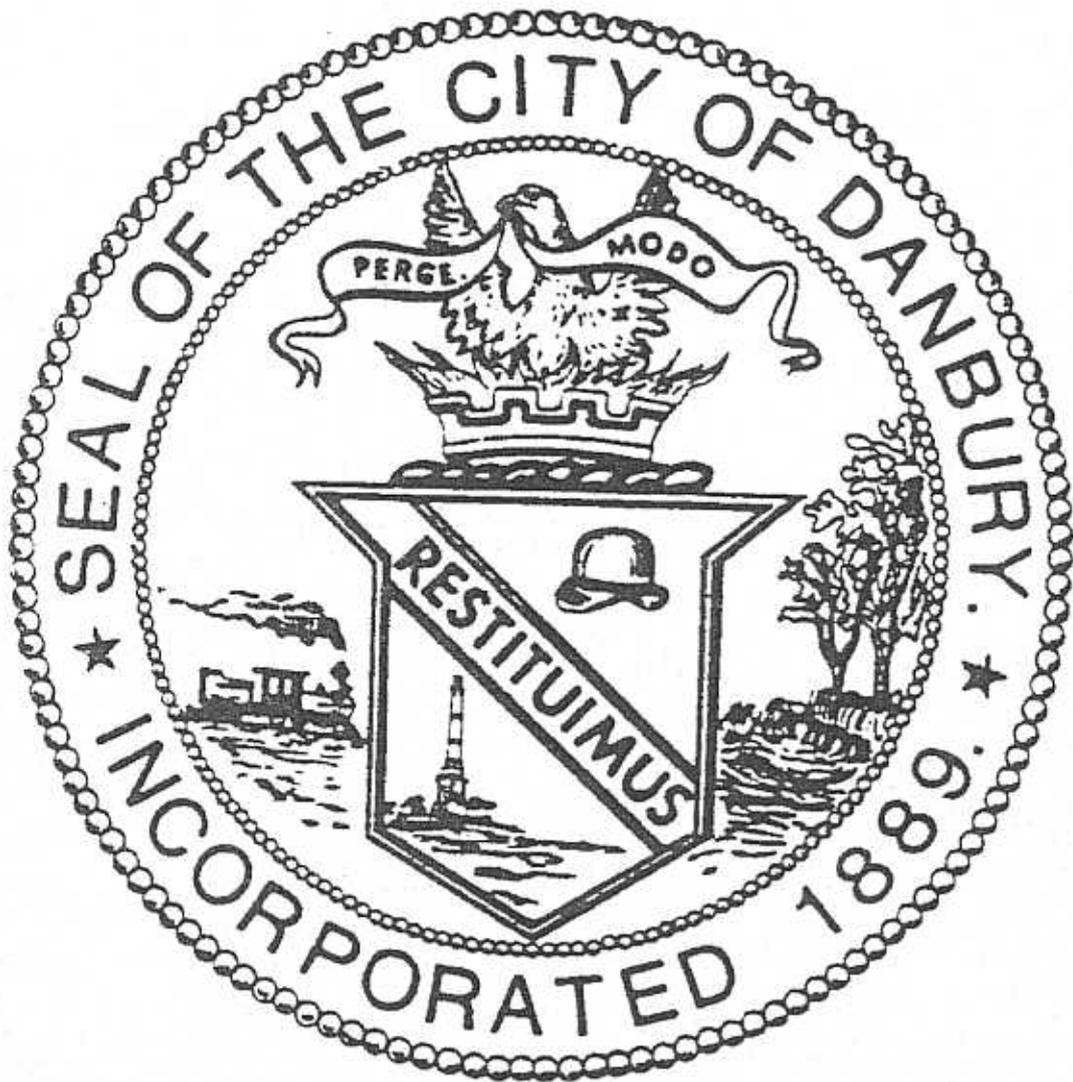


CITY OF DANBURY, CONNECTICUT
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2005
DEPARTMENT OF FINANCE
DANBURY, CONNECTICUT

**CITY OF DANBURY,
CONNECTICUT**

**Comprehensive
Annual Financial Report**

for

**The Fiscal Year Ended
June 30, 2005**

Prepared By:

City of Danbury Department of Finance

Dena Diorio

Director of Finance and Personnel

CITY OF DANBURY, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section



CITY OF DANBURY

155 DEER HILL AVENUE

DANBURY, CONNECTICUT 06810

Honorable Mark D. Boughton, Mayor
Members of the Common Council
City of Danbury, Connecticut

FORMAL TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Danbury, Connecticut's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Danbury is the largest city in Northern Fairfield County. Transversed by I-84 and Route 7, and adjacent to I-684, Danbury is easily accessible to New York City, Hartford and Norwalk, all of which are within 60 miles.

According to the 2000 Census, Fairfield County is one of the five wealthiest counties in the United States and Danbury is one of the wealthiest cities, with a median household income of approximately \$53,664. The City of Danbury currently has a population of 77,353.

The City was incorporated in 1889, and operates under a Charter that was last revised in November 1990. A Mayor and a twenty-one member Common Council govern the City. The

Mayor is the City's chief executive and the Common Council is the legislative body.

The City of Danbury's municipal government provides a full range of services including education, police, fire, planning and zoning, construction and maintenance of highways, streets, storm and sanitary sewers and infrastructure, health and social services, parks and recreational activities, cultural events and a municipal airport. Approximately 1,914 full-time municipal employees provide services to the Danbury community. The City is 44 square miles and has 238 miles of streets.

The City of Danbury has three component units, the Danbury Parking Authority, the Richter Park Authority, and the Tarrywile Park Authority. These Authorities are reported as discrete component units. Discretely presented component units are reported in separate columns in the entity-wide statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions and results of operations from those of the primary government.

The annual budget serves as the foundation for the City of Danbury's financial planning and control.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City adopts budgets for the General Fund, Animal Control Fund and the Ambulance Fund. For the General Fund, this comparison is presented on page 23 as part of the basic financial statements for the General Fund.

INFORMATION USEFUL IN ASSESSING THE GOVERNMENT'S ECONOMIC CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy: Danbury's economy is diverse, with services, manufacturing and trade being the leading components. As of October 2005, total employment in the Danbury Labor Market Area (LMA) remained stable at 69,600 jobs. While no significant growth was seen over the last year, the trade, transportation and utilities sector added 200 jobs, while professional and business services added 400 new jobs. Retail trade, and leisure & hospitality remained flat.

The City of Danbury continues to enjoy economic growth through residential and commercial development. As of November 2005, 1,371 residential building permits were issued, and several hundred new housing units are under construction. In fact, as of October 2005, housing permit activity in Danbury exceeded that of any other city or town in the State of Connecticut.

The development of the former Union Carbide facility is underway. Additional sewer capacity has been extended to the site and designs and site plans are being prepared for the residential component of the project. Four hundred and sixty six residential units are currently under construction, and the sales and design center is almost complete. The master plan for the site includes 2,164 housing units, 35,000 square feet of retail and community uses, and 1.1 million square feet for commercial use. Several corporations have already expressed interest in

relocating to the new complex. When completely built-out in 2014, the development is expected to add \$515 million to the City's grand list, generating approximately \$12.5 million in new tax revenue.

