor reconstruction with strategic parking enhancements—including new parallel and angled spaces where appropriate—and advanced planning for long-term parking garage rehabilitation and modernization to improve safety, capacity, and user experience for residents, commuters, and visitors.

To expand Derby's industrial and commercial base, the City advanced site-readiness at key employment areas. At Fountain Lake Industrial Park, Derby submitted a grant request to support early-stage improvements and continues to coordinate with United Illuminating and the University of New Haven's Innovation & Applied Technology Center on a potential combined heat and power microgrid to provide reliable, lower-cost energy to future tenants. This work positions Derby to attract light manufacturing and technology employers seeking well-located, energy-resilient sites.

The City continues to address vacant and underused parcels through a combination of acquisition, remediation, enforcement, and partnership tools. Where appropriate, Derby advances selective demolition and site stabilization while pursuing State, Federal, and regional brownfield resources. This pragmatic approach keeps redevelopment opportunities moving forward and limits the negative effects of prolonged vacancy.

Derby has paired local capital with State and Federal funding to maintain and improve critical streets and intersections beyond the Main Street corridor. Pedestrian safety remains a top priority: a \$3.86 million LOTCIP project at Division Street and Seymour Avenue has completed design and advanced to peer review, while an additional safety package for Route 34 at Gilbert Street is out to bid. These layered improvements reinforce the City's commitment to safe mobility for walkers, cyclists, transit riders, and motorists.

Building on prior success with virtual net metering, the City advanced a 2 MW ground-mounted solar expansion at the 58-acre landfill—occupying less than 13% of the site—and initiated review for a first-of-its-kind municipal battery energy storage system with United Illuminating. Preliminary lease revenues from the solar expansion are projected to exceed the annual electricity cost for the Caroline Street pump station, improving budget predictability while advancing local clean-energy goals.

State partners have continued to invest in Derby's transportation network, complementing City priorities within the downtown and along key gateways. The Route 34/Main Street reconstruction, administered with CTDOT and NVCOG, is now complete and operating as designed—reducing congestion, improving safety, and providing an attractive, pedestrian-friendly environment that supports redevelopment on both sides of the corridor.

The City is planning for continued downtown housing growth consistent with transit-oriented development principles. With Cedar Village delivered and additional infill proposals under consideration, Derby's strategy prioritizes high-quality design, appropriate scale, and ground-floor activation to strengthen Main Street as the civic and commercial heart of the community. As market conditions evolve, the City will continue to pursue a balanced mix of housing types that broaden choice for young professionals, families, and seniors.

Targeted site control—most notably the City's acquisition of 2 Factory Street—will enable the next phase of river-adjacent redevelopment south of Main Street. By removing incompatible uses from the core and assembling development-ready parcels, Derby can invite private partners to deliver medical offices, neighborhood services, housing, and public open spaces that extend the downtown's walkable fabric toward the waterfront.

Environmental stewardship continues at O'Sullivan Island, where the City, NVCOG, and State partners advanced new assessment under a DEEP CERCLA 128(a) grant. The work will guide the next steps for a safe, accessible public space with passive recreation amenities, ecological enhancements, and improved connections to the Greenway and downtown.

The City remains focused on opening additional sites for job-creating uses. Strategic planning for roadway access, utility service, and environmental due diligence at employment nodes ensures Derby can accommodate expansions by existing firms and welcome new businesses seeking central Connecticut locations with excellent highway and rail access.

In 2025, the City initiated the update to its 10-year Plan of Conservation and Development (POCD). Six qualified consultant teams responded to the City's RFP, and staff will recommend a firm to the Board of Alders to begin community engagement and technical analysis. The POCD will guide Derby's land use, housing, economic development, mobility, resiliency, and capital investment priorities through 2036, aligning local policy with ongoing downtown redevelopment, riverfront activation, and infrastructure stewardship.

The Sterling Opera House remains a key cultural and economic development asset. Building on prior exterior restoration, the City advanced planning work to determine programmatic options, phasing, and funding pathways for a comprehensive reuse that could host arts, performances, community events, and educational programming. The Opera House effort aligns with Derby's broader goals to strengthen cultural identity and create destinations that draw residents and visitors year-round.

Griffin Hospital—Derby's largest employer and a regional healthcare leader—continues to anchor the local economy. As the City advances site control and planning within the redevelopment district, the concept of a medical services hub integrated with mixed-income housing and neighborhood retail presents a significant opportunity to create jobs, expand access to care, and attract ancillary health and wellness businesses to Main Street and its side streets.

Retail and service anchors along Pershing Drive and other corridors have continued to reinvest through renovations, equipment upgrades, and footprint expansions. These actions stabilize established centers, protect the tax base, and complement downtown’s emerging mix of restaurants and specialty shops, giving residents more choices close to home while drawing customers from neighboring communities.

The City completed updated structural evaluations and cost estimating for the municipal parking garage and is preparing an Urban Act grant application to fund deck redecking, steel rehabilitation, and related life-safety upgrades. In parallel, Derby is exploring a solar canopy concept with the Connecticut Green Bank to reduce operating costs, provide shade, and demonstrate visible sustainability in the downtown core.

Derby is participating in the State’s Cultural District program exploration and has established a Downtown Task Force initiative in partnership with the Connecticut Main Street Center, supported by the Greater Valley Community Foundation. This work focuses on storefront vitality, public-realm activation, coordinated events, and technical assistance to merchants—helping to curate a welcoming, vibrant, and clean Main Street experience.

Small business formation remains strong, with new registrations monthly and a healthy pipeline of entrepreneurs considering Derby locations. The City’s OECD offers one-on-one navigation for permitting, connections to financing tools—including revolving loans—and guidance on State incentives available to qualifying manufacturers and growth-stage companies.

The City decade of progress reflects deliberate planning, disciplined execution, and strong partnerships at every level of government and across the private sector. With Main Street reconstruction complete, key properties under City control, safety projects queued for construction, and an updated POCD about to begin, Derby is exceptionally well-positioned for its next chapter of growth.

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Population and Density

Year	Actual		
	Population	% Increase	Density ¹
2024 ²	12,487	1.3%	2,356.0
2020	12,325	-4.5%	2,325.5
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 2020-2024.

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	467	3.7%	181,691	5.0%
5 to 9 years	271	2.2	195,164	5.4%
10 to 14 years	696	5.6	214,972	5.9%
15 to 19 years	752	6.0	239,710	6.6%
20 to 24 years	451	3.6	238,387	6.6%
25 to 34 years	2,092	16.8	454,892	12.6%
35 to 44 years	1,307	10.5	460,916	12.7%
45 to 54 years	1,345	10.8	453,917	12.5%
55 to 59 years	1,370	11.0	256,068	7.1%
60 to 64 years	1,104	8.8	258,234	7.1%
65 to 74 years	1,842	14.8	386,232	10.7%
75 to 84 years	528	4.2	196,373	5.4%
85 years and over	262	2.1	87,952	2.4%
Total.....	12,487	100%	3,624,508	100%
Median Age (Years) 2024.....	46.4		41.1	

Source: American Community Survey 2020-2024.

Income Distribution

Income	City of Derby		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	135	4.0%	24,004	2.6%
10,000 - 14,999.....	27	0.8	12,584	1.4%
15,000 - 24,999.....	31	0.9	27,285	3.0%
25,000 - 34,999.....	124	3.7	33,429	3.6%
35,000 - 49,999.....	448	13.4	59,826	6.5%
50,000 - 74,999.....	321	9.6	106,611	11.6%
75,000 - 99,999.....	354	10.6	106,893	11.6%
100,000 - 149,999.....	1,218	36.4	182,785	19.8%
150,000 - 199,999.....	311	9.3	131,310	14.3%
200,000 and over.....	377	11.3	236,661	25.7%
Total.....	3,346	100.0%	921,388	100.0%

Source: American Community Survey 2020-2024.

Income Levels

	City of Derby	State of Connecticut
Per Capita Income, 2024.....	\$ 46,280	\$ 55,915
Median Family Income, 2024.....	\$ 108,566	\$ 122,706
Median Household Income, 2024.....	\$ 79,500	\$ 95,781

Source: American Community Survey 2020-2024.

Educational Attainment Years of School Completed Age 25 and Over

	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	365	3.7%	101,458	4.0%
9th to 12th grade.....	808	8.2	114,887	4.5
High School graduate.....	2,999	30.4	647,192	25.3
Some college, no degree.....	1,445	14.7	410,903	16.1
Associate's degree	725	7.4	195,081	7.6
Bachelor's degree.....	1,945	19.7	595,631	23.3
Graduate or professional degree.....	1,563	15.9	489,432	19.2
Total.....	9,850	100.0%	2,554,584	100.0%
Total high school graduate or higher (%)......		88.1%		91.5%
Total bachelor's degree or higher (%)......		35.6%		42.5%

Source: American Community Survey 2020-2024.

Major Employers

Employer	Type of Business	Approximate Number of Employees
Griffin Hospital.....	Hospitals	1,000 - 4,999
City of Derby.....	Municipality	100 - 249
Home Depot.....	Retail	100 - 249
Shop Rite.....	Supermarket	100 - 249
Big Y.....	Retail	100 - 249
Lowe's.....	Retail	100 - 249
Varca.....	Manufacturing	100 - 249
Griffin Health Svc Corp.....	Rehabilitation Center	100 - 249
Whalley Glass General.....	Glass-Auto Plate & Window	100 - 249
Team Inc.	Family & Children Services	50 - 99

Source: State of Connecticut, Labor Market Information.

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%	7,132	0.4%
Construction.....	623	9.3	113,006	6.1
Manufacturing.....	574	8.5	198,526	10.7
Wholesale trade.....	41	0.6	35,592	1.9
Retail trade.....	687	10.2	192,698	10.4
Transportation warehousing, and utilities.....	354	5.3	87,076	4.7
Information.....	81	1.2	37,488	2.0
Finance, insurance, real estate, and leasing...	446	6.6	161,226	8.7
Professional, scientific, management, administrative, and waste management.....	584	8.7	228,229	12.3
Education, health and social services.....	2,180	32.4	496,559	26.8
Arts, entertainment, recreation, accommodation and food services.....	540	8.0	143,851	7.8
Other services (except public admin.).....	389	5.8	80,617	4.4
Public Administration.....	231	3.4	67,864	3.7
Total Labor Force, Employed.....	6,730	100%	1,849,864	100.0%

Source: American Community Survey 2020-2024.

Employment Data
By Place of Residence

Period	City of Derby		Percentage Unemployed		
	Employed	Unemployed	City of Derby	Bridgeport / Stamford Labor Market	State of Connecticut
February 2026.....	6,203	449	6.7	5.7	5.8
Annual Average					
2025.....	6,346	321	4.8	3.8	3.9
2024.....	6,335	322	4.9	3.7	3.5
2023.....	6,280	79	2.7	3.9	3.7
2022.....	6,231	341	5.2	4.2	4.1
2021.....	5,717	532	8.6	6.7	6.6
2020.....	5,970	589	9.0	7.5	7.3
2019.....	6,468	297	4.4	3.7	3.7
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

Source: State of Connecticut, Department of Labor.

Commute to Work

	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Drove alone	4,932	74.8%	1,247,615	68.8%
Car pools	488	7.4	142,552	7.9
Used public transportation	27	0.4	60,136	3.3
Walked	72	1.1	44,871	2.5
Used other means	81	1.2	28,498	1.6
Worked at home	995	15.1	291,021	16.0
Total	6,595	100.0%	1,814,693	100.0%
Mean travel to work (minutes)		26.9		26.5

Source: American Community Survey 2020-2024.

Age Distribution of Housing

Year Built	City of Derby		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	1,138	18.3%	311,584	20.2%
1940 to 1969.....	2,276	36.6	514,365	33.4
1970 to 1979.....	1,034	16.6	210,797	13.7
1980 to 1989.....	697	11.2	199,083	12.9
1990 to 1999.....	548	8.8	115,803	7.5
2000 or 2009.....	163	2.6	109,783	7.1
2010 or later.....	363	5.8	80,407	5.2
Total Housing Units.....	6,219	100.0%	1,541,822	100.0%

Source: American Community Survey 2020-2024.

Housing Inventory

Housing Units	City of Derby		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	2,337	37.6%	902,771	58.6%
1-unit, attached.....	1,090	17.5	99,493	6.5
2 units.....	862	13.9	115,211	7.5
3 or 4 units.....	787	12.7	125,486	8.1
5 to 9 units.....	532	8.6	76,014	4.9
10 to 19 units.....	128	2.1	54,675	3.5
20 or more units.....	483	7.8	156,730	10.2
Mobile home.....	-	-	10,890	0.7
Boat, RV, van, etc.....	-	-	552	0.0
Total Inventory.....	6,219	100.0%	1,541,822	100.0%

Source: American Community Survey 2020-2024.

Owner Occupied Housing Values

Specified Owner-Occupied Units	City of Derby		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	117	3.2%	23,262	2.4%
\$50,000 to \$99,000.....	51	1.4	14,209	1.5
\$100,000 to \$149,999.....	103	2.8	31,134	3.3
\$150,000 to \$199,000.....	823	22.6	65,851	6.9
\$200,000 to \$299,999.....	1,304	35.8	205,349	21.5
\$300,000 to \$499,999.....	1,088	29.8	350,277	36.8
\$500,000 to \$999,999.....	118	3.2	197,853	20.8
\$1,000,000 or more.....	43	1.2	65,054	6.8
Total.....	3,647	100.0%	952,989	100.0%
Median Value.....	\$256,700		\$366,900	

Source: American Community Survey 2020-2024.

Building Permits

Fiscal Year Ending 6/30	Number of Permits	Value
2026 ¹	372	\$ 5,814,995
2025	690	18,991,503
2024	535	29,737,208
2023	670	13,975,628
2022	584	8,505,401
2021	669	15,113,519
2020	742	10,653,920
2019	879	22,087,510
2018	768	13,671,744
2017	774	11,051,229

¹ As of January 31, 2026.

Sources: Building Department, City of Derby.

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IV. Tax Base Data

Property Tax – Assessments

The City had a general property revaluation effective October 1, 2025. The City's next revaluation is planned for October 1, 2030. 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 of Connecticut 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 Rate

Section 12-71e(a) of the Connecticut General Statutes (the "General Statutes") has been amended whereby the mill rate for motor vehicles shall not exceed 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 12-71e(b) of the Connecticut General Statutes has been amended to state that no district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town, city, consolidated town and city or consolidated town and borough in which such district or borough is located would result in a combined motor vehicle mill rate above 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 4-661 of the General Statutes diverts a portion of State collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The City's mill rate for motor vehicles for the assessment year commencing October 1, 2024 (the Fiscal Year June 30, 2026) is 32.46 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	Commercial		Other Real Property (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List (000's)	Less Exemption	Net Taxable Grand List (000's)	Percent Change
	Residential Real Property (%)	& Industrial Real Property (%)							
2025 ¹	71.6	12.0	0.3	8.4	7.7	\$ 1,322,191	\$ 10,357	\$ 1,311,834	48.09
2024	65.0	11.4	1.5	11.2	10.9	893,011	7,154	885,857	2.23
2023	66.3	11.7	1.3	9.0	11.7	872,845	6,277	866,568	0.18
2022	68.9	15.8	1.2	4.9	9.2	874,955	9,985	864,970	2.56
2021	68.4	15.2	1.6	5.0	9.8	851,492	8,118	843,374	2.57
2020 ¹	68.1	15.4	1.7	5.1	9.7	830,619	8,394	822,225	11.44
2019	66.9	15.1	1.8	6.2	10.0	743,802	5,977	737,825	1.97
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	67.4	15.1	1.8	6.0	9.7	722,159	6,173	715,986	(0.31)

¹ Revaluation.

Note: The revaluation starting 10/1/2025 is being phased in over a five year period.

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		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 6/30/2025
		List (000s)	Mill Rate				
2026 ¹	2024	\$ 885,857	43.20	\$ 37,546,901	<i>IN COLLECTION</i>		
2025	2023	866,568	43.20	36,921,371	93.4%	6.6%	6.6%
2024	2022	864,970	38.60	32,972,483	96.4%	3.6%	1.6%
2023	2021	843,374	38.60	32,055,470	96.9%	3.1%	0.9%
2022	2020 ²	822,225	38.60	31,797,167	96.7%	3.3%	0.2%
2021	2019	737,825	43.86	32,397,484	97.2%	2.8%	0.1%
2020	2018	723,588	41.87	30,551,336	97.2%	2.8%	0.1%
2019	2017	718,833	39.37	28,300,416	98.1%	1.9%	0.1%
2018	2016	715,986	39.37	28,188,329	98.8%	1.2%	0.1%
2017	2015 ²	718,248	39.37	28,277,423	98.7%	1.3%	0.0%

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	\$ 46,568,840	3.55%
Yankee Gas Services	Utility	19,682,980	1.50%
KP Hilltop Commons LLC.....	Shopping Center	16,651,320	1.27%
500 NHA LLC	Shopping Center	14,230,300	1.08%
Home Depot USA, Inc.	Retail	10,924,350	0.83%
49 Pershing Drive LLC.	Shopping Center	10,416,070	0.79%
Shoprite of Derby.....	Shopping Center	7,852,770	0.60%
Red Raider Derby LLC.	Shopping Center	6,612,900	0.50%
Sterling Towers LLC	Apartments	6,575,500	0.50%
UB Derby I, LLC.	Shopping Center	6,212,430	0.47%
Total.....		\$ 145,727,460	11.11%

¹ Based on October 1, 2025 Net Taxable Grand List of \$1,311,834,170.

Source: Tax Assessor, City of Derby.

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V. Debt Summary ¹
Principal Amount of Indebtedness
As of May 21, 2026
(Pro Forma)

Long-Term Debt			Amount of	Outstanding	Final
Dated	Purpose	Rate %	Original Issue	After This Issue	Fiscal Year Maturity
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	640,000	2039
10/25/18	Sewers.....	3.00-5.00	7,370,000	1,450,000	2039
10/25/18	School.....	3.00-5.00	1,620,000	4,780,000	2039
03/12/19	Energy Lease - General Purpose...	3.04	5,587,362	915,600	2037
08/29/19	Series A - General Purpose.....	3.00-5.00	915,600	1,264,400	2040
08/29/19	Series A - School.....	3.00-5.00	1,264,400	3,080,000	2040
08/29/19	Series A - Sewer.....	3.00-5.00	8,825,000	3,080,000	2040
08/29/19	Series B - General Purpose.....	2.05-3.10	4,762,800	2,417,000	2037
08/29/19	Series B - School.....	2.05-3.10	6,927,200	3,808,000	2037
Total Outstanding.....			\$ 49,442,362	\$ 23,565,000	
This Issue					
05/21/26	General Purpose.....	<i>tbd</i>	\$ 5,000,000	\$ 5,000,000	2046
05/21/26	Sewer.....	<i>tbd</i>	2,000,000	2,000,000	2046
Sub-Total This Issue.....			\$ 7,000,000	\$ 7,000,000	
Total.....			\$ 56,442,362	\$ 30,565,000	

¹ Excludes Refunded Bonds.

Outstanding Short-Term Debt

As of May 21, 2026, the City does not have any outstanding short-term notes.

State of Connecticut Clean Water Fund Program

The City 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). As of May 21, 2026 the City does not have any outstanding Clean Water Fund debt.

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.

**Overlapping/Underlying Debt
As of May 21, 2026**

The City has no overlapping or underlying debt.

**Annual Bonded Debt Maturity Schedule ¹
As of May 21, 2026
(Pro Forma)**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	This Issue: The Bonds	Total Principal	Cumulative Principal Retired %
2026 ²	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
2027	1,840,000	785,971	2,625,971	350,000	2,190,000	7.2%
2028	1,820,000	727,376	2,547,376	350,000	2,170,000	14.3%
2029	1,800,000	668,298	2,468,298	350,000	2,150,000	21.3%
2030	1,780,000	608,781	2,388,781	350,000	2,130,000	28.3%
2031	1,760,000	548,610	2,308,610	350,000	2,110,000	35.2%
2032	1,745,000	486,156	2,231,156	350,000	2,095,000	42.0%
2033	1,730,000	421,764	2,151,764	350,000	2,080,000	48.8%
2034	1,710,000	357,776	2,067,776	350,000	2,060,000	55.6%
2035	1,695,000	294,195	1,989,195	350,000	2,045,000	62.3%
2036	1,685,000	230,646	1,915,646	350,000	2,035,000	68.9%
2037	1,640,000	171,118	1,811,118	350,000	1,990,000	75.4%
2038	1,615,000	115,950	1,730,950	350,000	1,965,000	81.9%
2039	1,575,000	61,850	1,636,850	350,000	1,925,000	88.2%
2040	1,170,000	17,550	1,187,550	350,000	1,520,000	93.1%
2041	-	-	-	350,000	350,000	94.3%
2042	-	-	-	350,000	350,000	95.4%
2043	-	-	-	350,000	350,000	96.6%
2044	-	-	-	350,000	350,000	97.7%
2045	-	-	-	350,000	350,000	98.9%
2046	-	-	-	350,000	350,000	100.0%
Total.....	\$ 23,565,000	\$ 5,496,041	\$ 29,061,041	\$ 7,000,000	\$ 30,565,000	

¹ Excludes Refunded Bonds.

² Excludes principal payments of \$1,860,000 and interest payments of \$844,026 made between July 1, 2025 and May 21, 2026.

**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 May 21, 2026
(Pro Forma)**

Long-Term Debt Outstanding:

General Purpose (Includes this Issue).....	\$ 10,237,000
Schools	13,798,000
Sewer (Includes this Issue).....	6,530,000
Total Long-Term Debt.....	30,565,000
Short-Term Debt	-
Total Direct Debt.....	30,565,000
Less: Self-Supporting Sewer Debt ¹	-
Total Direct Net Debt.....	30,565,000
Overlapping/Underlying Debt.....	-
Total Overall Net Debt.....	\$ 30,565,000

¹ Sewer debt is self-supporting.

**Current Debt Ratios
As of May 21, 2026
(Pro Forma)**

Population ¹	12,487
Net Taxable Grand List at 70% of Full Value (10/1/25)	\$ 1,311,834,170
Estimated Full Value	\$ 1,874,048,814
Equalized Net Taxable Grand List 2023 ²	\$ 1,566,743,491
Money Income per Capita (2024) ¹	\$ 46,280

	Total Direct Debt:	Total Overall Net Debt:
	\$30,565,000	\$30,565,000
Debt per Capita.....	\$2,447.75	\$2,447.75
Ratio to Net Taxable Grand List.....	2.33%	2.33%
Ratio to Estimated Full Value.....	1.63%	1.63%
Ratio to Equalized Grand List.....	1.95%	1.95%
Debt per Capita to Money Income per Capita.....	5.29%	5.29%

¹ American Community Survey 2020-2024.

² Office of Policy and Management, State of Connecticut.

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Bond Authorization

The City 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/Alderwomen 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 May 21, 2026
(Pro Forma)

Total Tax Collections (including interest and lien fees)	
For the year ended June 30, 2025	\$ 37,069,387
Reimbursement For Revenue Loss:	
Tax relief for elderly	78,238
Base for Debt Limitation Computation	<u>\$ 37,147,625</u>

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 83,582,157	-	-	-	-
4 1/2 times base.....	-	\$ 167,164,313	-	-	-
3 3/4 times base.....	-	-	\$ 139,303,594	-	-
3 1/4 times base.....	-	-	-	\$ 120,729,782	-
3 times base.....	-	-	-	-	\$ 111,442,875
Total Debt Limitation	<u>\$ 83,582,157</u>	<u>\$ 167,164,313</u>	<u>\$ 139,303,594</u>	<u>\$ 120,729,782</u>	<u>\$ 111,442,875</u>

Indebtedness:					
Bonds Outstanding	5,237,000	13,798,000	4,530,000	-	-
The Bonds (This Issue).....	5,000,000	-	2,000,000	-	-
Debt Authorized But Unissued	4,500,000	1,239,815	9,679,619	-	-
Total Indebtedness	<u>14,737,000</u>	<u>15,037,815</u>	<u>16,209,619</u>	<u>-</u>	<u>-</u>
Less: Self-supporting sewer debt ¹	-	-	(6,530,000)	-	-
Total Net Indebtedness	<u>14,737,000</u>	<u>15,037,815</u>	<u>9,679,619</u>	<u>-</u>	<u>-</u>

DEBT LIMITATION IN EXCESS					
OF OUTSTANDING INDEBTEDNESS...	<u>\$ 68,845,157</u>	<u>\$ 152,126,498</u>	<u>\$ 129,623,975</u>	<u>\$ 120,729,782</u>	<u>\$ 111,442,875</u>

¹ Sewer debt is self-supporting.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$260,033,376.

Authorized but Unissued Debt
As of May 21, 2026
(Pro Forma)

Project	Aggregate Amount Authorized	Maturing Notes Due: 5/21/26	Previously Bonded	Grants/ Paydowns/ Other Funds Applied	This Issue: The Bonds	Authorized but Unissued
Derby Middle School	\$ 28,000,000	\$ -	\$ 8,930,000	\$ 18,359,788	\$ -	\$ 710,212
School Roofs	5,955,000	-	1,620,000	3,805,397	-	529,603
2022 Road Impr. Program	3,000,000	3,000,000	-	-	3,000,000	-
2025 Capital Plan	6,500,000	-	-	-	2,000,000	4,500,000
Sewer Project	31,240,000	-	16,195,000	3,365,381	2,000,000	9,679,619
Total	<u>\$ 74,695,000</u>	<u>\$ 3,000,000</u>	<u>\$ 26,745,000</u>	<u>\$ 25,530,566</u>	<u>\$ 7,000,000</u>	<u>\$ 15,419,434</u>

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
				Value (%)	Value (%)			Income (%) ⁴
2025	\$ 866,568	\$ 1,237,954	\$ 18,053	2.08%	1.46%	12,487	\$ 1,445.74	3.12%
2024	864,970	1,235,671	19,370	2.24%	1.57%	12,487	1,551.21	3.35%
2023	843,374	1,204,820	29,215	3.46%	2.42%	12,487	2,339.63	5.06%
2022	822,225	1,174,606	22,025	2.68%	1.88%	12,487	1,763.82	3.81%
2021	737,825	1,054,035	23,420	3.17%	2.22%	12,487	1,875.54	4.05%

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 2020-2024.

⁴ Money Income per Capita: American Community Survey 2020-2024 data: \$46,280 used for all calculations.

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
	2025	\$ 1,883,342	\$ 56,735,458
2024	1,927,069	61,073,388	3.16%
2023	1,956,294	61,418,441	3.19%
2022	3,427,689	59,938,223	5.72%
2021	1,177,010	54,995,920	2.14%
2020	989,958	54,143,125	1.83%
2019	1,764,796	64,958,785	2.72%
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%

¹ GAAP basis of accounting. Includes Transfers out.

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.

Audit

The City 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 ending June 30, 2025, the financial statements of the City were audited by Clermont & Associates, LLC, Waterbury, Connecticut.

Liability Insurance

The City is self-insured for liabilities for workers' compensation which is accounted for in a workers compensation self-insurance 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 \$500,000 on workers compensation claims.

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, 2024 amounted to \$1,040,399. The City's required contribution to CMERS for the fiscal year ended June 30, 2025 amounted to \$996,080.

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 2025 amounted to \$1,000,000 or approximately 98.97% of Contractually Required Contribution. The City has budgeted \$1,045,754 to the plan for fiscal year 2026.

Net Pension Liability

	City Employees' Retirement
Total Pension Liability	\$ 24,438,649
Plan Fiduciary Net Position	\$ 21,389,291
Total Net Pension Liability	\$ 3,049,358

Actuarially Required Contribution

CITY				POLICE			
<i>Fiscal Year Ended</i>	<i>Actuarially Required Contribution</i>	<i>Actual Contributions</i>	<i>% of APC Contributed</i>	<i>Fiscal Year Ended</i>	<i>Actuarially Required Contribution</i>	<i>Actual Contributions</i>	<i>% of APC Contributed</i>
6/30/2026 ¹	\$ 1,045,754	\$ 1,045,754	100.00%	6/30/2026 ¹	\$ 1,140,259	\$ 1,140,259	100.00%
6/30/2025	1,010,390	1,000,000	98.97%	6/30/2025	1,074,462	1,074,462	100.00%
6/30/2024	1,081,013	500,000	46.25%	6/30/2024	1,152,563	1,152,563	100.00%
6/30/2023	1,044,457	1,000,000	95.74%	6/30/2023	889,933	889,933	100.00%
6/30/2022	1,029,587	700,000	67.99%	6/30/2022	999,459	999,459	100.00%
6/30/2021	994,770	190,000	19.10%	6/30/2021	853,292	853,292	100.00%
6/30/2020	840,082	190,000	22.62%	6/30/2020	753,664	753,664	100.00%
6/30/2019	811,673	190,000	23.41%	6/30/2019	606,612	606,612	100.00%
6/30/2018	1,003,321	572,000	57.01%	6/30/2018	600,669	600,669	100.00%
6/30/2017	969,392	572,000	59.01%	6/30/2017	650,374	650,374	100.00%

¹ Budgeted amounts.

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	Current	1% Increased
Net Pension Liability (Asset)	to 6.00%	Discount Rate 7.00%	to 8.00%
Derby Police - MERS.....	\$ 12,196,270	\$ 8,425,522	\$ 5,296,284

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

	1% Decrease	Current	1% Increased
Net Pension Liability (Asset)	to 5.50%	Discount Rate 6.50%	to 7.50%
City Employees' Retirement.....	\$ 5,722,300	\$ 3,049,358	\$ 776,118

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, 2025, there were 76 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 June 30, 2025 which determined the funding status of the Plan and determined the Annual Required Contribution (ARC) for fiscal years ending June 30, 2024 and June 30, 2025. The valuation determined a Net OPEB Liability of \$27,310,568. Annual contributions made for the fiscal year ended June 30, 2024 totaled \$1,252,698 and the contribution for fiscal year ended June 30, 2025 was \$637,286.

Total OPEB Liability

	2025	2024	2023
Total OPEB Liability			
Service Cost.....	\$ 1,689,525	\$ 1,737,621	\$ 1,564,520
Interest.....	1,244,787	1,108,286	987,090
Change in Assumptions.....	-	-	-
Differences Between Expected and Actual Experience.....	(1,275,950)	787,967	(706,740)
Expected Assumptions, Changes or Inputs..	(4,010,542)	(1,328,264)	1,709,188
Benefit Payments.....	(637,286)	(1,252,698)	(1,241,853)
Net Changes.....	(2,989,466)	1,052,912	2,312,205
Total OPEB Liability - Beginning.....	\$ 30,300,034	\$ 29,247,122	\$ 26,934,917
Total OPEB Liability - Ending.....	\$ 27,310,568	\$ 30,300,034	\$ 29,247,122

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.65%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate.