Boehringer Ingelheim, a pharmaceutical company headquartered in the Danbury area, and with a major presence in the City of Danbury, recently announced a major expansion of its facilities. Plans call for a \$500 million building project that is expected to create 500-700 new jobs over the next six years. The expansion will consist of new laboratories to support research and development in the immunological, inflammatory and cardiovascular areas. The State of Connecticut has committed \$3.0 million to the project to assist with infrastructure improvements related to the expansion. Currently, the new Kilo Lab is under construction and plans have been submitted for the 87,000 square foot Physical Sciences Building. As part of this expansion, Boehringer Ingelheim signed a ten-year lease for 229,000 square feet of space in Danbury, which will house its medical department and support functions. Construction on the leased space is underway and employees have already begun occupying the space. By 2007, the company expects 650 employees to occupy this space.

In the downtown area, several development projects are planned or are underway that support the revitalization of Danbury's central business district. Two large housing projects are planned which will bring market rate housing to the area. The first project, currently under construction, will bring 115 market rate units downtown. The second project, slated to begin in 2007 calls for 500 units to be built. The introduction of market rate housing to the downtown will result in additional retail and commercial development to complement this residential development. Additional projects include streetscape improvements along North Main, South Main, West and White Streets, all of which will encourage pedestrian traffic in the central business district.

The State of Connecticut continues to make major investments in Western Connecticut State University, which has its two campuses in the City of Danbury. It is anticipated that the University will spend over \$194 million over the next five years on construction activities. The expansion to the Observatory on the Westside campus was recently completed, and construction is underway on a \$48 million Science Building. Other projects under construction include the \$12.6 million parking garage for the Midtown campus, a \$31 million project for a new residence hall and parking garage on the Westside campus, as well as a new Student Center for the Westside campus expected to cost \$17.9 million. Finally, plans are underway to invest \$84 million to construct a new Center for the Arts on the Westside campus. The acquisition of the Roberts Avenue School will expand the Midtown campus by six acres and allow for continued growth of the University. These projects demonstrate the University's strong commitment to building on the educational successes in the Danbury area.

Danbury Hospital, the City's largest employer with approximately 2,800 employees is also making large investments in the community. The 371-bed teaching hospital employs 512 physicians and approximately 600 registered nurses. The hospital maintains a 2.8% vacancy rate amongst its nurses (one of the lowest in the State) despite the nationwide nursing shortage. Voted one of America's Best Hospitals by U.S. News and World Report, Danbury Hospital was recently granted certification by the State of Connecticut to provide advanced cardiac care services to include open-heart surgery. In addition, the hospital recently broke ground on a 60,000 square foot out-patient diagnostic center due to open in 2006. The new facility will be dedicated to cardiac and digestive diagnostics and will employ 20-30 people.

Building permit activity continues to demonstrate the vitality of the local economy. Through November 2005, 1,543 permits were issued for residential and commercial construction with a total valuation of \$161.2 million. This is comparable to one year ago when 1568 permits were issued with a total valuation of \$122.7 million. Unemployment in the City remains below the State average. As of October 31, 2005, the Department of Labor reported 41,317 individuals employed in Danbury and 1,723 unemployed. Danbury's unemployment rate is 4.0%, as compared to the State's rate of 5.0% and the national unemployment rate of 4.8%. The Danbury Labor Market Area (LMA) which includes the Greater Danbury Area posted an unemployment rate of 3.9%, the lowest of all the LMA's in the State of Connecticut.

Retail sales in Danbury continue to rank as one of the highest in the State of Connecticut, which can be attributed to the popular Danbury Fair Mall, which is one of the largest in New England. The mall, which totals 1.5 million square feet offers more than 200 shops and services, is a destination place for many residents of the East Coast.

Other retail and commercial expansions include a new Best Buy store which opened its 46,000 square foot facility in November 2005, a 25,000 square foot addition to Loew's movie theaters, a 15,000 square foot addition to Home Depot, a 52,000 square foot addition to the Saturn/Saab car dealership, a 17,000 square foot to the Honda car dealership, and a 10,500 square foot addition to the Agway Garden Center. A new Lowes Home Improvement Center is currently under construction as is a new branch of Savings Bank of Danbury. Cendant Mobility, one of the City's larger taxpayers recently constructed a 30,000 square foot addition to its corporate headquarters and is bringing 140 new jobs to Danbury.

In October 2004, the Danbury Trashers, the first minor league hockey team to play in the area, opened its inaugural season. Affiliated with the United Hockey League, the Danbury Trashers play in an expanded 90,000 square foot, 2,500 seat ice arena located in Danbury's central business district. The introduction of minor league hockey to the Danbury's downtown, is an integral component to revitalizing the central business district.

The City continues to enjoy a strong credit rating receiving a Aa2, and AA, from Moody's Investor's, and Standard and Poors respectively. Both rating agencies cite the City's diverse tax base and expect continued development and job growth in Danbury.

Major Initiatives

There are several initiatives that were recently undertaken, some of which will continue into Fiscal Year 2005-2006.

- ◆ **Western Connecticut Academy of International Studies** – The State of Connecticut has selected Danbury as the home of a new magnet school that will focus on international studies and related cultures. The operational plan envisions a multinational educational adventure through the use of technology, the arts, and the promotion of world languages. The Academy will serve 360 students in grades K-5, and will include students from New Fairfield, Newtown and Redding. The school is being constructed on the Westside campus of Western Connecticut State University and is expected to open for the 2006 school year. The Academy is fully funded by the State of Connecticut.

- ◆ **Middle School Construction Projects** – The City is moving forward with major renovations and expansion of its two middle schools. Totaling approximately \$15.2 million, the expansion projects will include new classroom space, auditorium space, expanded cafeteria space and technological improvements.
- ◆ **Roberts Avenue Replacement School** – As part of its expansion plans, Western Connecticut State University purchased the Roberts Avenue Elementary School located adjacent to its campus. The City is currently in the design phase for the replacement school that will be built nearby. Construction on the replacement school is scheduled to begin in 2006.
- ◆ **New Head Start Facility** - The City recently purchased the Immanuel Lutheran School and is in the design stages of converting this building into a new school for the Head Start Program. By creating this new facility, the City will gain twelve additional classrooms in its various elementary schools that will allow for the introduction of all day kindergarten. Construction is slated to begin in late 2006.
- ◆ **New Public Safety Facilities** – The City is moving forward with two new public safety facilities. Land acquisition is underway for a new state-of-the-art police headquarters to be located on North Main Street. Using seed money approved by the voters in 2004, the City has acquired most of the property needed for the facility and has completed conceptual designs. The facility, expected to cost approximately \$35 million will be presented to the voters for their approval in 2006. Once approved, the facility would be complete in 2009. In addition, funding is in place to build a new fire station on the City's west side, to provide enhanced fire protection in that area. The project is currently under design and construction is scheduled to begin in 2006.
- ◆ **Danbury Neighborhood Bond** – In November 2005, the voters approved a bond package that provides funding for important projects in the City. Totaling \$12.9 million, the Danbury Neighborhood Bond includes \$2.3 million for park and playground improvements including the construction of an environmental education center on Candlewood Lake, \$950,000 for a new state-of-the-art athletic field at Broadview Middle School, \$2.8 million for road and bridge repairs, \$1.9 million for traffic and streetscape improvements including an Intelligent Traffic System (ITS), and \$2.0 million for improvements to the City's water and sewer systems. The bond also includes \$800,000 for new equipment including a new fire pumper that will replace an aging piece of equipment. When completed, every neighborhood in the City will be touched by a project in the bond.

Risk Management

The City has a comprehensive Risk Management Program designed to identify and control exposure the City may have to financial loss. The program includes safety programs within City departments, risk management controls, purchasing all insurance for the City including worker's compensation, property and liability, disability, dental, life and health insurance. The Risk Manager is also responsible for purchasing employee bonds for various positions as required by State statutes. Over the years, since the establishment of this position, the City has been able to increase its insurance coverage at no cost in many instances. The City has begun the development of an extensive safety and loss control program to help reduce claims in various categories including workers compensation, auto and general liability.