	1% Decrease to 2.65%	Current Discount Rate 3.65%	1% Increased to 4.65%
Net OPEB Liability.....	\$ 32,523,980	\$ 27,310,568	\$ 23,196,631

	1% Increase (8.00% decreasing to 5.40%	Health Care Cost (7.00% decreasing to 4.40%)	1% Decrease (6.00% decreasing to 3.40%
Net OPEB Liability.....	\$ 23,955,890	\$ 27,310,568	\$ 31,384,849

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/Alderwomen complying with Connecticut General Statutes and the City Charter. The Connecticut General 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 ^{1,2} 6/30/2026	Actual 6/30/2025	Actual 6/30/2024	Actual 6/30/2023	Actual 6/30/2022
Revenues:					
Property Taxes.....	\$ 37,171,996	\$ 37,069,389	\$ 32,321,953	\$ 31,766,228	\$ 31,507,727
Interest and Lien Fees.....	-	-	331,927	225,994	255,268
Intergovernmental ³	10,678,807	17,607,323	25,338,261	23,838,588	20,007,605
Charges for Service.....	4,691,182	2,059,477	4,570,644	3,559,399	6,230,434
Investment Income.....	350,000	529,683	353,650	136,219	599
Miscellaneous.....	-	604,763	-	-	-
Total.....	\$ 52,891,985	\$ 57,870,635	\$ 62,916,435	\$ 59,526,428	\$ 58,001,633
Expenditures:					
General Government	\$ 11,104,958	\$ 9,007,418	\$ 14,670,451	\$ 15,652,098	\$ 15,840,212
Public Safety	6,835,823	7,555,840	5,507,389	5,182,265	5,384,792
Public Works	4,194,995	5,326,969	3,982,919	3,322,712	3,683,259
Culture and Recreation.....	1,297,463	1,237,587	1,026,433	989,150	1,310,599
Health & Welfare.....	395,478	454,026	407,635	430,019	356,434
Board of Education ³	25,437,634	30,747,905	33,175,708	33,645,086	29,583,898
Capital Outlay.....	423,672	402,554	375,784	240,817	351,340
Debt Service	3,201,964	1,883,342	1,927,069	1,956,294	3,427,689
Other.....	-	119,817	-	-	-
Fund Balance Replenishment.....	-	-	-	-	-
Total.....	\$ 52,891,986	\$ 56,735,458	\$ 61,073,388	\$ 61,418,441	\$ 59,938,223
Excess (Deficiency) of Revenues					
Over Expenditures.....	(1)	1,135,177	1,843,047	(1,892,013)	(1,936,590)
Other financing sources (uses):					
Transfers In.....	-	-	-	-	41,743
Transfers Out.....	-	-	-	-	-
Total Other financing sources (uses).....	-	-	-	-	41,743
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....					
	(1)	1,135,177	1,843,047	(1,892,013)	(1,894,847)
Prior Period Adjustment.....	-	1,573,114⁴	-	-	-
Fund Balance, Beginning of Year.....	7,133,312	4,425,021	2,581,974	4,473,987	6,368,834
Fund Balance, End of Year.....	\$ 7,133,311	\$ 7,133,312	\$ 4,425,021	\$ 2,581,974	\$ 4,473,987

¹ Budgetary basis of accounting.

² Subject to audit.

³ The Board of Education pass through grants are not included in the 6/30/2026 adopted budget.

⁴ Restated.

Municipal 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.

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Comparative Balance Sheets - General Fund

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Assets					
Cash and Cash Equivalents.....	\$ 1,992,027	\$ 6,311,705	\$ 8,686,766	\$ 7,973,138	\$ 12,194,020
Investments.....	6,324,077	-	-	-	-
Receivables:					
Property taxes.....	2,361,966	2,568,512	1,664,950	1,706,442	1,387,644
Other.....	2,851,234	3,327,291	2,892,790	3,316,036	710,404
Intergovernmental.....	435,000	458,252	158,707	735,803	229,404
Due from Other Funds.....	795,923	1,388,186	1,616,839	1,257,148	909,331
Other Assets.....	-	-	-	-	-
Total Assets.....	14,760,227	14,053,946	15,020,052	14,988,567	15,430,803
Liabilities and Fund Balances					
Accounts Payable.....	2,099,959	4,215,089	4,007,046	5,403,904	4,235,143
Deferred Revenue.....	2,826,380	2,711,086	3,184,747	3,416,625	-
Bond Anticipation Notes.....	-	-	3,000,000	-	-
Due to Other Funds.....	110,738	360,451	697,661	158,540	1,054,656
Total Liabilities.....	5,037,077	7,286,626	10,889,454	8,979,069	5,289,799
Deferred Inflows of Resources					
Deferred Revenues.....	2,589,838	2,342,299	1,548,624	1,535,509	3,772,170
Total Deferred Inflows of Resources...	2,589,838	2,342,299	1,548,624	1,535,509	3,772,170
Fund Balances					
Nonspendable.....	-	-	-	-	-
Restricted.....	-	-	-	-	-
Committed.....	-	-	583,776	583,776	583,776
Assigned.....	-	-	-	-	-
Unassigned.....	7,133,312	4,425,021	1,998,198	3,890,211	5,785,058
Total Fund Balance.....	7,133,312	4,425,021	2,581,974	4,473,987	6,368,834
Total Liabilities, Fund Balance and Deferred Inflows of Resources.....	14,760,227	14,053,946	15,020,052	14,988,565	15,430,803
Analysis of General Fund Balance					
Operating revenues.....	\$ 57,870,635	\$ 62,916,435	\$ 59,526,428	\$ 58,001,633	\$ 57,013,432
Fund balance as a percent of operating revenues.....	12.33%	7.03%	4.34%	7.71%	11.17%
Unassigned fund balance as a percent of operating revenues.....	12.33%	7.03%	3.36%	6.71%	10.15%

Intergovernmental Revenues as a Percent of General Fund Revenues

	Fiscal Year Ended 6/30	Intergovernmental Revenues	Total Revenues	Percent
	2025	\$ 17,607,323	\$ 57,870,635	30.43%
	2024	25,338,261	62,916,435	40.27%
	2023	23,838,588	59,526,428	40.05%
	2022	20,007,605	58,001,633	34.49%
	2021	21,111,250	57,013,432	37.03%
	2020	23,204,261	59,640,975	38.91%
	2019	20,411,816	53,019,275	38.50%
	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%

Source: Annual Audited Financial Statements.

VII. Legal and Other Information

Litigation

Following consultation with the Corporation Counsel, 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, tax appeals, administrative proceedings and miscellaneous claims. With the exception of certain categories of these lawsuits, including but not limited to, land use appeals, tax appeals and some labor matters, the City maintains liability insurance with and without deductibles that provide defense costs and liability coverage for such lawsuits. Some matters are defended under a reservation of rights; in some matters coverage has been denied. Notwithstanding, it is the opinion of Corporation Counsel that any such pending litigation will not be finally determined, individually or in the aggregate, so as to result in a final judgment against the City which would have a material adverse effect on the City's financial position.

Documents Furnished at Delivery

The winning purchaser of the Bonds will be furnished the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate 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 which will certify, to the best of said officials' knowledge and belief, that at the time the bids were accepted on the Bonds, the descriptions and statements contained in the Official Statement (with such supplemental information concerning ratings, insurance, interest rates and corrections) relating to the City and its finances were and are true and correct in all material respects and did not and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no view is expressed with respect to any information furnished to the City by or on behalf of the purchaser or any insurer specifically for inclusion in the Official Statement, and that there has been no material adverse change in the financial condition of the City from that set forth in or as contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut substantially in the form attached hereto as Appendix B.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C.
6. The City will make available to the winning purchaser of the Bonds a reasonable number of copies of the final Official Statement at the City's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the City's Municipal Advisor no later than seven business days of the bid opening. If the City's Municipal Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, yields or reoffering prices, the name of the underwriter of the Bonds, and any changes on the Bonds. The winning purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the winning purchaser.

A record of the proceedings taken by the City in authorizing the Bonds will be kept on file at offices of U.S. Bank Trust Company, National Association, in Hartford, Connecticut, 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: _____
Joseph L. DiMartino
Mayor

By: _____
Barbara J. Montalvo
Treasurer

Dated: May __, 2026

Appendix A

2025 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, 2025. 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.

CLERMONT

ACCOUNTANTS • ADVISORS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Derby, Connecticut, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Derby, Connecticut's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of 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, 2025, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Derby, Connecticut and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Derby, Connecticut's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events considered in aggregate, which raise substantial doubt about the City of Derby, Connecticut's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4a through 4h and the required supplemental information on pages 60-67, 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Derby, Connecticut's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2026 reporting on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is solely 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 the effectiveness of the City of Derby, Connecticut's 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.

CLERMONT & ASSOCIATES LLC
Waterbury, Connecticut



February 26, 2026

CITY OF DERBY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

This discussion and analysis of the City of Derby, Connecticut's, (the City), financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read this MD&A in conjunction with the City's financial statements.

Financial Highlights

- The net position of our governmental activities increased by \$1.3 million.
- The net position of our business-type activities increased by \$659 thousand.
The General Fund reported a fund balance this year of \$7.1 million; \$1.1 million more than the General Fund balance reported in the prior year.
- An increase of \$1.6 million has been made as a prior period adjustment to the beginning net position and general fund to reclassify the worker's compensation liability to a long-term liability.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits C and D. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. In addition, the City maintains the Water Pollution Control Authority as a proprietary fund (Exhibit G, H, and I). The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the City as a whole begins on Exhibits A and B. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes within them. The City's net position, the difference between assets and liabilities, is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City reports its activities as follows:

- *Governmental activities* - The City's basic services are reported here, including general government, public safety, community services, public works, education, public library, and municipal facilities. Property taxes, charges for services and state and federal grants finance most of these activities.
- *Business-type activities* – The Water Pollution Control Authority's activity is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the Board of Aldermen establishes many other funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from the State and Federal governments). The City's funds are divided into three categories: governmental, proprietary, and fiduciary.

- *Governmental funds (Exhibits C and D)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits F, G, and H)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities, such as the City's Worker's Compensation Internal Service Fund.
- *Fiduciary funds (Exhibits I and J)* - The City is the trustee, or fiduciary, for its employees' pension plans. All the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CITY OF DERBY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities and business-type activities. The City's net position for governmental activities increased \$1.04 million from \$21.3 million in 2024 to \$22.3 million in 2025.

TABLE 1 - NET POSITION

	Governmental Activities	
	2025	2024, restated
Current and other assets	\$ 19,120,167	18,087,577
Capital assets	85,743,884	86,517,792
Deferred outflows	9,491,681	11,399,640
Total assets & deferred outflows	<u>\$ 114,355,732</u>	<u>116,005,009</u>
Current and other liabilities	\$ 10,267,912	10,518,264
Long-term liabilities	60,528,498	66,984,449
Deferred inflows	21,245,142	17,228,176
Total liabilities & deferred inflows	<u>\$ 92,041,552</u>	<u>94,730,889</u>
Net position:		
Investment in capital assets	\$ 64,354,223	65,880,787
Restricted	2,106,709	1,368,128
Unrestricted	(44,146,752)	(45,974,795)
Total net position	<u>\$ 22,314,180</u>	<u>21,274,120</u>
	Business-type Activities	
	2025	2024
Current and other assets	\$ 6,158,664	8,800,436
Capital assets	21,336,720	20,534,532
Total assets	<u>\$ 27,495,384</u>	<u>29,334,968</u>
Current and other liabilities	\$ 1,761,442	3,410,809
Long-term liabilities	10,946,576	11,796,231
Total liabilities	<u>\$ 12,708,018</u>	<u>15,207,040</u>
Net position:		
Investment in capital assets, net of related debt	\$ 9,540,941	7,891,339
Unrestricted	5,246,425	6,236,589
Total net position	<u>\$ 14,787,366</u>	<u>14,127,928</u>

CITY OF DERBY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

The City's net position for the business-type activities increased \$659 thousand for the fiscal year ending June 30, 2025, which was due to capital contributions. The net position was \$14.8 million at June 30, 2025.

TABLE 2 - CHANGE IN NET ASSETS

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	\$ 2,347,855	3,024,997
Operating grants and contributions	28,762,308	24,029,576
Capital grants and contributions	418,512	844,638
General revenues:		
Property taxes	37,282,097	33,447,936
Grants and contributions not restricted to specific purposes	3,758,205	5,244,859
Unrestricted investment earnings	656,558	398,189
Other general revenues (and transfers)	825,848	-
Total revenues	\$ 74,051,383	66,990,195
Program expenses:		
General government	\$ 9,315,181	15,511,856
Public safety	7,758,920	2,211,177
Public works	5,796,627	5,298,677
Health and welfare	454,026	3,818,351
Culture and recreation	1,585,381	1,257,802
Education	47,267,862	34,887,929
Interest and fiscal charges	833,326	462,765
Total program expenses	\$ 73,011,323	64,086,845
(Decrease) increase in net position	\$ 1,040,060	2,903,330

CITY OF DERBY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

	Business-type Activities	
	<u>2025</u>	<u>2024</u>
Revenues:		
Operating revenues:		
Charges for services	\$ 3,394,194	3,408,147
Non-operating revenues:		
Capital contributions	1,915,441	1,811,710
Other general revenues (and transfers)	221,503	248,320
Total revenues	<u>\$ 5,531,138</u>	<u>5,468,177</u>
Operating expenses:		
Water pollution control authority	\$ 4,327,256	3,269,020
Non-operating expenses:		
Interest and fiscal charges	544,442	678,794
Total expenses	<u>\$ 4,871,698</u>	<u>3,947,814</u>
(Decrease) increase in net position	<u>\$ 659,440</u>	<u>1,520,363</u>

CITY OF DERBY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

City Funds Financial Analysis

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$7.9 million, which is a \$905 thousand increase from the previous year. Included in this year's total includes an increase of \$1.1 million in general fund balance from operations, a decrease of \$336 thousand in the City's Silo fund and a \$106 thousand increase in Other Governmental Funds. The General Fund surplus was a result of lower than anticipated debt-service costs.

Proprietary Funds

The City reports the Water Pollution Control Authority and Parking Authority as proprietary funds (Exhibit F, G, and H). Under this presentation, the gain was \$659 thousand as the W.P.C.A. builds capital for future capital projects, \$923 thousand loss from operations (before capital income and interest).

General Fund Budgetary Highlights

Exhibit F shows the summary information of budget to actual revenues, expenditures, and changes in undesignated, unreserved fund balance (funds available to be appropriated).

- Investment income was more than expected due to the interest rate increase.
- Tax collections increased from prior year because of a mill rate increase.
- Intergovernmental revenue was greater due to a capital grant used to purchase project as part of an economic investment program.
- The City reclassifies certain expenditures, such as medical insurance expenditures. This is expected to change significantly in the subsequent year because of the City will be moving from a self-insurance program to a state administered issuance program.

Capital Assets

At June 30, 2025, the City's governmental activities had \$105 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water & sewer lines. In separating the Water Pollution Control Authority and the Parking Authority from the government funds, \$20.8 million and \$554 thousand in capital assets, respectively, which include sewers and parking facilities. The City's total amount represents a net decrease (including additions and deductions) of \$2.05 million, net of depreciation expenses.

CITY OF DERBY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

TABLE 3 - CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities	
	2025	2024
	2025	2024
Land	\$ 6,551,792	6,551,792
Buildings and improvements	57,557,423	59,453,940
Furniture, fixtures, and equipment	1,314,183	1,255,808
Infrastructure	18,236,213	19,256,252
Totals	\$ <u>83,659,611</u>	<u>86,517,792</u>

	Business-type Activities	
	2025	2024
	2025	2024
Land	\$ 594,858	594,858
Buildings and improvements	20,343,892	19,624,495
Furniture, fixtures, and equipment	225,998	315,180
Totals	\$ <u>21,164,748</u>	<u>20,534,533</u>

The City continues to support economic development through state programs and the improvement of lands and roads as well as balancing this growth with a substantial investment in open space. In the June 30, 2025, fiscal year, the City invested \$863,986 into land purchases for these programs.

TABLE 4 - OUTSTANDING DEBT

Long-Term Liabilities

At June 30, 2025, the City had \$45.3 million in long term liabilities versus \$41.2 million last year, an increase of 10.0%, as shown in Table 4.

TABLE 4 – LONG-TERM LIABILITIES

	2025	2024
Debt obligations	\$ 18,088,056	19,370,136
Other long-term liabilities	43,788,111	49,359,666
Total long-term liabilities	\$ <u>61,876,167</u>	<u>68,729,802</u>

General obligation bonds and bank notes increased by \$674 thousand as the City uses the General Fund surplus and intergovernmental grants to fund major capital projects to maintain the outstanding

CITY OF DERBY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

debt. Included in the business-type activities is \$4.5 million in notes payable, which was the State of Connecticut's Clean Water Notes for the construction of the new water pollution control facilities.

Other obligations include accrued vacation pay and sick leave and the state administered pension plan for the police. The claims and judgement incurred the largest increase of \$4.9 million. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2025-2026 budget tax rates. One of those factors is the economy and the benefits of continual development within the City.

These indicators along with a projected modest inflationary increase were considered when adopting the General Fund budget for 2025-2026.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Derby, 1 Elizabeth Street, Derby, Connecticut, 06418.

STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 5,181,392	1,040,031	6,221,423
Investments	7,621,364	3,637,677	11,259,041
Receivables, net	6,083,358	1,711,026	7,794,384
Long-term receivables, net	2,084,273		2,084,273
Inventory	3,983		3,983
Internal balances	230,070	(230,070)	-
Capital assets:			
Capital assets, not being depreciated	7,901,792	594,858	8,496,650
Capital assets, being depreciated, net	77,110,378	20,741,862	97,852,240
Total assets	\$ 106,216,610	27,495,384	133,711,994
Deferred outflows of resources:			
Deferred pension expense	\$ 9,491,681	-	9,491,681
Total deferred outflows of resources	\$ 9,491,681	-	9,491,681
Liabilities:			
Accounts payable and other current liabilities	\$ 2,488,550	912,239	3,400,789
Accrued interest	267,145		267,145
Bond anticipation note	3,000,000		3,000,000
Unearned revenue	3,164,548		3,164,548
Noncurrent liabilities:			
Due within one year	1,347,669	849,203	2,196,872
Due in more than one year	62,770,443	10,946,576	73,717,019
Total liabilities	\$ 73,038,355	12,708,018	85,746,373
Deferred inflows of resources:			
Resources from pension	\$ 19,126,039		19,126,039
Deferred lease payments	2,084,273		2,084,273
Advance tax collections	34,830		34,830
Total deferred inflows of resources	\$ 21,245,142	-	21,245,142
Net position:			
Invested in capital assets, net of related debt	\$ 65,706,782	9,540,941	75,247,723
Restricted for:			
Donor's intentions	2,106,709		2,106,709
Unrestricted	(46,388,697)	5,246,425	(41,142,272)
Total net position	\$ 21,424,794	14,787,366	36,212,160

* After internal balances have been eliminated

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,005,559	528,364	8,278		(8,468,917)		(8,468,917)
Public safety	7,758,920	1,153,516	126,506		(6,478,898)		(6,478,898)
Public works	5,796,627	333,314	915,000	418,512	(4,129,801)		(4,129,801)
Health and welfare	454,026				(454,026)		(454,026)
Culture and recreation	1,585,381	81,626	65,572		(1,438,183)		(1,438,183)
Education	40,223,095	251,035	20,602,185		(19,369,875)		(19,369,875)
Interest on long-term debt	833,326				(833,326)		(833,326)
Total governmental activities	\$ 65,656,934	2,347,855	21,717,541	418,512	(41,173,026)	-	(41,173,026)
Business-type activities:							
Water Pollution Control Authority	\$ 4,327,256	3,394,194		1,915,441	-	982,379	982,379
Interest on long-term debt	544,442				-	(544,442)	(544,442)
Total business-type activities	\$ 4,871,698	3,394,194	-	1,915,441	-	437,937	437,937
Total primary government	\$ 70,528,632	5,742,049	21,717,541	2,333,953	(41,173,026)	437,937	(40,735,089)
General revenues and transfers:							
Property taxes					\$ 37,282,097		37,282,097
Grants and contributions not restricted for specific programs					3,758,205		3,758,205
Unrestricted investment earnings					656,558		656,558
Other unrestricted income					825,848	221,501	1,047,349
Transfers							-
Total general revenues and transfers					\$ 42,522,708	221,501	42,744,209
Change in net position					\$ 1,349,682	659,438	2,009,120
Net position, beginning					19,701,006	14,127,928	33,828,934
Prior period adjustment					374,106		374,106
Net position, beginning, restated					\$ 20,075,112	14,127,928	34,203,040
Net position, ended					\$ 21,424,794	14,787,366	36,212,160

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Silo Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,992,027	1,626,324	1,563,041	5,181,392
Investments	6,324,077		1,297,287	7,621,364
Receivables, net	5,648,200		435,158	6,083,358
Due from other funds	795,923	1,220	187,078	984,221
Inventories			3,983	3,983
Prepaid expenses				-
Total assets	<u>\$ 14,760,227</u>	<u>1,627,544</u>	<u>3,486,547</u>	<u>19,874,318</u>
Liabilities:				
Accounts and other payables	\$ 2,099,959	151	388,440	2,488,550
Payments in advance		3,000,000		3,000,000
Deferred revenue	2,826,380		338,168	3,164,548
Due to other funds	110,738	135,505	507,908	754,151
Total liabilities	<u>\$ 5,037,077</u>	<u>3,135,656</u>	<u>1,234,516</u>	<u>9,407,249</u>
Deferred inflows of resources:				
Unavailable receipts	\$ 2,555,008			2,555,008
Tax payments in advance	34,830			34,830
Total deferred inflows of resources	<u>\$ 2,589,838</u>	<u>-</u>	<u>-</u>	<u>2,589,838</u>
Fund balances:				
Nonspendable	\$ -		3,983	3,983
Restricted for:				
Donor's intentions		166,905	2,051,390	2,218,295
Committed for:				
Specific use			320,877	320,877
Unassigned	7,133,312	(1,675,017)	(124,219)	5,334,076
Total fund balances	<u>\$ 7,133,312</u>	<u>(1,508,112)</u>	<u>2,252,031</u>	<u>7,877,231</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,760,227</u>	<u>1,627,544</u>	<u>3,486,547</u>	

Amounts reported for governmental activities in the Statement of Net Position (**Exhibit A**) are different because:

Capital assets used in the governmental activities are not financial resources, and therefore, are not reported in the funds.	85,012,170
Other long-term assets, deferred inflows and outflows are not available to pay for current period expenditures, and therefore, are deferred in the funds.	(7,079,349)
Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(64,385,258)
Net position of governmental activities (Exhibit A)	<u>\$ 21,424,794</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2025

	General	Silo Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 37,069,389			37,069,389
Intergovernmental	17,607,323		8,378,529	25,985,852
Charges for services	2,059,477	29,679	446,753	2,535,909
Investment income	529,683		126,875	656,558
Miscellaneous	604,763		60,279	665,042
Total revenues	\$ 57,870,635	29,679	9,012,436	66,912,750
Expenditures:				
Current:				
General government	\$ 9,007,418		103,999	9,111,417
Public safety	7,555,840		78,204	7,634,044
Public works	5,326,969			5,326,969
Culture and recreation	1,237,587		96,785	1,334,372
Public health	454,026			454,026
Education	30,747,905		8,627,338	39,375,243
Other	119,817			119,817
Capital outlay	402,554	366,101		768,655
Debt service	1,883,342			1,883,342
Total expenditures	\$ 56,735,458	366,101	8,906,326	66,007,885
Excess (deficiency) of revenues over (under) expenditures	\$ 1,135,177	(336,422)	106,110	904,865
Other financing sources (uses):				
Transfer from other funds	\$		50,000	50,000
Transfer (to) other funds			(50,000)	(50,000)
Total other financing sources (uses)	\$ -	-	-	-
Net changes in fund balances	\$ 1,135,177	(336,422)	106,110	904,865
Fund balances (deficits) - beginning	4,425,021	(1,171,690)	2,145,921	5,399,252
Prior period adjustment	\$ 1,573,114	-	-	1,573,114
Fund balances (deficits) - beginning, restated	\$ 5,998,135	(1,171,690)	2,145,921	6,972,366
Fund balances (deficits) - ended	\$ 7,133,312	(1,508,112)	2,252,031	7,877,231

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Differences in amounts reported for government-wide activities in the Statement of Activities are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 904,865
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.	(1,497,943)
Noncurrent assets previously recognized in the Statement of Activities that provided current financial resources in the current year.	212,710
The issuance of long-term debt (e.g., bonds, leases) provide 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.	<u>1,730,050</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,349,682</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET FUND POSITION
 PROPRIETARY FUNDS
 June 30, 2025

	Business-type Activities	
	Water Pollution Control	Parking Authority
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,040,031	
Investments	3,637,677	
Receivables, net of allowance	1,711,026	
Due from other funds	1,473	
Total current assets	<u>\$ 6,390,207</u>	<u>-</u>
Noncurrent assets:		
Capital assets, not being depreciated	\$ 212,500	382,358
Capital assets, net of accumulated depreciation	20,569,891	171,971
Total noncurrent assets	<u>\$ 20,782,391</u>	<u>554,329</u>
Total assets	<u>\$ 27,172,598</u>	<u>554,329</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 581,005	
Due to other funds	231,543	
Notes payable - current	849,203	
Total current liabilities	<u>\$ 1,661,751</u>	<u>-</u>
Noncurrent liabilities:		
Claims incurred, but not reported	\$ 331,234	
Notes payable, less current portion	10,946,576	
Total noncurrent liabilities	<u>\$ 11,277,810</u>	<u>-</u>
Total liabilities	<u>\$ 12,939,561</u>	<u>-</u>
Net fund position:		
Invested in capital assets, net of related debt	\$ 8,986,612	554,329
Unrestricted	5,246,425	
Total net fund position	<u>\$ 14,233,037</u>	<u>554,329</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION (DEFICIT)
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2025

	Business-type Activities	
	Water Pollution Control	Parking Authority
Operating revenues:		
Charges for services	\$ 3,032,116	
Interest and lien fees	362,078	
Other	9,929	
Total operating revenues	<u>\$ 3,404,123</u>	<u>-</u>
Operating expenses:		
Salaries and benefits	\$ 1,804,865	
Maintenance and supplies	441,199	
Utilities	181,041	
Depreciation	1,277,607	
Administration and operation	622,544	
Total operating expenses	<u>\$ 4,327,256</u>	<u>-</u>
Operating income (loss)	<u>\$ (923,133)</u>	<u>-</u>
Nonoperating revenues (expenses):		
Capital Income	\$ 1,915,441	
Interest Income	211,574	
Interest expense	(544,442)	
Total nonoperating revenues (expenses)	<u>\$ 1,582,573</u>	<u>-</u>
Change in net fund position	<u>\$ 659,440</u>	<u>-</u>
Net fund position (deficit), beginning	<u>13,573,597</u>	<u>554,329</u>
Net fund position (deficit), ended	<u>\$ 14,233,037</u>	<u>554,329</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2025

	Business-type Activities	
	Water Pollution Control	Parking Authority
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,751,639	
Payments to suppliers	(1,227,628)	
Payments to employees and benefits	(1,473,631)	
Net cash flows provided by (used in) operating activities	<u>\$ 1,050,380</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Capital fees	\$ 1,915,441	
Purchase of capital assets	(2,079,795)	
Principal payments on capital debt	(2,847,414)	
Interest paid on capital debt	(544,442)	
Net cash provided by (used in) capital and related financing activities	<u>\$ (3,556,210)</u>	<u>-</u>
Cash flows from noncapital and related financing activities:		
Transfer in and payments made through governmental activities	\$ (814,381)	
Net cash provided by (used in) noncapital and related financing activities	<u>\$ (814,381)</u>	<u>-</u>
Cash flows from investing activities:		
Transfer to investments	\$ (3,637,677)	
Gain (loss) on investments	211,574	
Net cash provided by (used in) investing activities	<u>\$ (3,426,103)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	\$ (6,746,314)	-
Cash and cash equivalents, beginning	<u>7,786,345</u>	
Cash and cash equivalents, ended	<u>\$ 1,040,031</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (923,133)	-
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,277,607	
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	347,516	
Increase (decrease) in accounts payable	17,156	
Increase (decrease) in payments in advance		
Increase (decrease) in claims incurred but not reported	<u>331,234</u>	
Net cash flows from operating activities	<u>\$ 1,050,380</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2025

	Pension Trust Fund
Assets:	
Cash and cash equivalents	\$ 348,631
Investments, fair value	<u>21,040,660</u>
Total assets	<u>\$ 21,389,291</u>
Liabilities:	
Due to other funds	\$ -
Total liabilities	<u>\$ -</u>
Net position:	
Held in trust for benefits and other purposes	<u>\$ 21,389,291</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2025

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer contributions	\$ 1,000,000
Employee contributions	110,981
Total contributions	<u>\$ 1,110,981</u>
Investment earnings:	
Net gain (loss) on investments	\$ 1,752,162
Interest and dividends	344,936
less: investment expenses	(18,476)
Total investment earnings	<u>\$ 2,078,622</u>
Total additions	<u>\$ 3,189,603</u>
Deductions:	
Benefits to participants	\$ 1,366,491
Total deductions	<u>\$ 1,366,491</u>
Change in net position	\$ 1,823,112
Net position, beginning	<u>19,566,179</u>
Net position, ended	<u>\$ 21,389,291</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Note 1 - 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 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.

Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting board for governmental accounting financial reporting principles. These principles require that the City report government-wide and fund financial statements, which are described below.

Government-wide 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. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *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 segment of, 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*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are 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.

As a general rule, the effect of inter-fund activity, or internal balances, has been eliminated from government-wide financial statements. Exceptions to this rule are the charges between the business-type funds and the various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Fund financial statements

Separate financial statements 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However, expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes 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. For this purpose, the City considers property tax revenue to be available if it is collected within 60 days of the end of the fiscal year.

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.

Intergovernmental revenues, grants, and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and received after 60 days of the fiscal year end.

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

The City reports the following major governmental funds:

The **general fund** is the general operating fund of the City's 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 were not paid through a special fund.

The **silo fund** is used to account for varies restricted funds as well as bonded capital projects.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

The City reports on the following major proprietary funds:

The ***Water Pollution Control Authority (W.P.C.A.)*** accounts for the operations of the City's wastewater treatment system. The City operates its own sewage treatment plant, sewage pumping stations, and collection system. Its operations are financed from direct charges to the users of the service.

Additionally, the City reports the following fund types:

The ***pension trust fund*** accounts 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the enterprise funds reported in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide and propriety fund financial statements subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of operations and maintenance, provisions for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, liabilities and net assets or equity

Cash and cash equivalents

The City considers cash on hand, deposits, and short-term investments, with an original maturity of three months or less, to be cash and cash equivalents.

Investments

Investments are stated at fair value using 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 governmental fund types.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Receivables and payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (current portion of interfund loans) or “advances to/from other funds” (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable as financial resources.

All trade and property tax receivables, including those for W.P.C.A. funds, are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years.

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 cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25-50
Infrastructure	10-65
Machinery and equipment	5-20

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Leases and similar subscription-based information technology arrangement.

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

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

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

Lease and SBITA assets are reported with capital assets on the Statement of Net Position.

Deferred outflows/inflows of resources

The Statement of Net Position (Exhibit A) reports a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until a future period. The City reports borrowing costs as well as a deferred charge on refunding as a result from the differences in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the related debt. A deferred outflow of resources related to pension and other post-employment benefits other than pension ("OPEB") results from differences between expected and actual experience and earnings, changes in proportionate share, and other factors. These amounts are deferred and will be included as pension expenses in a systematic and rational manner.