The City self-insures up to certain levels of risk based on an evaluation of the City's financial capability to assume risk and prevailing market conditions for commercial insurance. Presently, the City is self-insured for the first \$100,000 per claim for general, auto, property and public liability. The City also maintains a \$750,000 combined aggregate stop loss on these lines of coverage. The Risk Management Department also manages worker's compensation and heart and hypertension claims. The City is self-insured for the first \$250,000 per claim and maintains an aggregate stop loss on these worker's compensation claims of \$1.5 million. The City is fully self-insured for all heart and hypertension liability. Employee medical and dental benefits are fully insured.

Debt Management

At year-end, the City had outstanding \$77,604,850 in general obligation bonds, \$20,763,572 outstanding in notes, \$32,300,000 in Bond Anticipation Notes and had \$50,414,090 in authorized but unissued debt.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danbury, Connecticut for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Danbury has received a Certificate of Achievement in each of the last 18 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the dedication and hard work of the entire staff of the Finance Department. I would like to express my appreciation and gratitude to all members of the Department who assisted and contributed to its preparation. I also appreciate the assistance and dedication of the audit team from McGladrey and Pullen, LLP. Finally, I would like to thank the Mayor and the Common Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Dena R. Diorio
Director of Finance & Personnel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Danbury,
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emery

Executive Director

**Principal Officials
City of Danbury, Connecticut**

Mayor

Mark D. Boughton

Town Clerk

Lori A. Kaback

Treasurer

Daniel P. Jowdy

City Clerk

Jean Natale

Common Council

Vincent P. Nolan, Jr.
President

Pauline R. Basso
Michael J. Calandrino
Joseph M. Cavo
Benjamin Chianese
Ted A. Cutsumpas
N. Jane Diggs
John J. Esposito
James H. Johnson
Louise P. McMahan
Duane E. Perkins

Robert T. Riley
Paul T. Rotello
Thomas J. Saadi
Mary G. Saracino
Gregg W. Seabury
Colleen A. Stanley
Lynn H. Taborsak
Mary Teicholz
Charles J. Trombetta
Frederick L. Visconti

Dena Diorio
Director of Finance and Personnel

Daniel G. Garrick
Asst. Director of Finance

Catherine Skurat
Tax Collector

Colleen Burke
Tax Assessor

Charles Volpe
Purchasing Agent

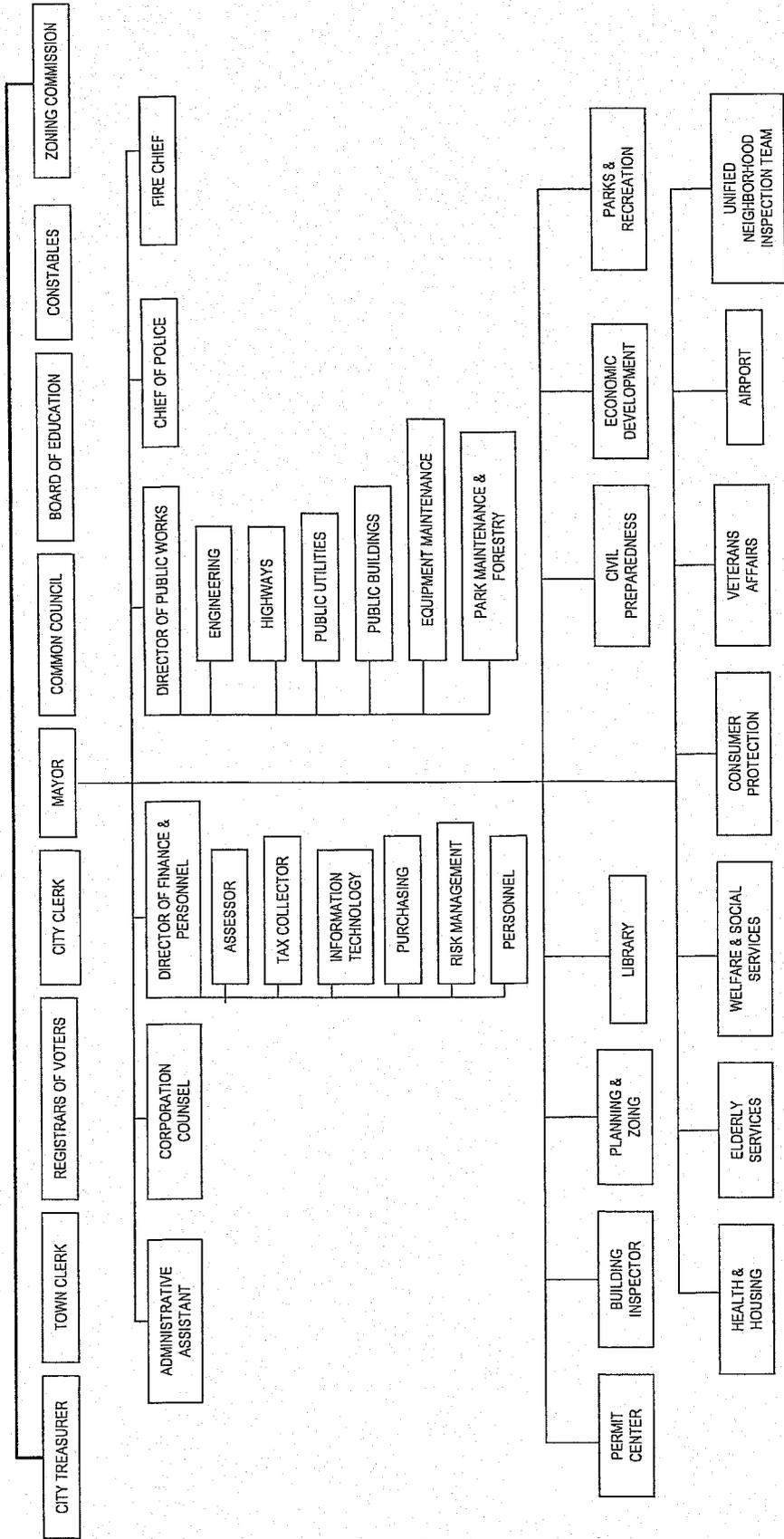
Wade Anderson
Manager, Info Technology

Independent Auditors

McGladrey & Pullen, LLP
New Haven, Connecticut

**CITY OF DANBURY
ORGANIZATION CHART**

VOTERS ELECT



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Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Common Council
City of Danbury, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danbury, Connecticut, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Danbury, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority and the Tarrywile Park Authority, component units of the City, which financial statements reflect 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority and the Tarrywile Park Authority, discretely presented component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority and the Tarrywile Park Authority, discretely presented component units of the City, were not audited in accordance with "Government Auditing Standards." An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danbury, Connecticut, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated October 28, 2005 on our consideration of the City of Danbury, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail and combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
October 28, 2005

City of Danbury, Connecticut
Management's Discussion and Analysis
June 30, 2005

As management of the City of Danbury, we offer readers of the financial statements this narrative overview and analyses of the financial activities of the City of Danbury for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal.