The Statement of Net Position (Exhibit A) and the Balance Sheet for the government funds (Exhibit C) report a separate section for deferred inflows of resources. This separate financial element represents the addition of net position or fund balance that applies to a future period and will not be recognized as revenue until that time. The City reports advance tax collections in the Statement of Net Position and the Balance Sheet for the government funds. If applicable, the City reports a deferred inflow of resources related to pensions in the Statement of Net Position.

A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience and other inputs. These amounts are deferred and will be included in pension expenses in a systematic and rational manner, if applicable. The government funds report unavailable revenue, which arises only under the modified accrual basis of accounting because it does not meet the measurable and available criteria for recognition in the current period.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Compensated absences

Under the terms of its various union contracts, City and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated vacation. The City recognizes liability in the government-wide financial statements for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

Net pension liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its Statement of Fiduciary Net Position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Net OPEB liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

LEASES — The City determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position. Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, and less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the City.

Fund equity and net position

In the government-wide financial statements, net position is classified in the following categories:

Investment in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

The ***restricted net position*** represents amounts of external restrictions imposed by creditors, grantors, contributors, and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The ***unrestricted net position*** represents the net position of the City which is not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified into five separate categories. The five categories and their general meanings are as follows:

The ***nonspendable*** are those net assets that are not in expendable form or are legally or contractually required to be maintained.

The ***restricted fund balances*** are defined in the same manner as for the restricted government-wide net assets.

Committed fund balances are those balances that can only be used for a specific purpose as a result of constraints imposed by formal action of the government's highest level of decision-making authority. For the City of Derby, which was considered to be the Board of Aldermen.

Assigned fund balances are amounts that are contained by the government's intent to be used for a specific purpose.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Unassigned fund balance is defined as the residual classification for the general fund and includes those remaining balances that cannot be categorized in the above four categories.

Fair value of financial instruments

In accordance with GASB 72, the City is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liabilities;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Investments are carried at fair value based on quoted market prices and are presented in Note 4.

Note 2 - Budgets and Budgetary Accounting

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 expenditures for said year and shall cause such estimates forthwith to be published in a newspaper published in New Haven County and having a circulation in said City. The Board of Apportionment and Taxation shall hold a meeting in May in each year, and may adjourn the same from time to time to a day not later than the last business day of May and at said meeting, or any adjournment thereof, it shall hear all parties who may desire to be heard relative to any alterations in such estimates and appropriations, and may make any alterations in such estimates and appropriations and may make such additional appropriations as it shall deem proper.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

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 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.

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 appropriation 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 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 budgetary basis of accounting. The major differences between the budget and GAAP basis are 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 and the recording of revenue as the 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 and Encumbrances</u>
Balance, budgetary basis	\$ 53,611,792	52,476,615
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	4,949,360	4,949,360
In accordance with State Statutes, the City's Board of Education recognizes the following receipts net of expenses for budgetary purposes:		
Excess costs grants	784,298	784,298
Health insurance premiums withheld from employees and recorded as revenues for budgetary purposes	<u>(1,474,815)</u>	<u>(1,474,815)</u>
Balance, GAAP basis	<u>\$ 57,870,635</u>	<u>56,735,458</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

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 carry over until completion of the grants, and therefore, may comprise more than one fiscal year.

Capital projects funds

Legal authorization for expenditures of the capital projects funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut State Statutes. Capital appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

Note 3 - Reconciliation of Government-Wide and Financial Fund Statements

Explanation of certain differences between the government fund Balance Sheet and the government-wide Statement of Net Position

The details of the components included in Exhibit C are as follows:

Capitalized assets are expensed in the fund financial statements in the period the expense is incurred while the expense is incurred over the useful life of the related asset in the government-wide financial statements:

Land	\$	7,901,792
Net capital assets being depreciated		<u>77,110,378</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>85,012,170</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds. The detail of this difference is as follows:

Long-term debt	\$	(18,052,974)
Deferred bond premium		(950,186)
Accrued interest on debt		(267,146)
Lease liabilities		(35,082)
Compensated absences		(3,874,784)
WC Incurred but not reported		(1,385,820)
Net obligations on retirement plans		(12,331,035)
Net obligations on other post-employment benefits		(27,310,568)
Post-closure landfill obligations		<u>(177,663)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$	<u>(64,385,258)</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Other long-term assets, deferred outflows, and deferred inflows are not available to pay for current period expenditures, and therefore, are deferred in the funds. This amount includes the following:

Delinquent property tax and interest	\$ 2,555,007
Deferred outflows (inflows) related to pension and OPEB	<u>(9,634,358)</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>(7,079,349)</u>

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between net changes in fund balances - total governmental funds and 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 difference are as follows:

Acquisitions	\$ 1,953,691
Depreciation	<u>(3,451,634)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>(1,497,943)</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 difference are as follows:

Payments of debt	\$ 1,482,019
Amortization of bond premium	108,951
Net change in net obligation on retirement plans	(71,953)
Net change in net obligation on OPEB plans	(235,498)
Accrued interest	(267,146)
Net change in insurance reserves	(186,813)
Net change in compensated absences	881,610
Net change in landfill obligation	<u>18,880</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>1,730,050</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Other long-term assets, deferred outflows, and deferred inflows previously recognized in the State of Activities that provided current financial resources in the current fiscal year:

Net adjustment to increase net changes in fund	\$ 212,710
balances to arrive at changes in net position of	
governmental activities	\$ 212,710

Note 4 - Deposits and Investments

The City's deposits and investments are presented in the accompanying balance sheets as follows:

	<u>Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 5,181,392		5,181,392
Business-type activities	1,040,031		1,040,031
Fiduciary	348,631		348,631
Investments:			
Governmental activities		7,621,364	7,621,364
Business-type activities		3,637,677	3,637,677
Fiduciary		21,040,660	21,040,660
Total deposits and investments	\$ 6,570,054	32,299,701	38,869,755

Custodial credit risk

As of June 30, 2025, the carrying amount of the City's deposits had bank balances of approximately \$. The amount of the bank balance covered under federal depository insurance was approximately \$750,000. The remaining deposits were uninsured; however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2025, approximately \$700,000 of uninsured deposits were collateralized under the provision.

Investments

As of June 30, 2025, the City held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value (Level 1 hierarchy)</u>	<u>Weighted Average to Maturity (years)</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 6,324,077	.2	N/A
State Investment Fund	W.P.C.A.	3,637,677	.2	N/A
Mutual Funds	Library	1,297,287	.2	N/A
Money Market	Pension	916,623	.2	N/A
Mutual Funds	Pension	3,051,779	.2	N/A
Common Stocks	Pension	13,281,188	.2	N/A
Alternative Investments	Pension	3,791,070	.2	N/A
Total investments		\$ 32,299,701		

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Interest rate risk

The interest rate risk is the risk that changes in the market interest rates which will adversely affect the fair value of an investment. The City has no formal policy specifically related to interest rate risk. The City minimizes its exposure to interest rate risk by investing its operating funds in short-term investments.

Credit risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by General State Statute Chapter 112, Section 7-400, which is described below in the Investment policies of the City.

Investment policies

The City maintains an investment policy, which excludes certain private purpose fund investments. The City's investment policy strictly prohibits all funds to invest in investments not included in Chapter 12, Section 7-400 of the State of Connecticut's General Statutes, which permits municipalities to invest in (a) obligations of the United States and its agencies, (b) highly rated obligations of any state of the United States or of any political subdivision, authority of agency thereof, and (c) shares of interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligation. Other provisions of the Statutes regarding the investment of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2025, for the City's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	Government Activities		
	General Fund	Non-major Funds	Total
Property taxes and interest	\$ 2,581,966		2,581,966
Blight receivables	2,661,068		2,661,068
Intergovernmental	435,000	435,158	870,158
Accounts	190,166		190,166
Allowance for delinquent accounts	(220,000)		(220,000)
Total net receivables	\$ 5,648,200	435,158	6,083,358

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

The business-type activities receivable was as follows:

	<u>W.P.C.A.</u>
Accounts	\$ 811,813
Capital Fees	535,263
Interest and lien fees	483,950
Allowance for doubtful accounts	<u>(120,000)</u>
Total net receivables	\$ <u>1,711,026</u>

Payments unavailable and unearned

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

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes and interest	\$ 2,555,008	
Delinquent accounts	2,661,068	
Advanced payment of taxes		34,539
Other advanced payments		165,603
Other governmental funds:		
Grants paid in advance		<u>338,168</u>
Total unavailable & unearned revenue	\$ <u>5,216,076</u>	<u>538,310</u>

Payables

Payables as of June 30, 2025, for the City's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Total</u>
General fund	\$ 2,036,308	63,651	2,099,959
Silo Funds	151		151
Non-major funds	<u>388,440</u>		<u>388,440</u>
Total governmental funds	\$ 2,424,899	63,651	2,488,550
W.P.C.A.	<u>912,239</u>		<u>912,239</u>
Total payables	\$ <u>3,337,138</u>	<u>63,651</u>	<u>3,400,789</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds receivables and payables

Inter-fund receivables and payables at June 30, 2025, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Silo Fund	\$ 135,505
General fund	Nonmajor – Capital Projects	151,736
General fund	Nonmajor – Special Revenue	274,653
General fund	W.P.C.A.	231,543
Silo Fund	W.P.C.A.	1,474
Nonmajor – Special Revenue	Silo Fund	1,220
Nonmajor – Special Revenue	Nonmajor – Special Revenue	81,519
Nonmajor – Capital projects	General fund	106,779
	Total	\$ <u>984,429</u>

Inter-fund transfers

The following inter-fund payments were also made:

- The Blight Fund subsidized \$50,000 for a school playground in the education activities.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,551,792	1,350,000		7,901,792
Total capital assets not being deprec.	<u>\$ 6,551,792</u>	<u>1,350,000</u>	<u>-</u>	<u>7,901,792</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 89,494,898	313,622		89,808,520
Machinery and equipment	15,485,883	287,510		15,773,393
Infrastructure	40,154,862			40,154,862
Total capital assets being deprec.	<u>\$ 145,135,643</u>	<u>601,132</u>	<u>-</u>	<u>145,736,775</u>
Less: accumulated depreciation:				
Buildings and improvements	\$ 31,141,058	1,981,905		33,122,963
Machinery and equipment	13,137,654	449,689		13,587,343
Infrastructure	20,898,610	1,020,039		21,918,649
Total accumulated depreciation	<u>\$ 65,177,322</u>	<u>3,451,633</u>	<u>-</u>	<u>68,628,955</u>
Intangible right to assets				
Assets	\$ 192,719		2,930	189,789
Subscription-based IT assets	56,876		56,876	
Total Intangible right to assets	<u>\$ 249,595</u>	<u>-</u>	<u>59,806</u>	<u>189,789</u>
Less accumulated amortization				
Assets	185,040	5,121	2,930	187,231
Subscription-based IT assets	56,876		56,876	
Total accumulated depreciation	<u>\$ 241,916</u>	<u>5,121</u>	<u>59,806</u>	<u>187,231</u>
Net capital assets being depreciated/amortized	<u>\$ 79,966,000</u>	<u>(2,855,622)</u>	<u>-</u>	<u>77,110,378</u>
Total capital assets, governmental	<u>\$ 86,517,792</u>	<u>(1,505,622)</u>	<u>-</u>	<u>85,012,170</u>

Depreciation and amortization expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 1,135,451
Education	1,444,457
Public works	305,795
Public safety	320,041
Culture and recreation	251,010
Total depreciation/amortization expense governmental activities	<u>\$ 3,456,754</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 594,858	-	-	594,858
Capital assets being depreciated:				
Buildings and improvements	\$ 33,445,809	2,079,793		35,525,602
Sewers	2,230,570			2,230,570
Total capital assets being depreciated	\$ 35,676,379	2,079,793	-	37,756,172
Less: accumulated depreciation:				
Buildings and improvements	\$ 13,821,314	1,195,316		15,016,630
Sewers	1,915,390	82,291		1,997,681
Total accumulated depreciation	\$ 15,736,704	1,277,607	-	17,014,311
Net capital assets being depreciated	\$ 19,939,675	802,186	-	20,741,861
Total capital assets, business-type	\$ 20,534,533	802,186	-	21,336,719

Note 8 - Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due In One Year</u>
Governmental activities:					
Long-term debt:					
General obligation bonds	\$ 14,745,000		1,070,000	13,675,000	1,050,000
Notes Payable	4,625,136		247,162	4,377,974	264,847
Capital Lease	200,053		167,228	32,825	32,823
Lease Payable	7,565		5,306	2,259	2,259
Bond Premium	1,059,137		108,951	950,186	
Other long-term liabilities:					
Net pension obligation	12,839,940		508,905	12,331,035	
OPEB Obligation	30,300,035		2,989,467	27,310,568	
Compensated absences	4,756,394		881,610	3,874,784	
Landfill Post-Closure	196,542		18,879	177,663	
WC Incurred but not reported	1,199,008	186,812		1,385,820	
Total governmental activities long-term liabilities	\$ 69,928,810	186,812	5,997,508	64,118,114	1,347,670
Business-type activities:					
General obligation bonds	\$ 12,560,000		810,000	11,750,000	810,000
Capital Leases	83,612		37,517	46,095	39,113
WC Incurred but not reported		331,234		331,234	
Total business-type activities long-term liabilities	\$ 12,643,612		847,517	11,796,095	849,113
	\$ 82,572,422	518,046	6,845,025	75,914,209	2,196,783

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025, Continued

General obligation bonds

Government Activities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. These bonds generally are issued as 5 year and 10-year serial bonds with equal amounts of principal maturing each year. As of June 30, 2025, the outstanding general obligation bonded indebtedness of the City was as follows:

	Issue Date	Interest Rate (%)	Original Balance	Balance Outstanding June 30, 2025
G.O Bond Refunding	2015	2.00-5.00	\$ 12,460,000	2,130,000
General obligation	2018	3.125-5.00	12,580,000	\$ 2,090,000
G.O Tax exempt, series A	2019	3.00-5.00	11,005,000	2,180,000
G.O Taxable, series B	2019	2.05-3.10	11,690,000	<u>7,275,000</u>
			Total general obligation bonds	\$ <u>13,675,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended, June 30	Governmental Activity	
	Principal	Interest
2026	\$ 1,050,000	401,201
2027	1,030,000	376,246
2028	1,010,000	350,751
2029	990,000	325,004
2030	970,000	299,281
2031-2035	4,600,000	1,067,313
2036-2040	<u>4,025,000</u>	<u>313,114</u>
Total	\$ 13,675,000	3,132,910

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Business-Type Activities

	Issue Date	Interest Rate (%)	Original Balance	Balance Outstanding June 30, 2025
General obligation	2018	3.125-5.00	12,580,000	\$ 5,150,000
G.O. Tax exempt, series A	2019	3.00-5.00	11,005,000	6,600,000
				<u>\$ 11,750,000</u>

Annual debt service requirements to maturity for the obligation bonds are as follows:

Year Ended, June 30	Governmental Activity	
	Principal	Interest
2026	\$ 810,000	442,825
2027	810,000	409,725
2028	810,000	376,625
2029	810,000	343,294
2030	810,000	309,500
2031-2035	4,040,000	1,048,444
2036-2040	<u>3,660,000</u>	<u>284,000</u>
Total	<u>11,750,000</u>	<u>3,214,413</u>

Bonds authorized but unissued

Under regulations issued by the Internal Revenue Service, effective March 2, 1992, in order for capital projects to be funded through tax-exempt debt, all projects must be appropriated and designated as being funded through debt prior to any expenditure on these projects.

The City has authorized but unissued bonds relating to capital projects at June 30, 2025, as follows:

Sewer	\$ 13,600,000
General purpose	3,000,000
Schools	<u>380,212</u>
Total	<u>\$ 16,980,212</u>

A portion of bonds authorized and unissued will be reduced by grants received.

Bank Promissory Note

Government activities

The City has an outstanding balance of \$4,377,974 on a bank promissory note due to TD Bank, NA. The note was issued on April 9, 2020, and requires seventeen annual payments of principal and interest (rate of 3.04%). The note fully matures on March 1, 2037.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

The note debt service requirements until maturity are as follows:

Year Ended, June 30	Governmental Activity	
	Principal	Interest
2026	\$ 264,847	133,090
2027	283,420	125,039
2028	302,920	116,423
2029	323,385	107,214
2030	344,859	97,383
2031-2035	2,035,562	315,457
2036-2040	822,979	36,448
Total	\$ 4,377,972	931,054

Lease obligations

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

Year Ended June 30,	Governmental Activities Payments	Business-type Activities Payments
2026	\$ 34,140	40,976
2027		6,829
	\$ 34,140	47,805
Less amount represented as interest	(1,315)	(1,710)
Net present value of lease payments	\$ 32,825	46,095

In the government activities, property and equipment carried at a cost of \$1,340,458 with accumulated amortization of \$ 447,582 has been acquired under capital lease arrangements.

In the business-type activities property and equipment carried at a cost of \$338,151 with accumulated amortization of \$131,504 has been acquired under capital lease arrangement.

Right to Use Leases (ROU)

The City leases equipment for various terms under long-term, noncancellable lease agreements. The leases expire in 2026.

	Governmental Activities Payments
Year ended June 30, 2026	\$ 2,258
Less amount represented as interest	17
Net present value of lease payments	\$ 2,275

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Subscription-Based Information Technology Arrangements Liability

The City leases subscription-based technology arrangements under non-cancelable agreements. Those agreements in the current year have expired as of the year ended June 30, 2023. All payments for the leased subscriptions have been made as of June 30, 2023. Subsequent to the year-end numerous subscription-based technology arrangements have been signed most of which are single fiscal year terms with one contract being a two-year term starting July 1, 2025 resulting in total SBITA lease payments of \$104,585. Subscription assets are comprised of software purchases.

Note 9 - Commitments and Contingencies

Lawsuits

There were several personal injuries, negligence, and personnel related lawsuits pending against the City. The outcome and eventual liability of the City, if any in these cases, is not known at this time. Based upon consultation with counsel, the City's management estimates that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City received federal and state grants for specific purposes and is subject to review and audit by the grantor agency for compliance and disallowed expenses under the grant. Management believes that such disallowances, if any, will not be material to the financial position of the City.

Municipal solid waste management services contract

The City entered into a municipal three-year solid waste management services contract on July 1, 2024, with City Carting Inc. The Contracts minimum future payment requirements is as follows:

Fiscal year ending June 30, 2026	\$ 1,075,254
Fiscal year ending June 30, 2027	1,134,393

Waste Water Facilities administrative order

The Connecticut Department of Energy and Environmental Protection (DEEP) has issued an administrative order to the City of Derby requiring the upgrade of the wastewater pollution Controls (WPCA) facilities. Unless an alternative date is approved by the Deep Commissioner, the order, as amended, requires the facility upgrade to be completed December 13, 2026. Although the City has completed the plan for the upgrade, the accrual cost to complete the facility cannot be estimated.

Lease Agreements (lessor)

The City has entered into a non-cancelable lease agreement with a private business for the right to use certain City-owned property. The lease commenced during a prior fiscal year and expires in 2037. The agreement requires annual lease payments of \$250,000.

In accordance with applicable governmental accounting standards, the City has recognized a lease receivable and a deferred inflow of resources at the present value of future lease payments expected to be received over the term of the lease.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2025, Continued

The present value of the lease payments, discounted at the interest rate implicit in the lease (or the City’s incremental borrowing rate, if applicable), is \$2,089,273 as of June 30, 2025

Lease revenue is recognized over the term of the lease. Future minimum lease payments to be received under the lease agreement are as follows:

<u>Fiscal year</u>	<u>Balance</u>
2026	\$ 200,000
2027	200,000
2028	200,000
2029	200,000
2030	200,000
Thereafter	1,100,000
Total	\$ 2,100,000
Less amount representing interest	515,727
Net value of lease	<u>\$ 2,084,273</u>

Five-Year Real Property Assessment Implementation

Pursuant to Section 12-62c of the General Statutes of Connecticut, the City’s legislative body adopted an ordinance providing for the phased implementation of the most recent real property revaluation.

Under the ordinance, increases in assessed values resulting from the revaluation are being recognized incrementally over a five-year period beginning with the October 1, 2025, assessment date. Each year, one-fifth of the total increase in assessed value for applicable properties is added to the tax roll until the full revaluation amount is reflected. Decreases in assessed value are recognized in accordance with statutory requirements.

The phased implementation affects the timing of changes to the City’s taxable grand list and related property tax revenues during the five-year period but does not alter the total long-term assessed valuation resulting from the revaluation.

Risk management and self-insurance

The City is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. The City generally obtains commercial insurance for these risks but has chosen to retain the risks for workers’ compensation, including heart and hypertension, and physical damage of the City’s vehicles.

The worker’s compensation fund purchases a self-insured retention worker’s compensation excess policy for claims exceeding \$500,000. All other claims are funded by the General Fund. Payments to the fund are estimated based on payroll amounts, job classification rates, experience, and second injury fund assessments.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Under Public Act 9-342, health insurance for retired teachers, subsidy equal to the equivalent's flat dollar premium amount of Blue Cross 65/Blue Shield 65 is paid by the State directly to the local school districts. Where it is applied to reduce premium payments of the retired members' 1% supplemental contributions, since July 1, 1989, have been directly applied to a dedicated health insurance fund. There is no cost to the City.

Changes in the balance of claim liabilities for the worker's compensation and health insurance were as follows:

	Year Ended	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Amount of claims liabilities at the beginning of the fiscal year	\$ 1,929,774	2,552,465
Incurred claims	7,245,959	5,469,591
Payments on claims	<u>6,818,652</u>	<u>6,092,282</u>
Amount of claims liabilities at the end of the fiscal year	<u>\$ 2,357,081</u>	<u>1,929,774</u>

Note 10 - Employee Retirement Plans

City Employees' Retirement Plan

Basis of Accounting

Financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and when the City has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

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

As of July 1, 2023, employee membership data related to the pension plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	82
Inactive plan members or beneficiaries currently not receiving benefits	75
Active plan members	66
	<u>223</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Benefit provisions – The Retirement Plan for Employees of the City of Derby covers employees who work at least 30 hours per week and 40 weeks per year after completion of 6 months of service. Effective July 1, 2001, Derby Paraprofessionals participate in and are covered by the plan. Employees of the Police department and members of the Teachers' Retirement system are excluded. Plan provisions are summarized as follows:

Normal Pension	Eligibility: Earlier of age 65 and 5 years of service or age 55 and 25 years of service Benefit: Normal pension accrued to date
Disability Pension	Eligibility: 15 years of service Benefit: Normal pension accrued to date, less workers compensation payments. Minimum 50% of pay.
Vesting	Eligibility: 5 years Benefit: 100% of normal pension accrued to date, payable at normal retirement eligibility Eligibility Commencement: 2 years Benefit: Return of employee contributions with interest
Deferred Retirement	None
Pre-Retirement Death	Eligibility: Completion of 5 years of service. Must be married for at least 12 months prior to death. Benefit: Surviving spouse receives 50% of normal pension accrued to date.
Normal Form of Benefit	50% Joint & Survivor Annuity Cost of Living Increases Retirees: Ad hoc as approved by Pension board. Last date was January 1, 2002 Terminated Vested: None
Employee Contributions	3.5% of pay; No interest is credited

Funding Policy/Contributions

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 City employment before 25 years of service, the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary. For the year ended June 30, 2025, the City's contribution was \$1,000,000.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Investments

Investment Policy

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US large cap (public)	31.31 %	5.25 %
US small cap (public)	8.23	5.50
Int'l large cap (public)	5.06	7.50
Int'l small cap (public)	1.65	7.75
Emerging large cap (public)	3.16	8.25
US Fixed Income	5.77	2.60
Illiquid equity (VC, shipping)	11.96	8.25
Private real estate (leasing)	9.50	4.80
Illiquid fixed income (CLO, distressed, private)	6.78	6.60
Hedge fund	6.01	5.80
Cash	6.57	2.70
Total	100.00 %	

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date.

The components of the net pension liability of the City at June 30, 2025 were as follows:

Total pension liability	\$ 24,760,275
Plan fiduciary net position	<u>(21,389,291)</u>
City net pension liability	<u>\$ 3,049,358</u>
Plan fiduciary net position as a percentage of total pension liability	<u>87.52%</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Actuarial Assumptions

Actuarial assumptions used in the July 1, 2023; the most recent, actuarial report are as follows:

Actuarial cost method	Entry Age Normal Method
Asset valuation method	Market Value
Amortization method	Level percentage of projected payroll
Municipal bond interest rate	5.20% per year
Salary increases	3.50% per year.
Inflation	2.40% per year
Retirement	30% are assumed to retire by age 62. 100% are assumed to retire by age 70 or 28 years of service; 10% are assumed to retire at all other ages.

Mortality rates were based on the PubS-2010 Mortality Table with generational projection per the MP-2021 Ultimate scale.

The actuarial assumptions used in the July 1, 2023 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net position. (b)	Net Pension Liability (a)-(b)
Balance, June 30, 2024	\$ 23,760,275	19,566,179	4,194,096
Changes for the year:			
Service costs	\$ 510,947		510,947
Interest	1,533,918		1,533,918
Effect of economic/demographic gains or losses			
Change in assumptions			
Benefit payments	(1,366,491)	(1,366,491)	-
Contributions – employer		1,000,000	(1,000,000)
Contributions – member		110,981	(110,981)
Net investment income		2,078,622	(2,078,622)
Administrative expenses			
Net changes	\$ 678,374	1,823,112	(1,144,738)
Balance, June 30, 2025	\$ 24,438,649	21,389,291	3,049,358

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	1% Lower (5.50%)	Current Discount Rate (6.50%)	1% Higher (7.50%)
Net pension liability	\$ <u>5,722,300</u>	<u>3,049,358</u>	<u>776,118</u>

Pension Trust Fund

The City maintains a pension trust fund to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2025 and the changes in net position for the year then ended.

Schedule of Net Position

Assets:	
Cash and cash equivalents	\$ 348,631
Investments	<u>21,040,660</u>
Total assets	\$ <u>21,389,291</u>
Net assets held in trust for pension benefits	\$ <u>21,389,291</u>

Schedule of Changes in Net Position

Additions:	
Contributions:	
Employer	\$ 1,000,000
Employee	<u>110,981</u>
Total contributions	\$ <u>1,110,981</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 1,752,162
Interest and dividends	<u>344,936</u>
Net investment income	\$ <u>2,097,098</u>
Total additions	\$ <u>3,208,079</u>
Deductions:	
Benefits	\$ 1,366,491
Administrative expenses	<u>18,476</u>
Total deductions	\$ <u>1,384,967</u>
Net increase (decrease) in net position	\$ 1,823,112
Net position at beginning of year	<u>19,566,179</u>
Net position at end of year	\$ <u>21,389,291</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the fiscal year ended June 30, 2025, the City recognized pension expense of (\$208,738) and reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	(115,249)
Change in assumptions	12,799	-
Net difference between projected and actual earnings on pension plan investments	-	(528,039)
Total	<u>\$ 12,799</u>	<u>(643,288)</u>

The differences between projected and actual earnings are amortized over 5 years. Differences between expected and actual experience and changes in assumptions are amortized over the average remaining service period of active and inactive.

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2026	\$ 87,616
2027	(305,766)
2028	(249,341)
2029	(162,998)
2030	-
Thereafter	-
Total	<u>\$ (630,489)</u>

Connecticut municipal employees' retirement system – defined benefit plan

Plan description

The City's police officers participate in Connecticut's Municipal Employees' Retirement System (CMERS), a cost-sharing, multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement, disability, and death benefits to the employees and beneficiaries of participating municipalities. Title 7, Chapter 113 of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

CMERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 165 Capital Ave, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Summary of significant accounting policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense information about CMERS net position and additions to/deductions from CMERS net position have been determined on the same basis they are reported by CMERS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefit provisions

The benefits provided by CMERS to its participants include retirement, disability, and death benefits.

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

Police Officers and Firefighters: Compulsory retirement age for police and fire members is age 65.

Normal Retirement: Members not covered by social security receive a benefit of 2% of the average final compensation times years of service. Members covered by social security receive a benefit of 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.

Early Retirement: Employees are eligible after 5 years of active continuous service or 15 years of active aggregate service. The benefit is calculated based on 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 police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Benefits are calculated based on compensation and service to the date of the disability with a minimum benefit of 50% of compensation at the time of disability.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Non-service-related disability benefits are provided to employees 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 if vested and married, the surviving spouse will receive a lifetime benefit.

Contribution requirements

Contributions are established by State Statutes as follows:

Employer

The City, as a participating municipality, makes 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 CMERS not met by member contributions. There is also an annual administrative fee per active and retired members.

The current rate is 22.45% of the annual covered payroll. The contribution requirements of the City are established and may be amended by the State Retirement Commission. The City's contributions to CMERS for the years ended June 30, 2025, 2024 and 2023 were \$996,080, \$1,040,399, and \$874,574 respectively, equal to the required contributions for each year.

Employee

Plan members not covered by social security are required to contribute 5% of compensation. Employees covered by social security are 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.

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2025, the City reported an asset for its proportionate share of the net pension liability (asset) in the government-wide statement of net position. The amount recognized by the City for its proportionate share of the net pension liability (asset) was \$6,509,249 based on the City's allocation percentage of 5.911597%.

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The changes in assumptions that affected the measurement of the total pension liability since the prior measurement date, were updating rates of inflation, real investment return mortality, withdrawal, disability, retirement, and salary increase to more closely reflect actual and anticipated experience.

The City recognized its proportionate share of the collective pension expense in the amount of \$1,420,648 for the year ended June 30, 2025.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to CMERS pension benefits as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 1,082,033	(153,293)
Change of assumptions	870,723	
Change in proportionate share	193,474	(268,263)
Net difference between employers expected and actual experience		
Total	\$ 2,146,230	(421,556)

Net deferred outflows and inflows of resources for pensions are amortized and recognized in the net pension expense each year as follows:

Year Ended June 30,	Net Pension Expense Increase
2025	\$ 449,587
2026	951,083
2027	246,350
2028	51,075
Thereafter	26,579
	\$ 1,724,674

Actuarial assumptions

The total pension liability is based upon the June 30, 2025 actuarial valuation. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017. The key actuarial assumptions used in the valuation were as follows:

Inflation	2.50%
Salary increase	3.50-9.50%, including inflation
Long-term investment rate of return	7.00%, net of pension plan investment expense, including inflation

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in actuary judgment.

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%, and the maximum is 6%.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using statistical 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	37 %	6.8 %
Public Credit	2	2.9
Core fixed income	13	0.4
Liquidity fund	1	-0.4
Risk mitigation	5	0.1
Private equity	15	11.2
Private credit	10	6.1
Real estate	10	6.3
Infra. & natural resources	7	7.7
Total	100 %	

Discount rate

The discount rate used to measure the total pension liability was 7.00%. 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 employer contributions will be made at rates equal to the actuarial determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability (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% lower or 1% higher than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability/(asset)	\$ 12,196,270	8,425,522	5,296,284

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Teachers' retirement

All City of Derby Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System ("TRS" or the "Plan") under Section 10.183 of the General Statutes of the State of Connecticut.