Financial Highlights

- ◆ On a government-wide basis, excluding component units, the assets of the City of Danbury exceeded its liabilities resulting in net assets at the close of the fiscal year of \$234.5 million. Total net assets for Governmental Activities at fiscal year-end were \$134.2 million and total net assets for Business-Type Activities were \$100.3 million. Net assets for Business-Type Activities increased by \$6.1 million or 6.5%, while net assets for Governmental Activities increased by \$20.6 million or 18.1%. Of the City's total net assets at June 30, 2005, \$17.6 million or 7.5% is unrestricted and may be used to meet the government's obligation to citizens and creditors.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$26.7 million or 12.8%, from \$207.8 million to \$234.5 million. Government-wide expenses were \$204.8 million, while revenues were \$231.5 million.
- ◆ At the close of the year, the City of Danbury's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$21.3 million, an increase of \$5.9 million from the prior fiscal year. The Century 21 PI Fund ended the year with a fund deficit of \$2,428,324 due to timing of resource flows.
- ◆ At the end of the current fiscal year, fund balance for the general fund alone was \$19.9 million, an increase of \$7.1 million from the prior fiscal year. Of the total general fund balance, \$18.2 million represents unreserved general fund balance. Unreserved general fund balance at year-end represent 10.9% of total general fund expenditures of \$166.8 million.
- ◆ The City of Danbury's total debt decreased by \$6.7 million or 4.8%. The decrease is due to the rapid paydown approach the City employs as well as a smaller than anticipated bond sale in August 2004.

Overview of the Financial Statements

This discussion and analyses are intended to serve as an introduction to the City of Danbury's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information as well as the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Danbury's finances, in a manner similar to private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City of Danbury's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the city is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City of Danbury that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- ◆ Governmental activities of the City of Danbury encompass most of the City's basic services and include general government, public safety, public works, health and welfare, culture and recreation, education and other activities. Property taxes, charges for services and state and federal grants finance most of these activities.
- ◆ Business-type activities of the City of Danbury include the Water and Sewer funds. They are reported here as the City charges a fee to customers to help cover all or most of the cost of the operations.
- ◆ The government-wide financial statements include not only the City of Danbury itself, but also three legally separate component units, the Danbury Parking Authority, the Richter Park Authority and the Tarrywile Park Authority for which the City of Danbury is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-19 of this report.

Fund Financial Statements

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

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

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

The City of Danbury maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Century 21 PI Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as other governmental funds. Non-major governmental funds for the City of Danbury include the School Lunch Program Fund, the Community Development Block Grant Fund, the WIC Grant Fund, the Continuing Education Fund, the Animal Control Fund, the School-Based Health Center Grant Fund, the Ambulance Fund, the LOCIP Fund, Airport Projects Fund, State and Federal School Projects Fund, the Library Fund, the Railyard Parking Lease Fund, Miscellaneous Special Revenue Fund, the Vision 21 and Vision 21 – 2 Bond Issues Fund, the City Projects Fund, the Cityworks 2000 Fund, and the Farioly Permanent Fund. The Miscellaneous Special Revenue Fund is the consolidation of 55 small grant programs that have been combined for the purposes of financial reporting. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 20-21 of this report.

Proprietary funds. The City of Danbury maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Danbury uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the City of Danbury.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City constituency. The City has six pension funds trust funds, one private purpose fund and eight agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-70 of this report.

The notes to this report also contain certain information concerning the City of Danbury's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the City of Danbury, assets exceeded liabilities by \$235.5 million at June 30, 2005. This is an increase of \$27.7 million from the previous fiscal year.

	June 30, 2005			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 48,493	\$ 9,367	\$ 57,860	\$ 52,601	\$ 13,879	\$ 66,480
Non-current	17,906	5,392	23,298	7,482	1,147	8,629
Capital assets	186,785	145,816	332,601	170,890	143,495	314,385
Total Assets	253,184	160,575	413,759	230,973	158,521	389,494
Current liabilities	31,574	17,148	48,722	36,992	7,617	44,609
Long-term liabilities outstanding	87,414	43,134	130,548	80,417	56,701	137,118
Total Liabilities	118,988	60,282	179,270	117,409	64,318	181,727
Net assets:						
Invested in capital assets, net of related debt	115,002	100,416	215,418	105,468	87,726	193,194
Restricted	1,519	-	1,519	1,477	-	1,477
Unrestricted	17,675	(123)	17,552	6,619	6,477	13,096
Total Net Assets	\$ 134,196	\$ 100,293	\$ 234,489	\$ 113,564	\$ 94,203	\$ 207,767

At the end of the current fiscal year, the City of Danbury is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

On a government-wide basis excluding component units, the assets of the City of Danbury exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$234.5 million. This is up from last year's net assets of \$207.7 million. Total net assets for Governmental Activities at fiscal year-end were \$134.2 million (up from \$113.6 million in the previous year) and total net assets for Business-type activities were \$100.3 million (up from \$94.2 million in the previous year). Of the City's total net assets at June 30, 2005, \$17.6 million or 7.5% is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors. This compares with last year's total unrestricted net assets of \$13.1 million or 6.3% unrestricted.

By far the largest portion of the City of Danbury's net assets (91.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Danbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Danbury's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Year Ended June 30, 2005			Year Ended June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 17,867	\$ 16,934	\$ 34,801	\$ 16,062	\$ 13,269	\$ 29,331
Operating Grants and Contributions	41,737	-	41,737	36,410	-	36,410
Capital Grants and Contributions	1,653	2,680	4,333	3,478	385	3,863
Donated capited assets	4,440	-	4,440	7,563	-	7,563
General Revenues:						
Property Taxes	127,889	-	127,889	119,766	-	119,766
Grants and contributions not restricted to specific programs	16,494	-	16,494	6,994	-	6,994
Unrestricted investment earnings	1,336	495	1,831	437	397	834
Total Revenues	211,416	20,109	231,525	190,710	14,051	204,761
Expenses:						
General Government	12,499	-	12,499	9,764	-	9,764
Public Safety	37,383	-	37,383	36,648	-	36,648
Public Works	11,246	14,019	25,265	9,290	13,618	22,908
Health and Welfare	5,735	-	5,735	4,884	-	4,884
Culture and Recreation	4,516	-	4,516	5,086	-	5,086
Education	114,075	-	114,075	109,575	-	109,575
Other	1,633	-	1,633	1,118	-	1,118
Interest on long-term debt	3,697	-	3,697	3,183	-	3,183
Total Expenses	190,784	14,019	204,803	179,548	13,618	193,166
Change in net assets	20,632	6,090	26,722	11,162	433	11,595
Net assets – beginning	113,564	94,203	207,767	102,402	93,770	196,172
Net assets - ending	\$ 134,196	\$ 100,293	\$ 234,489	\$ 113,564	\$ 94,203	\$ 207,767

Danbury's net assets increased by \$26.7 million during the fiscal year, with net assets of Governmental Activities increasing by \$20.6 million, and net assets of Business-Type Activities increasing by \$6.1 million. The increase in net assets within both Governmental and Business-Type Activities is due to the degree to which increases in on-going revenues have exceeded increases in expenses. The revenues of the Governmental Activities increased due to the recognition of \$9,375 for the development of property located in the Planned Neighborhood Development Zone. In addition, a donation of 13.1 acres with an appraised value of approximately \$4.4 million was also recognized as contributions not specific to programs.

Government Activities

For Governmental activities, 60.5% of the revenues were derived from property taxes followed by 31.1% from program revenues, then 7.8% from unrestricted grants, and finally about .6% of the City's revenue in this fiscal year was derived from investment earnings.