Plan description

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut State Teachers' Retirement System – a cost sharing, multiemployer, defined benefit pension plan administered by the Teachers' Retirement Board. Title 10, Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement

Board ("TRB"). The State Treasurer is responsible for investing Teachers' Retirement System funds for the exclusive benefit of the TRS members.

The Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 165 Capitol Avenue, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website 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 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 the 6% contributions made prior to July 1, 1989, and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefits are reduced for those retiring before the normal retirement age.

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.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

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% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. 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 the average annual salary.

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

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

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 are 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 earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts 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, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2025, \$4,150,348 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the City was \$0.

Administrative expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2025; the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the City as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability associated with the City 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>42,106,300</u>
Total net pension liability	\$	<u>42,106,300</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

For the year ended June 30, 2025, the City has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$4,829,683 as payments made by the State of Connecticut on behalf of the City for teachers' pension.

Actuarial assumptions

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

Inflation	2.50%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the State of CT General Assembly

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages eighty-two and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with the MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used for active members.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Future Cost-of-Living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on

January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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 weighing 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 asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Global Equity	37	%	6.8	%
Public Credit	2		2.9	
Core Fixed Income	13		0.4	
Liquidity Fund	1		-0.4	
Risk Mitigation	5		0.1	
Private Equity	15		11.2	
Private Credit	10		6.1	
Real Estate	10		6.2	
Infrastructure and Natural Resource	7		7.7	
Total	<u>100</u>	<u>%</u>		

Discount rate

The discount rate used to measure the total pension liability was 6.90%. 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 rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Sensitivity of the net pension liability to changes in the discount rate

The City's proportionate share of the net pension liability is \$0. Any change in the discount rate would only have an effect on the amount recorded by the State of Connecticut.

Note 11 - Other Post-Employment Benefit Plan

City employee retirement OPEB plan

Plan Description

The City provides post-employment health benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit healthcare OPEB plan. An actuarial valuation is made to determine whether the contributions are sufficient to meet plan obligations. The latest actuarial valuation was made July 1, 2024. The OPEB plan does not issue a separate, stand-alone, financial report.

Classes of Employees Covered

As of July 1, 2024, the plans' membership consisted of:

Active employees	307
Retired employees, spouse, and beneficiaries	55
Dependents of retirees	<u>16</u>
Total	<u><u>378</u></u>

Funding Policy

The City's OPEB plan is unfunded. The City's OPEB benefits are paid by the City on a pay-as-you-go basis. The Plan uses the alternate measurement method, and an annual required contribution is not actuarially determined. The City's general fund paid \$637,286 for OPEB benefits for the fiscal year ended June 30, 2025.

Benefit Provisions

The City provides medical benefits based upon union contracts. A summary of these is below:

Eligibility

Any full-time employee of the City on or after the age of fifty-five that has served for a continuous period of at least 25, 20, or 10 years, enrolled dependents and widow/widowers of the retiree are eligible for police, public works/WPCA, or city/BOE employees, respectively.

Benefit Types

The City provides and pays for the Aetna self-insured medical, dental and vision plans.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Duration of Coverage

The same coverage provided to active employees is also provided to all retirees until they reach 55 years of age. Each retiree's enrolled dependents, widows/widowers, and enrolled dependents of the widows/widowers who are under the age of fifty-five also receive the same coverage as active employees, even if the retiree is age 55 or older.

Each retiree, enrolled dependents of the retiree, and widow/widower of the retiree who is age 65 or older is provided supplemental B of Medicare, Connecticut Blue Cross 65 and CMS 65, Plan A, or comparable coverage.

Net OPEB Liability

During the year, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefit Plans Other than Pensions* (OPEB). This statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position.

The components of the net OPEB liability at June 30, 2025 were as follows:

Total OPEB liability	\$	27,310,568
Plan fiduciary net position		<u>-</u>
Net OPEB liability	\$	<u>27,310,568</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>0.00%</u>

The Plan is not prefunded; no assets are set aside in trust to pay current or future benefits. The City pays benefits on a pay-as-you-go basis; therefore, the City's Plan has no fiduciary net position. The net OPEB liability is calculated using the Alternative Measurement Method in accordance with GASB methodology.

Actuarial Assumptions and Actuarial Cost Method

Per Capita Cost Development: Per capita costs were based on the fully insured premium rates effective June 30, 2025. Actuarial factors were applied to the premium to estimate individual retiree and spouse cost by age and gender.

Measurement date:	June 30, 2025
Discount rate:	5.20%
Actuarial cost method:	Entry age
Projected salary increases:	4.00%
Amortization period:	20 years

Mortality rates were based on the Pub-2010 Public Safety Mortality Table with generational projection the MP-2021 (prior MP-2019) ultimate scale, with employee rates before commencement and healthy annuitant rates after benefit commencement; this assumption includes a margin for mortality improvement beyond the valuation date.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Health Care Cost Trend Rates measure the anticipated overall rate at which health plan costs are expected to decrease in future years. The rates are 3.00% for vision, 3.50% decreasing to 3.00% for dental, and 7.00% decreasing to 4.40% for medical. These rates are “net” and are applied to the net per capita costs shown below.

Participation and Coverage Election: 100% of active employees with coverage are assumed to elect retiree coverage.

Discount Rate

The discount rate is based on the long-term earnings potential of any investments set up in a trust to prefund these benefits. Because the benefits are not prefunded, the discount rate is based on expected earnings of the City’s general fund. The discount rate as of the June 30, 2025 valuation is 5.20%.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability (a)-(b)
	<u>(a)</u>	<u></u>	<u>(a)-(b)</u>
Balances as of June 30, 2024	\$ 30,300,034	-	30,300,034
Changes for the year:			
Service cost	\$ 1,689,525		1,689,525
Interest on total OPEB liability	1,244,787		1,244,787
Difference between expected and actual experience	(1,275,950)		(1,275,950)
Effect of assumption changes or inputs	(4,010,542)		(4,010,542)
Benefit payments	<u>(637,286)</u>		<u>(637,286)</u>
Net changes	\$ <u>(2,989,466)</u>	-	<u>(2,989,466)</u>
Balances as of June 30, 2025	\$ <u>27,310,568</u>	<u>-</u>	<u>27,310,568</u>

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 5.20%, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (4.20%) or 1 percent higher (6.20%) than the current rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
	<u></u>	<u></u>	<u></u>
Net OPEB liability	\$ <u>31,384,849</u>	<u>27,310,568</u>	<u>23,955,890</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, calculated using the healthcare trend rate 1% higher than, and 1% lower than the current healthcare trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB liability	\$ 23,196,631	27,310,568	32,523,980

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the City recognized OPEB net expense of \$872,784. In accordance with GASB 75, under the Alternative Measurement Method, deferred outflows and deferred inflows of resources related to differences between actual and expected experience regarding economic or demographic factors or changes in assumptions and other inputs should not be used. These items should be recognized in OPEB expense in the year affected.

As of June 30, 2025, there are \$7,332,652 deferred outflows and (\$18,061,195) deferred inflows of resources related to OPEB.

Teachers' retirement OPEB plan

All City of Derby Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System ("TRS" or the "Plan") under Section 10.183 of the General Statutes of the State of Connecticut.

Plan description

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut State Teachers' Retirement System – a cost sharing, multiemployer, defined benefit pension plan administered by the Teachers' Retirement Board. Title 10, Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing Teachers' Retirement System funds for the exclusive benefit of the TRS members.

The Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 165 Capitol Ave, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Benefit provisions

The plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member currently receiving retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School district Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School district Coverage.

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

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

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

The choices and premiums charged as of July 1, 2023 are as follows:

- Medicare Supplement with Prescriptions
- Medicare Supplement with Prescriptions and Dental
- Medicare Supplement with Prescriptions, Dental, Vision, and Hearing Included

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

Normal Retirement: Eligible after age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Early Retirement: Eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service.

Proratable Retirement: Eligible after age 60 with 10 years of credited service.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

Disability Retirement: Eligible after 5 years of credited service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

Termination of Employment: Eligible after 10 or more years of credited 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 State pays for one third of the plan costs through annual appropriation in the General Fund.

Employer (School Districts)

School District employers are not required to make contributions to the Plan.

Employees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows:

- Active teachers pay 1.25% of annual salaries in excess of \$500,000.
- Retired teachers pay one third of the Plan costs through monthly premiums.

For the year ended June 30, 2025, \$58,109 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the City was \$0.

Administrative expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

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

The State has a statutory requirement to pay 100% of the required plan contribution; therefore, as of June 30, 2025, the City reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the City as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the City		8,637,450
Total net OPEB liability	\$	<u>8,637,450</u>

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025, Continued

The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. The assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

For the year ended June 30, 2024, the City has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$119,677 as payments made by the State of Connecticut on behalf of the City for teachers' OPEB.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.00-6.50%, including inflation
Long-term investment rate of return	3.00%, net of pension plan investment expense, including inflation
Real wage growth	0.50%
Wage inflation	3.00%
Municipal bond index rate	3.54%, (2.16% at prior measurement date)
Single equivalent interest rate	3.53% net of OPEB plan investment expense, including inflation (2.17% at prior measurement date)
Healthcare cost trend rates	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.50% by 2031
Administrative expenses	\$0 assumption as expenses are paid for by the State of CT General Assembly
Year fund net position will be depleted	2028

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages eighty-two and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with the MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used for active members.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2025, Continued

Long-term rate of return

The long-term expected rate of return on 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is not expected to change, absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Treasuries (cash equivalents)	<u>100.0%</u>	<u>3.00%</u>

Discount rate

The discount rate used to measure the total OPEB was 3.93%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to have been made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2027 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the net OPEB liability to changes in the discount rate

The City's proportionate share of the net OPEB liability is \$0. Any change in the health care cost trend rate or the discount rate would only have an effect on the amount recorded by the State of Connecticut.

CITY OF DERBY, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025, Continued

Note 12 - Fund Balance and Net Position

Restricted Fund Balance

The City has the following restricted and committed fund balances at June 30, 2025,

	<u>Restricted</u>	<u>Committed</u>
Restricted for donor's intentions		
School Lunch	\$ 482,638	
Community development	123,786	
Board of Education Activities	163,536	
Special Education	12,332	
Police Grants	525	
Library Activities	1,257,103	
Field House	11,470	
Committed by governing body		
Blight Ordinance		41,900
Library		69,907
Middle School Construction		175,122
Land Acquisition		33,948
Total	\$ <u>2,051,390</u>	<u>320,877</u>

Fund deficits

The City has the following fund deficits at June 30, 2025, and expects to eliminate the deficits in the future as follows:

<u>Fund</u>	<u>Amount</u>	<u>Explanation</u>
Silo Fund	\$ 1,675,017	Bond issuance authorized and to be issued in the subsequent year
School Roof Project	124,219	School construction project expected to be closed by the state of Connecticut
Total	<u>\$ 1,799,236</u>	

Note 13 - Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through February 28, 2026, the date the financial statements were available to be issued. No other events have occurred subsequent to the Statement of Net Position date through February 28, 2026, that would require readjustment to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 37,093,234	37,093,234	37,069,387	(23,847)
Intergovernmental	10,939,263	13,194,641	11,873,665	(1,320,976)
Charges for services	2,073,600	2,073,600	2,059,477	(14,123)
Investment income	275,000	275,000	529,683	254,683
Other revenues	2,805,252	3,075,024	2,079,580	(995,444)
Total revenues	<u>\$ 53,186,349</u>	<u>55,711,499</u>	<u>53,611,792</u>	<u>(2,099,707)</u>
Expenditures:				
Current:				
General government	\$ 16,147,804	18,468,933	17,849,143	619,790
Public safety	5,913,013	6,030,776	5,857,385	173,391
Public works	4,580,751	4,850,523	4,512,395	338,128
Health and welfare	387,336	387,336	384,599	2,737
Culture and recreation	1,496,063	1,386,063	1,048,341	337,722
Education	20,281,949	20,448,449	20,359,026	89,423
Capital outlay	412,718	425,387	402,554	22,833
Other	728,598	475,915	179,830	296,085
Debt service:				
Principal retirements	3,238,117	3,238,117	1,883,342	1,354,775
Total expenditures	<u>\$ 53,186,349</u>	<u>55,711,499</u>	<u>52,476,615</u>	<u>3,234,884</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>1,135,177</u>	<u>1,135,177</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>1,135,177</u>	<u>1,135,177</u>

Unassigned fund balance, July 1, 2024	\$ 4,425,021
Add: Prior period adjustment	1,573,114
Unassigned fund balance, July 1, 2024, restated	<u>\$ 5,998,135</u>
Unassigned fund balance, June 30, 2025	<u>\$ 7,133,312</u>

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - PENSION PLAN
Last Eight Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018
Total pension liability:								
Service cost	\$ 510,947	620,314	599,337	671,797	649,080	676,977	654,084	776,874
Interest	1,533,918	1,503,138	1,448,717	1,520,990	1,449,718	1,403,388	1,334,277	1,431,319
Changes in benefit terms								
Differences between expected and actual experience		(233,349)		(1,756,038)		(655,805)		(526,463)
Changes in assumptions				524,691		1,067,879		(1,967,488)
Benefit payments, including refund of member contributions	(1,366,491)	(1,249,770)	(1,214,326)	(1,055,983)	(1,074,958)	(997,055)	(1,049,921)	(908,031)
Net change in total pension liability	\$ 678,374	640,333	833,728	(94,543)	1,023,840	1,495,384	938,440	(1,193,789)
Total pension liability - beginning	23,760,275	23,119,942	22,286,214	22,380,757	21,356,917	19,861,533	18,923,093	20,116,882
Total pension liability - ended	\$ 24,438,649	23,760,275	23,119,942	22,286,214	22,380,757	21,356,917	19,861,533	18,923,093
Plan fiduciary net position:								
Contributions - employer	\$ 1,000,000	500,000	1,000,000	700,000	190,000	190,000	190,000	572,000
Contributions - employee	110,981	124,823	132,383	68,517	54,392	82,229	182,134	91,864
Net investment income	2,078,622	1,618,917	1,401,484	(1,221,124)	4,514,626	212,165	576,865	1,491,886
Benefit payments, including refunds of member contributions	(1,366,491)	(1,249,770)	(1,214,326)	(1,055,983)	(1,074,958)	(997,055)	(1,049,921)	(908,031)
Administrative expenses			(16,883)	(1,643)	(77,548)	(20,929)	(44,105)	(61,928)
Net change in plan fiduciary net position	\$ 1,823,112	993,970	1,302,658	(1,510,233)	3,606,512	(533,590)	(145,027)	1,185,791
Plan fiduciary net position - beginning	19,566,179	18,572,209	17,269,551	18,779,784	15,173,272	15,706,862	15,851,889	14,666,098
Plan fiduciary net position - ended	\$ 21,389,291	19,566,179	18,572,209	17,269,551	18,779,784	15,173,272	15,706,862	15,851,889
Net pension liability - ended	\$ 3,049,358	4,194,096	4,547,733	5,016,663	3,600,973	6,183,645	4,154,671	3,071,204
Plan fiduciary net position as a percentage of total pension liability	87.52%	82.35%	80.33%	77.49%	83.91%	71.05%	79.08%	83.77%
Covered payroll	\$ 3,905,483	3,773,413	4,615,899	4,459,806	4,984,176	4,815,629	5,523,439	5,336,656
Net pension liability as a percentage of its covered payroll	78.08%	111.15%	98.52%	112.49%	72.25%	128.41%	75.22%	57.55%

Notes To Schedule

Changes in benefit terms Effective July 1, 2001 for active paraprofessional employees. The inflationary cost-of-living are Ad hoc as approved by the Pension Board, last date was January 1, 2002. The contribution rate for Town employees is 3.5% of annual, beginning after 6 months of employment.

Changes in assumptions None in last two years

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level percent with 2% annual increases, closed period

Remaining amortization period 7 years remaining as of July 1, 2025

Asset valuation method The Actuarial Value of assets used in the development of plan contributions phases in the recognition of differences between the actual return on Market Value and expected return on market value over a 3-year period at 33.33% per year. The Actuarial Value is adjusted, if necessary, to be within the range of 90% and 110% pf the Market Value of assets.

Inflation 2.40%

Salary increase 2.50%

Investment rate of return 6.50%, net of pension plan investment expense, including inflation

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN
Last Nine Fiscal Years

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2025	\$ 1,010,390	1,000,000	10,390	3,905,483	25.61%
2024	1,081,013	500,000	581,013	3,773,413	13.25%
2023	1,044,457	1,000,000	44,457	4,615,899	21.66%
2022	1,029,587	700,000	329,587	4,459,806	15.70%
2021	994,770	190,000	804,770	4,984,176	3.81%
2020	840,082	190,000	650,082	4,815,629	3.95%
2019	811,673	190,000	621,673	5,523,439	3.44%
2018	1,003,231	572,000	431,231	5,336,656	10.72%
2017	969,392	572,000	397,392	5,165,262	11.07%

Notes to Schedule

Valuation date	July 1, 2023
Measurement date	June 30, 2025
Changes in benefit terms	Effective July 1, 2001 for active paraprofessional employees. The inflationary cost-of-living are Ad hoc as approved by the Pension Board, last date was January 1, 2002. The contribution rate for Town employees is 3.5% of annual, beginning after 6 months of employment.
Changes in assumptions	None
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percent with 2% annual increases, closed period
Remaining amortization period	7 years remaining as of July 1, 2025
Asset valuation method	The Actuarial Value of assets used in the development of plan contributions phases in the recognition of differences between the actual return on Market Value and expected return on market value over a 3-year period at 33.33% per year. The Actuarial Value is adjusted, if necessary, to be within the range of 90% and 110% pf the Market Value of assets.
Inflation	2.40%
Salary increases	2.50%
Investment rate of return	6.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Ad hoc as approved by Pension Board. Last date was January 1, 2002

Actuarially determined contribution is calculated using a July valuation date as of the beginning of the fiscal year in which contributions are reported.

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last Five Fiscal Years

	2025	2024	2023	2022	2021
Total OPEB liability:					
Service cost	\$ 1,689,525	1,737,621	1,564,520	2,169,693	2,567,845
Interest	1,244,787	1,108,286	987,090	720,685	936,850
Change of benefit terms					
Differences between expected and actual experience	(1,275,950)	787,967	(706,740)	294,526	(11,402,728)
Changes in assumptions	(4,010,542)	(1,328,264)	1,709,188	(7,132,230)	(35,195)
Benefit payments	(637,286)	(1,252,698)	(1,241,853)	(622,896)	(766,204)
Net change in total OPEB liability	\$ (2,989,466)	1,052,912	2,312,205	(4,570,222)	(8,699,432)
Total OPEB liability - beginning	30,300,034	29,247,122	26,934,917	31,505,139	40,204,571
Total OPEB liability - ended	\$ 27,310,568	30,300,034	29,247,122	26,934,917	31,505,139
Covered-employee payroll	\$ 21,190,658	20,011,624	19,542,602	18,292,287	17,863,562
Net OPEB liability as a percentage of its covered-employee payroll	128.88%	151.41%	149.66%	147.25%	176.37%

Notes to Schedule

Change in benefit terms	Various retiree contribution premium % increased, various changes in eligibility based on hire and retire date
Changes in assumptions	The discount rate was 3.54%, 3.65% and 4.20% as of June 30, 2023, June 30, 2024 and June 30, 2025, respectively

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - DERBY POLICE
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net pension liability	<u>0.64%</u>	<u>0.61%</u>	<u>0.56%</u>	<u>0.61%</u>	<u>0.64%</u>	<u>0.61%</u>	<u>0.50%</u>	<u>1.19%</u>	<u>1.04%</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 8,425,552</u>	<u>8,645,844</u>	<u>7,745,810</u>	<u>4,297,244</u>	<u>7,071,194</u>	<u>6,290,508</u>	<u>4,768,155</u>	<u>2,956,423</u>	<u>3,456,814</u>
City's covered payroll	<u>\$ 4,436,553</u>	<u>4,029,478</u>	<u>3,884,933</u>	<u>3,984,385</u>	<u>3,811,928</u>	<u>3,834,414</u>	<u>3,975,436</u>	<u>3,424,096</u>	<u>3,424,096</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>189.91%</u>	<u>214.56%</u>	<u>199.38%</u>	<u>107.85%</u>	<u>185.50%</u>	<u>164.05%</u>	<u>119.94%</u>	<u>86.34%</u>	<u>100.96%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>72.85%</u>	<u>69.54%</u>	<u>68.71%</u>	<u>82.59%</u>	<u>71.18%</u>	<u>72.69%</u>	<u>73.60%</u>	<u>91.68%</u>	<u>88.29%</u>

Changes in benefit terms None

Changes in assumptions None

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	18 years
Asset valuation method	5-year smoothed market (20% write up)

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CITY CONTRIBUTIONS - DERBY POLICE
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 996,080	1,040,399	874,574	898,651	760,456	792,116	620,415	572,851	572,851
Contributions in relation to the contractually required contribution	996,080	1,040,399	874,574	898,651	760,456	792,116	620,415	572,851	572,851
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
City's covered payroll	\$ 4,436,553	4,029,478	3,884,933	3,984,385	3,811,928	3,834,414	3,975,436	2,956,423	3,424,096
Contributions as a percentage of covered payroll	22.45%	25.82%	22.51%	22.55%	19.95%	20.66%	15.61%	19.38%	16.73%

Notes to Schedule

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date.

Changes in benefit terms None

Changes in assumptions None

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	18 years
Asset valuation method	5-year smoothed market (20% write up)
Inflation	2.50%
Salary increase	3.50-10.00%, including inflation
Investment rate of return	7.00%, net of investment related expense

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-
TEACHERS' RETIREMENT PLAN
Last Nine Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	-	-	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the City (thousands)	42,106,300	46,944,386	48,739,412	3,510,636	45,088,705	39,111,989	30,157,616	29,767,390	31,404,825
Total	\$ 42,106,300	46,944,386	48,739,412	3,510,636	45,088,705	39,111,989	30,157,616	29,767,390	31,404,825
City's covered payroll	\$ -	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	62.68%	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	55.93%

Notes to Schedule

Changes in benefit terms In 2022, legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019.

Changes in assumptions None

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age
Amortization method	Level percent of salary closed, grading to a level dollar amortization method for June 30, 2024 valuation
Single equivalent amortization period	27.8 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	6.90%, net of investment related expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS' RETIREMENT PLAN
Last Eight Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0%	0%	0%	0%	0%	0%	0%	0%
City's proportionate share of the net OPEB liability	\$ -	-	-	-	-	-	-	-
State's proportionate share of the net OPEB liability associated with the City	8,637,450	4,398,044	4,268,455	3,890,608	6,724,982	6,099,737	6,028,724	7,661,778
Total	\$ 8,637,450	4,398,044	4,268,455	3,890,608	6,724,982	6,099,737	6,028,724	7,661,778
City's covered payroll	\$ N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	7.40%	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

Notes to Schedule

Changes in benefit terms In June 2022, There was a change in the maximum monthly subsidy amounts offered to retirees and their dependents from \$110/\$220 to \$220/\$440.

Changes in assumptions The single equivalent interest rate was updated to 3.53% as of June 30, 2022.

The expected annual per capita claims cost were updated to reflect anticipated medical and prescription drug claim experience; The assumed age related annual percentage increases in expected annual per capita health care claim costs were updated; Long-term health care cost trend rates were updated; and The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated to better reflect anticipated plan experience.

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
Inflation	2.50%
Real Wage Growth	0.50%
Wage inflation	3.00%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	3.00%, net of investment related expense, including inflation

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

Appendix B

Form of Opinion of Bond Counsel

APPENDIX B – FORM OF OPINION OF BOND COUNSEL

May __, 2026

City of Derby
1 Elizabeth Street
Derby, CT 06418

We have acted as Bond Counsel to the City of Derby, Connecticut (the “City”) in connection with the issuance by the City of its \$ _____ General Obligation Bonds, Issue of 2026 (the “Bonds”) dated May __, 2026. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents (including, but not limited to, a Tax Regulatory Agreement of the City dated the date hereof (the “Agreement”)) as we have deemed necessary to give the opinions below.

Regarding questions of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the City and certifications of others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that when the Bonds are duly certified by U.S. Bank Trust Company, National Association, the Bonds will be valid and legally binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the City and was duly authorized by the City.

The Internal Revenue Code of 1986 (the “Code”) establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income under Section 103 of the Code. In the Agreement, the City has made covenants and representations designed to assure compliance with such requirements of the Code. The City has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds.

In rendering the below opinions regarding the federal treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the City with the covenants set forth in the Agreement as to such tax matters.

The City has designated the Bonds as “qualified tax exempt obligations” within the meaning of Code Section 265(b)(3) for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Based on the foregoing, we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

We are further of the opinion that, under existing statutes, interest on the Bonds is excludable 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 for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state and other State of Connecticut tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Preliminary Official Statement, the Official Statement and other offering material relating to the Bonds.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances or changes in law that may come later to our attention or occur.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix C

Form of Continuing Disclosure Agreement

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Issuer will agree, pursuant to a Continuing Disclosure Agreement to be executed by the Issuer 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 Issuer to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (“Agreement”) is made as of May __, 2026 by the City of Derby, Connecticut (the “Issuer”) acting by its undersigned officers, duly authorized, in connection with the issuance of \$ _____ General Obligation Bonds, Issue of 2026, dated as of May __, 2026 (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 May __, 2026 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, 2026) as follows:

(i) Financial statements of the Issuer’s general fund and, any special revenue, capital projects and 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:

(A) amounts of 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 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 debt as of the close of the fiscal year,
- (F) total direct debt and total net debt of the Issuer per capita,
- (G) ratios of the total direct debt and total net 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, CONNECTICUT

By: _____
JOSEPH L. DIMARTINO
Mayor

By: _____
BARBARA J. MONTALVO
Treasurer

Appendix D

Notice of Sale

APPENDIX D- NOTICE OF SALE

NOTICE OF SALE

CITY OF DERBY, CONNECTICUT \$7,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2026 (BANK QUALIFIED) BOOK-ENTRY-ONLY

NOTICE IS GIVEN that ELECTRONIC BIDS *solely* via **PARITY**® will be received by the CITY OF DERBY, CONNECTICUT (the “Issuer”), until 11:30 A.M. (E.T.) on THURSDAY,

MAY 7, 2026

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$7,000,000 General Obligation Bonds, Issue of 2026, dated May 21, 2026 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on May 15 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)</u>	<u>Maturity</u>	<u>Amount (\$)</u>
2027	350,000	2037	350,000
2028	350,000	2038	350,000
2029	350,000	2039	350,000
2030	350,000	2040	350,000
2031	350,000	2041	350,000
2032	350,000	2042	350,000
2033	350,000	2043	350,000
2034	350,000	2044	350,000
2035	350,000	2045	350,000
2036	350,000	2046	350,000

The Bonds will bear interest commencing November 15, 2026 and semiannually thereafter on May 15 and November 15 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

Optional Redemption

The Bonds maturing on or before May 15, 2033 are not subject to redemption prior to maturity. The Bonds maturing on May 15, 2034 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on and after May 15, 2033, 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 Issuer may determine, at the redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
May 15, 2033 and thereafter	100.0%

Nature of Obligation

The Bonds will constitute general obligations of the Issuer, and the Issuer 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 ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount, except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes, as amended.

Bank Qualification

The Bonds SHALL be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986 for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Registration

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company (“DTC”), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Issuer or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Issuer fails to identify another qualified securities depository to replace DTC, or (b) the Issuer determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Issuer will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable

by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Issuer as of the close of business on the record date preceding each interest payment date.

Record Date

The record dates for the Bonds will be the last business day of April and October in each year.

Proposals

Each bid must be for the entire \$7,000,000 of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than three (3) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on *PARITY*® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost (“TIC”) to the Issuer, as described under “Basis of Award” below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

Basis of Award; Right to Reject Proposals; Waiver; Right to Cancel; Postponement; Change of Terms

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the bidder whose bid proposes the lowest true interest cost (“TIC”) to the Issuer. The TIC will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one bidder making said offer at the same lowest TIC, the Bonds will be sold to the bidder whose proposal is selected by the Issuer by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of TIC computed and rounded to six decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in immediately available federal funds.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Issuer further reserves the right to cancel or postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a cancellation or postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

CUSIP Numbers

The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of Phoenix Advisors, a division of First Security Municipal Advisors, Inc. (“Phoenix Advisors”), to obtain CUSIP numbers for the Bonds prior to delivery, and Phoenix Advisors, will provide the CUSIP Service Bureau with the final details of the sale, including the identity of the winning bidder. The Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of Phoenix Advisors to obtain such numbers and to supply them to the Issuer in a timely manner. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Issuer; provided, however, that the Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**®. Any prospective bidder must be a subscriber of the BiDCOMP competitive bidding system. Further information about **PARITY**®, including any fee charged, may be obtained from **PARITY**®, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 or (212) 849-5023 – email notice: munis@spglobal.com or parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**® is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY**®, the bidder represents and warrants to the Issuer that such bidder’s bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each **PARITY®** prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer nor **PARITY®** shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or **PARITY®** shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Issuer is using **PARITY®** as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY®** at (212) 849-5021 or (212) 849-5023. If any provision of this Notice shall conflict with information provided by **PARITY®**, this Notice shall control.

For the purpose of the electronic bidding process, the time as maintained on **PARITY®** shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Bonds will be authenticated by U.S. Bank Trust Company, National Association, Hartford, Connecticut. U.S. Bank Trust Company, National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Bonds the purchaser shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel ("Bond Counsel") (see "Bond Counsel Opinion" below); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Issuer to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Issuer Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds.

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer ("FAST") on or about May 21, 2026 (the "Closing Date").

The Issuer will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Issuer's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986 (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: grybacki@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder's bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this "Establishment of Issue Price" section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "Competitive Sale Rule") because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost ("TIC"), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed "ISSUE PRICE CERTIFICATE" in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the "Actual Sales Rule") is sold to the Public as the issue price of that

Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (E.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (iii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of

the Bonds to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated April 29, 2026 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser a reasonable number of copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the

delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer's Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o'clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the "Agreement"), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C. The purchaser's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

CITY OF DERBY, CONNECTICUT

JOSEPH L. DIMARTINO
Mayor

BARBARA J. MONTALVO
Treasurer

April 29, 2026

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(If Competitive Sale Rule Met)

CITY OF DERBY, CONNECTICUT
\$ _____ GENERAL OBLIGATION BONDS, ISSUE OF 2026
DATED MAY 21, 2026

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The CITY OF DERBY, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about May 21, 2026, the Bonds at a price of par (\$ _____), plus an aggregate net premium of \$ _____ and less an underwriter’s discount of \$ _____, resulting in an aggregate net purchase price of \$ _____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of May 7, 2026 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Pullman & Comley, LLC, bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 2026.

[UNDERWRITER]

By: _____

Name:

Title:

Schedule A to Issue Price Certificate

<u>Maturity, May 15</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2027	350,000		
2028	350,000		
2029	350,000		
2030	350,000		
2031	350,000		
2032	350,000		
2033	350,000		
2034	350,000		
2035	350,000		
2036	350,000		
2037	350,000		
2038	350,000		
2039	350,000		
2040	350,000		
2041	350,000		
2042	350,000		
2043	350,000		
2044	350,000		
2045	350,000		
2046	350,000		

Schedule B to Issue Price Certificate

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