Major revenue factors included:

- ◆ Property tax revenues recorded for fiscal year 2005 reflect growth in the total assessed value of property of 6.8%.
- ◆ Charges for services for fiscal year 2005 increased due to improved conveyance tax collections, and better than anticipated building permit revenues and Town Clerk Fees.
- ◆ \$13.4 million was recognized for the development of property located in the Planned Neighborhood Development Zone. This amount is recorded at its present value. This amount is recorded as unrestricted grants and contributions.

For Governmental Activities, more than 59.8% of the City's expenditures relate to education, 19.6% relate to public safety, 5.9% for public works, 6.6% for general government, 2.4% for cultural and recreation, 3.0% for health and welfare, 1.9% for interest on long-term debt and finally .9% for other activities.

Major expenditure factors included:

- ◆ Employee benefit costs and other types of insurance including worker's compensation, automobile, public liability, fire, and uninsured losses increased by almost \$1.6 million or 9.1%.
- ◆ Expenditures for education increased \$4.7 million or 4.3% reflecting the rising cost of education.

Business-Type Activities

Business-Type activities increased the City's net assets by \$6.1 million, an increase of 6.5% from the prior fiscal year. Factors impacting the flat growth include:

Charges for services rose by \$3.7 million, an increase of 27.6% from the prior year. In addition, contributed capital totaled \$2.7 million an increase of \$2.3 million or 596% from the prior fiscal year.

Financial Analysis of the Fund Financial Statements

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

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

As of the end of the current fiscal year, the City of Danbury's governmental funds reported combined ending fund balances of \$21.3 million. This includes a negative fund balance of \$2.4 million in the Century 21 PI Bond Fund that will be eliminated through future debt issuance. The General Fund and Other Governmental Funds reported fund balances of \$19.9 million and \$3.8 million respectively. Approximately \$18.2 million of the general fund's total fund balance constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of General Fund's fund balance, \$1.7 million, is reserved to liquidate contracts and purchase orders of the prior period, and is not available for new spending.

The general fund is the chief operating fund of the City of Danbury. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18.2 million while total fund balance reached \$19.9. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10.9% of total general fund expenditures, while total fund balance represents 11.9% of that same amount.

The fund balance of the City of Danbury's general fund on a budgetary basis, increased by \$6.7 million during the current fiscal year. Key factors in this increase are as follows:

- ◆ Actual revenues exceeded budgeted revenues by \$5.3 million. Licenses & Permits exceeded budget by approximately \$1.5 million or 39.3%. This is due to stronger than anticipated conveyance tax receipts, building permit revenue and the collection of Town Clerk fees.
- ◆ Charges for Services exceeded budget by \$2.1 million, due to a payment from a private developer for a land transaction.
- ◆ Investment Income exceeded budget by \$1.1 million due to an improved interest rate environment.

The Century 21 PI Bond Issue Fund has a total fund deficit of \$2.4 million. The fund deficit will be eliminated through future debt issuance.

Proprietary funds. The City of Danbury's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at the end of the year were \$50.7 million. The fund generated operating income during the year of \$2.1 million, and increase of \$1.8 million from the prior year. Capital contributions totaled \$1.8 million, resulted in the fund increasing its net assets by \$3.1 million. Unrestricted net assets at year-end totaled \$1.9 million.

Net assets of the Sewer Fund at the end of the year were \$49.6 million, an increase of \$3.0 million. The fund generated operating income of \$2.5 million. Improved cash position and an increase in capital contributions helped to increase the fund's overall net assets by \$2.9 million. Unrestricted net deficit of the Sewer Fund was \$2.0 million due to funds large investment in capital assets which are not liquid and therefore not available to meet future obligations.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$2,257,086. The major additional appropriations approved during the year are summarized below:

- ◆ \$282,000 additional appropriations to various departments throughout the City for snow removal and weather related expenses.
- ◆ \$1.0 million additional appropriation for the Board of Education to provide additional funding for textbooks and educational programs.
- ◆ \$550,000 to the Police Department for extra duty services that are offset by revenues received from those receiving the service.

During the year, actual revenues on a budgetary basis were \$168.7 million, which exceeded budgetary estimates by \$5.3 million. Licenses & Permits exceeded budgetary estimates by \$1.5 million due to better than anticipated conveyance tax receipts, building permit revenues and Town Clerk fees. Intergovernmental Revenue exceeded estimates by \$832,000 as the City received more state aid than anticipated. Actual investment income was \$1.1 million higher than the budget of \$200,000.

Actual expenditures on a budgetary basis totaled \$162.0 million, which were less than actual revenues on a budgetary basis by \$6.8 million.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2005, the City of Danbury's investment in capital assets for its governmental and business-type activities amounted to \$332.6 million, net of accumulated depreciation. This investment in capital assets includes land, building and land improvements, machinery and equipment and infrastructure. The total increase in the City of Danbury's investment in capital assets for the current fiscal year was \$18.2 million or 5.8%.

	June 30, 2005			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 45,512,472	\$ 1,031,946	\$ 46,544,418	\$ 39,382,873	\$ 1,031,946	\$ 40,414,819
Land Improvements	7,072,460	-	7,072,460	6,721,017	-	6,721,017
Buildings and Improvements	65,922,528	69,862,281	135,784,809	67,308,575	72,229,821	139,538,396
Machinery and Equipment	7,438,540	374,489	7,813,029	6,484,517	376,367	6,860,884
Infrastructure	45,994,005	70,756,506	116,750,511	46,502,555	67,851,749	114,354,304
Other	-	227,626	227,626	-	323,381	323,381
Construction in Progress	14,844,750	3,563,441	18,408,191	4,489,986	1,681,218	6,171,204
Total	\$ 186,784,755	\$ 145,816,289	\$ 332,601,044	\$ 170,889,523	\$ 143,494,482	\$ 314,384,005

Major capital asset events during the current fiscal year included the following:

- ◆ Improvements to parks and plazas totaling \$1.2 million.
- ◆ Land acquisition totaling \$6.1 million, which includes 13.1 acres of donated property.
- ◆ Infrastructure improvements including sidewalks, roads and bridges totaling approximately \$905,000.
- ◆ Acquisition of machinery and equipment totaling \$2.3 million.

Additional information on the City of Danbury's capital assets can be found in Note 7 on pages 46-49 of this report.

Long-term debt. At the end of the current fiscal year the City of Danbury had total bonded debt outstanding of \$77,604,850 million. One-hundred percent of this debt is backed by the full faith and credit of the city government.

	June 30, 2005			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 56,009,450	\$ 21,595,400	\$ 77,604,850	\$ 58,126,800	\$ 21,873,200	\$ 80,000,000
Bond anticipation notes	23,050,000	9,250,000	32,300,000	24,900,000	10,550,000	35,450,000
Notes payable	1,537,112	20,726,460	22,263,572	74,224	23,345,842	23,420,066
Total	\$ 80,596,562	\$ 51,571,860	\$ 132,168,422	\$ 83,101,024	\$ 55,769,042	\$ 138,870,066

The City of Danbury's total debt decreased by \$6.7 million or 4.8% during the current fiscal year. During the year, the City issued Bond Anticipation Notes totaling \$32,300,000. Repayments over the course of the year totaling \$35,450,000 resulted in an outstanding balance at June 30, 2005 of \$32,300,000.

The City of Danbury maintains the following ratings from Wall Street's credit agencies for general obligation debt: an Aa2 rating from Moody's Investors Service and AA from Standard and Poors.

The overall statutory debt limit for the City of Danbury is equal to seven times annual receipts from taxation or \$900,490,276. As of June 30, 2005, the City recorded long-term debt of \$80.6 million related to Governmental Activities and \$51.6 million related Business-Type Activities, well below its statutory debt limit.

Additional information on the City of Danbury's long-term debt can be found in Notes 8 and 9 of this report.

Cash Management Policies and Practices. At June 30, 2005, the City had \$60.9 million in cash and cash equivalents. The City also had \$214.2 million of investments representing assets in the City's six pension funds.

With the exception of the six pension funds, the City's operating and working capital funds are invested at the direction of the City Treasurer in the following short-term investments: (1) various certificates of deposit with Connecticut banks; (2) money market accounts; (3) overnight repurchase agreements collateralized by U.S. government agency obligations such as Federal Home Loan Mortgage Corporation which are valued daily; (4) overnight U.S. Treasury obligations; (5) an investment pool investing only in (a) high grade, short-term federal securities and variable rate obligations faced by federal agencies having monthly or quarterly assets based on indices like the prima rate, LIBOR, or a combination of the two, and (b) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefits of the Pool's participants.

Pension Administration. The City maintains six distinct pension plans covering substantially all of its employees, except teachers who are covered by the State Teachers' Retirement Fund. The City does not contribute to the State Teachers' Retirement Fund. The General Employee's Plan is a non-contributory defined benefit plan. The remaining five plans – Post-1983 Police; Post-1967 Fire; Post-1967 Police; Pre-1967 Fire and Pre-1967 Police, are contributory defined benefit plans. Police contribute 4% of their wages to the plans, while fire contribute 5%. The City's funding policy is to make contributions on an actuarial cost basis, which includes normal cost plus an amortization of the unfunded past service liability. Total employer pension contributions for the year ended June 30, 2005 were \$3,911,000.

As of June 30, 2005, the six plans had aggregate assets of \$236.3 million, up \$20.5 million from \$215.8 million on June 30, 2004. The City prepares valuations of its pension plans every other year. At the latest actuarial valuation dates, the City's six pension trust funds had assets, in the aggregate on an actuarial basis, of \$223.9 million, while the actuarial accrued liability was \$210.8. On an actuarial accrued basis, the City's liability was in the aggregate, 106% funded.

Economic Factors and Next Year's Budgets and Rates

The City of Danbury has not been immune from the effects of the national economic downturn. As of June 2005, the unemployment rate for the Danbury Labor Market Area was 4.2% up slightly from 3.1% in the prior year. The City of Danbury's unemployment rate was 4.4% up from 3.6% at June 30, 2004. Connecticut's overall unemployment rate was 5.4% at June 30, 2005, up from 4.7% a year ago.

The City of Danbury is benefiting from improved economic conditions. The City continues to see growth in its housing market, in terms of the construction of new units and increased property values. In addition, corporations in Danbury are expanding their presence in the City, demonstrating that Danbury is a desirable location to do business.

Finally, the City's diverse, high quality tax base lends stability to the City's revenue stream and Danbury expects to retain its competitive advantage in Northern Fairfield County.

Requests for Information

The financial report is designed to provide a general overview of the City of Danbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Personnel at 155 Deer Hill Avenue, Danbury, CT 06810.

Basic Financial Statements

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CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 32,858,810	\$ 8,601,839	\$ 41,460,649
Receivables (net of allowances for collection losses):			
Property taxes	3,677,434	-	3,677,434
Unbilled services	-	2,284,154	2,284,154
Special assessments	-	443,050	443,050
Accounts receivable	4,226,239	-	4,226,239
Federal and state governments	10,856,395	-	10,856,395
Other	424,568	1,829,374	2,253,942
Inventories	41,641	341,804	383,445
Internal balances	4,133,906	(4,133,906)	-
Other assets	24,774	-	24,774
Noncurrent assets:			
Special assessments receivable	-	4,394,734	4,394,734
Deferred charges, net of accumulated amortization	949,850	997,692	1,947,542
Federal and state government receivables	5,205,902	-	5,205,902
Note receivable	4,000,000	-	4,000,000
Capital assets, not being depreciated	60,357,222	4,595,387	64,952,609
Capital assets, net of accumulated depreciation	126,427,533	141,220,902	267,648,435
Total assets	253,184,274	160,575,030	413,759,304
Liabilities			
Accounts payable	11,117,187	982,843	12,100,030
Accrued liabilities	4,642,952	790,006	5,432,958
Unearned revenues	2,965,840	6,124,969	9,090,809
Bond anticipation notes payable	12,848,000	9,250,000	22,098,000
Noncurrent liabilities:			
Due within one year	8,933,964	4,262,032	13,195,996
Due in more than one year	78,480,129	38,871,919	117,352,048
Total liabilities	118,988,072	60,281,769	179,269,841
Net Assets			
Investment in capital assets, net of related debt	115,001,687	100,416,119	215,417,806
Restricted for:			
Farioly Library:			
Expendable	41,834	-	41,834
Nonexpendable	1,477,174	-	1,477,174
Unrestricted (deficit)	17,675,507	(122,858)	17,552,649
Total net assets	\$ 134,196,202	\$ 100,293,261	\$ 234,489,463

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

* After internal receivables and payables have been eliminated.

Component Units		
Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority
\$ 534,893	\$ 51,212	\$ 54,601
47,223	-	-
-	-	-
-	-	-
-	-	3,905
-	-	-
-	-	-
9,000	-	-
-	-	-
5,458	-	16,599
-	-	-
-	-	-
-	-	-
-	-	-
78,356	3,290,354	22,008
<u>674,930</u>	<u>3,341,566</u>	<u>97,113</u>
3,257	-	47,686
32,245	24,643	4,798
20,936	-	-
-	-	-
-	58,863	-
-	65,000	-
<u>56,438</u>	<u>148,506</u>	<u>52,484</u>
78,356	3,166,491	22,008
-	-	-
-	-	-
540,136	26,569	22,621
<u>\$ 618,492</u>	<u>\$ 3,193,060</u>	<u>\$ 44,629</u>

CITY OF DANBURY, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ (12,498,553)	\$ 8,679,296	\$ 1,439,858	\$ 528,074
Public safety	(37,382,960)	146,526	243,419	-
Public works	(11,246,585)	-	398,753	1,124,567
Health and welfare	(5,734,941)	3,610,813	894,121	-
Culture and recreation	(4,516,159)	-	280,916	4,440,124
Education	(114,075,223)	5,281,664	38,480,093	-
Other	(1,632,640)	148,575	-	-
Interest on long-term debt	(3,696,603)	-	-	-
Total governmental activities	(190,783,664)	17,866,874	41,737,160	6,092,765
Business-type activities:				
Sewer	(8,475,896)	10,209,355	-	910,945
Water	(5,542,891)	6,724,942	-	1,768,890
Total business-type activities	(14,018,787)	16,934,297	-	2,679,835
Total primary government	(204,802,451)	34,801,171	41,737,160	8,772,600
Component Units:				
Danbury Parking Authority	(791,345)	823,305	1,630	-
Richter Park Authority	(1,790,290)	1,565,550	-	-
Tarrywile Park Authority	(383,732)	119,488	245,000	-
Total component units	\$ (2,965,367)	\$ 2,508,343	\$ 246,630	\$ -

General revenues:
Property taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Total general revenues
Change in net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority
\$ (1,851,325)	\$ -	\$ (1,851,325)	\$ -	\$ -	\$ -
(36,993,015)	-	(36,993,015)	-	-	-
(9,723,265)	-	(9,723,265)	-	-	-
(1,230,007)	-	(1,230,007)	-	-	-
204,881	-	204,881	-	-	-
(70,313,466)	-	(70,313,466)	-	-	-
(1,484,065)	-	(1,484,065)	-	-	-
(3,696,603)	-	(3,696,603)	-	-	-
(125,086,865)	-	(125,086,865)	-	-	-
-	2,644,404	2,644,404	-	-	-
-	2,950,941	2,950,941	-	-	-
-	5,595,345	5,595,345	-	-	-
(125,086,865)	5,595,345	(119,491,520)	-	-	-
-	-	-	33,590	-	-
-	-	-	-	(224,740)	-
-	-	-	-	-	(19,244)
-	-	-	33,590	(224,740)	(19,244)
127,888,936	-	127,888,936	-	-	-
16,494,459	-	16,494,459	-	-	-
1,335,962	494,876	1,830,838	7,215	1,853	350
145,719,357	494,876	146,214,233	7,215	1,853	350
20,632,492	6,090,221	26,722,713	40,805	(222,887)	(18,894)
113,563,710	94,203,040	207,766,750	577,687	3,415,947	63,523
\$ 134,196,202	\$ 100,293,261	\$ 234,489,463	\$ 618,492	\$ 3,193,060	\$ 44,629

CITY OF DANBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	General	Century 21 PI	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 12,696,295	\$ 4,007,631	\$ 16,154,885	\$ 32,858,811
Receivables (net of allowances for collection losses):				
Property taxes	2,470,434	-	-	2,470,434
Accounts receivable	6,750,000	-	418,806	7,168,806
State and federal governments	4,796,854	85,761	5,973,782	10,856,397
Other	1,411,411	-	63,600	1,475,011
Inventories	-	-	41,641	41,641
Other assets	24,775	-	-	24,775
Due from other funds	10,581,189	-	52,129	10,633,318
Total assets	\$ 38,730,958	\$ 4,093,392	\$ 22,704,843	\$ 65,529,193
Liabilities				
Accounts payable	\$ 5,180,520	\$ 547,186	\$ 4,010,554	\$ 9,738,260
Accrued wages	3,516,947	-	-	3,516,947
Due to other funds	52,129	24,530	6,416,992	6,493,651
Unearned revenues	10,055,150	-	1,597,221	11,652,371
Bond anticipation notes payable	-	5,950,000	6,898,000	12,848,000
Total liabilities	18,804,746	6,521,716	18,922,767	44,249,229
Fund Balances (Deficits)				
Reserved for:				
Inventories	-	-	41,641	41,641
Encumbrances	1,481,018	519,491	111,181	2,111,690
Continued appropriations	216,271	-	-	216,271
Permanent fund	-	-	1,477,174	1,477,174
CDBG Projects	-	-	891,636	891,636
Unreserved, reported in:				
General fund	18,228,923	-	-	18,228,923
Special revenue funds	-	-	2,229,784	2,229,784
Capital projects funds	-	(2,947,815)	(1,011,174)	(3,958,989)
Permanent fund	-	-	41,834	41,834
Total fund balances (deficits)	19,926,212	(2,428,324)	3,782,076	21,279,964
Total liabilities and fund balances (deficits)	\$ 38,730,958	\$ 4,093,392	\$ 22,704,843	

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

Capital assets, net of accumulated depreciation of \$130,707,779, purchased by governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the City as a whole.	186,784,755
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized.	13,162,903
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(87,031,420)

Net assets of governmental activities

\$ 134,196,202

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

CITY OF DANBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2005

	General	Century 21 PI	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 128,472,290	\$ -	\$ -	\$ 128,472,290
State and federal governments	31,266,830	85,761	22,816,868	54,169,459
Licenses and permits	5,394,512	-	15,312	5,409,824
Charges for services	3,368,811	-	5,037,796	8,406,607
Fines and penalties	984,552	-	-	984,552
Investment income	1,335,962	-	32,958	1,368,920
Other	-	-	497,721	497,721
Contributions	2,625,000	-	-	2,625,000
Total revenues	173,447,957	85,761	28,406,655	201,934,373
EXPENDITURES				
Current:				
General government	7,446,262	-	1,350,603	8,796,865
Public safety	21,196,989	-	2,071,275	23,268,264
Public works	7,600,601	-	97,730	7,698,331
Health and welfare	3,958,011	-	2,367,259	6,325,270
Culture and recreation	2,705,599	-	1,197,535	3,903,134
Education	93,430,267	-	21,196,050	114,626,317
Pension and other employee benefits	19,073,801	-	-	19,073,801
Other	896,108	-	-	896,108
Debt service:				
Principal retirements	6,322,511	-	-	6,322,511
Interest and other charges	2,877,558	-	-	2,877,558
Capital outlay	1,329,999	11,266,910	2,525,787	15,122,696
Total expenditures	166,837,706	11,266,910	30,806,239	208,910,855
Revenues over (under) expenditures	6,610,251	(11,181,149)	(2,405,584)	(6,976,482)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	682,468	682,468
Transfers out	(682,468)	-	-	(682,468)
Bond anticipation notes issued	-	9,050,000	1,152,000	10,202,000
Bond proceeds	-	3,615,000	-	3,615,000
Repayment of bond anticipation note	-	(3,615,000)	-	(3,615,000)
Loan proceeds	-	-	1,500,000	1,500,000
Lease financing	1,156,397	-	-	1,156,397
Total other financing sources	473,929	9,050,000	3,334,468	12,858,397
Net change in fund balances	7,084,180	(2,131,149)	928,884	5,881,915
FUND BALANCES (DEFICITS), beginning	12,842,032	(297,175)	2,853,192	15,398,049
FUND BALANCES (DEFICITS), ending	\$ 19,926,212	\$ (2,428,324)	\$ 3,782,076	\$ 21,279,964

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

CITY OF DANBURY, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005**

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

Net change in fund balances – total governmental funds	\$ 5,881,915
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.	11,563,207
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	4,332,023
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	5,119,782
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,787,930)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>523,495</u>
Change in net assets of governmental activities	<u>\$ 20,632,492</u>

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

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 128,446,048	\$ 128,446,048	\$ 128,472,290	\$ 26,242
Federal and state governments	24,497,027	25,710,064	26,541,876	831,812
Licenses and permits	3,872,312	3,872,312	5,394,512	1,522,200
Charges for services	3,000,308	3,939,659	5,993,811	2,054,152
Fines and penalties	1,176,000	1,176,000	984,552	(191,448)
Investment income	200,000	200,000	1,335,962	1,135,962
Other	37,500	37,500	-	(37,500)
Total revenues	161,229,195	163,381,583	168,723,003	5,341,420
EXPENDITURES				
Current:				
General government	7,501,112	7,981,749	7,660,774	320,975
Public safety	20,658,871	21,542,681	21,148,464	394,217
Public works	6,940,646	7,689,344	7,596,982	92,362
Health and welfare	2,450,299	2,510,297	2,434,731	75,566
Culture and recreation	2,650,189	2,702,976	2,693,560	9,416
Education	89,708,575	90,708,575	90,694,338	14,237
Pension and other employee benefits	19,704,312	19,430,650	19,073,439	357,211
Other	945,781	963,981	870,021	93,960
Capital outlay	-	162,062	162,062	-
Contingency	1,428,754	553,310	553,049	261
Debt service:				
Principal retirements	6,232,350	6,269,462	6,269,462	-
Interest	3,008,306	2,971,194	2,877,558	93,636
Total expenditures	161,229,195	163,486,281	162,034,440	1,451,841
Revenues over (under) expenditures	\$ -	\$ (104,698)	6,688,563	\$ 6,793,261
UNRESERVED BUDGETARY FUND				
BALANCE, beginning			12,039,357	
Total unreserved budgetary fund balance			18,727,920	
Less: Nonbudgetary accruals and reserves			(498,997)	
UNRESERVED FUND BALANCE, ending			\$ 18,228,923	

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

CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,716,169	\$ 3,885,670	\$ 8,601,839
Receivables (net of allowances for collection losses):			
Unbilled services	1,189,528	1,094,626	2,284,154
Special assessments receivable	135,726	307,324	443,050
User Charges	686,289	1,143,085	1,829,374
Due from other funds	-	36,000	36,000
Inventories	341,804	-	341,804
Total current assets	7,069,516	6,466,705	13,536,221
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	66,343,605	79,472,684	145,816,289
Special assessments receivable	1,030,960	3,363,774	4,394,734
Other assets (net of accumulated amortization)	916,325	81,367	997,692
Total noncurrent assets	68,290,890	82,917,825	151,208,715
Total assets	75,360,406	89,384,530	164,744,936
LIABILITIES			
Current liabilities:			
Accrued liabilities	555,856	234,150	790,006
Accounts payable	810,853	171,990	982,843
Due to other funds	1,819,906	2,350,000	4,169,906
Unearned revenues	-	6,124,969	6,124,969
Notes payable - current	-	2,619,382	2,619,382
Total current liabilities	3,186,615	11,500,491	14,687,106
Noncurrent liabilities:			
Notes payable (net of unamortized discount)	-	18,107,078	18,107,078
Bonds payable (net of unamortized discount)	20,734,400	10,111,000	30,845,400
Other liabilities (net of accumulated amortization)	738,371	73,720	812,091
Total noncurrent liabilities	21,472,771	28,291,798	49,764,569
Total liabilities	24,659,386	39,792,289	64,451,675
NET ASSETS			
Invested in capital assets (net of related debt)	48,793,205	51,622,914	100,416,119
Unrestricted (deficit)	1,907,815	(2,030,673)	(122,858)
Total net assets	\$ 50,701,020	\$ 49,592,241	\$ 100,293,261

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

CITY OF DANBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 6,724,942	\$ 9,283,296	\$ 16,008,238
Septic and connection fees	-	926,059	926,059
Total operating revenues	6,724,942	10,209,355	16,934,297
OPERATING EXPENSES			
Salaries, benefits and claims	2,053,813	-	2,053,813
Materials and supplies	414,698	-	414,698
Depreciation	1,271,149	2,671,439	3,942,588
Utilities	254,582	-	254,582
Administration and operation	635,310	5,023,728	5,659,038
Total operating expenses	4,629,552	7,695,167	12,324,719
Operating income	2,095,390	2,514,188	4,609,578
NONOPERATING REVENUES (EXPENSES)			
Interest income	149,470	345,406	494,876
Interest expense	(913,339)	(780,729)	(1,694,068)
Total nonoperating revenues (expenses)	(763,869)	(435,323)	(1,199,192)
Net income (loss) before capital contributions	1,331,521	2,078,865	3,410,386
CAPITAL CONTRIBUTIONS	1,768,890	910,945	2,679,835
Change in net assets	3,100,411	2,989,810	6,090,221
FUND NET ASSETS, beginning	47,600,609	46,602,431	94,203,040
FUND NET ASSETS, ending	\$ 50,701,020	\$ 49,592,241	\$ 100,293,261

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

CITY OF DANBURY, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 6,171,373	\$ 8,199,221	\$ 14,370,594
Payments to suppliers	(527,698)	(4,857,383)	(5,385,081)
Payments to employees	(2,223,785)	-	(2,223,785)
Net cash provided by operating activities	3,419,890	3,341,838	6,761,728
Cash Flows From Capital and Related Financing Activities			
Principal payments on debt	(1,233,797)	(2,963,382)	(4,197,179)
Interest paid on debt	(913,339)	(780,729)	(1,694,068)
Capital contributions	1,768,890	910,945	2,679,835
Purchase of capital assets	(3,720,077)	(2,544,318)	(6,264,395)
Net cash used in capital and related financing activities	(4,098,323)	(5,377,484)	(9,475,807)
Cash Flows From Investing Activities			
Interest received on investments	149,470	345,406	494,876
Net cash provided by investing activities	149,470	345,406	494,876
Net decrease in cash and cash equivalents	(528,963)	(1,690,240)	(2,219,203)
Cash and Cash Equivalents			
Beginning	5,245,132	5,575,910	10,821,042
Ending	\$ 4,716,169	\$ 3,885,670	\$ 8,601,839
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 2,095,390	\$ 2,514,188	\$ 4,609,578
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,271,149	2,671,439	3,942,588
Changes in assets and liabilities:			
Increase in accounts receivable	(173,645)	(963,873)	(1,137,518)
Increase in other receivables	(379,777)	(558,462)	(938,239)
Increase in inventories	(45,323)	-	(45,323)
Decrease in other assets	137,444	12,205	149,649
Increase in accrued expenses	605,502	175,467	780,969
Increase in due to other funds	19,906	-	19,906
Decrease in deferred revenue	-	(500,004)	(500,004)
Decrease in other liabilities	(110,756)	(9,122)	(119,878)
Net cash provided by operating activities	\$ 3,419,890	\$ 3,341,838	\$ 6,761,728

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

CITY OF DANBURY, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2005

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 16,293,823	\$ 1,263	\$ 3,097,316
Investments, at fair value			
Common stock	101,249,555	-	-
Bonds and notes	44,354,496	-	-
Mutual funds	34,120,387	-	-
Private hedge fund	34,505,222	-	-
Total investments	214,229,660	-	-
Contribution receivable	3,911,000	-	-
Accrued interest and dividends	660,807	-	-
Pending sales	1,156,201	-	-
Total assets	236,251,491	1,263	3,097,316
LIABILITIES			
Pending purchases	2,922,461	-	-
Other liabilities	-	-	3,091,555
Due to other funds	-	-	5,761
	2,922,461	-	3,097,316
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 233,329,030	\$ 1,263	\$ -

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

CITY OF DANBURY, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 For the Year Ended June 30, 2005

	Pension Trust Funds	Private Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 3,911,000	\$ -
Plan members	617,410	-
Total contributions	<u>4,528,410</u>	<u>-</u>
Investment Income		
Net appreciation in fair value of investments	20,677,100	-
Interest and dividends	5,184,594	22
	<u>25,861,694</u>	<u>22</u>
Less investment expenses:		
Investment management fees	1,605,986	-
	<u>1,605,986</u>	<u>-</u>
Net investment income	<u>24,255,708</u>	<u>22</u>
Total additions	28,784,118	22
Deductions		
Benefits Paid	10,787,979	102
	<u>10,787,979</u>	<u>102</u>
Change in net assets	17,996,139	(80)
Net Assets		
Beginning of year	215,332,891	1,343
	<u>215,332,891</u>	<u>1,343</u>
End of year	<u>\$ 233,329,030</u>	<u>\$ 1,263</u>

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Reporting entity

The City was created in 1889 and operates under an elected Mayor/Council form of government. The City's major operations include education services, health, social services, public safety, public roads, culture and recreation, public improvements, planning and zoning, and general administrative services.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City's component units are discretely presented component units, which are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the City. Each component unit has a June 30 year-end, except the Stanley L. Richter Memorial Park Authority ("Richter Park"), which has a December 31 year-end.

Discretely Presented Component Units

The Redevelopment Agency of the City is governed by members who are appointed by the Mayor with the approval of the Common Council. The Redevelopment Agency has the absolute authority (including the right to exercise eminent domain) to acquire, renovate, and resell property within a blighted area legally designated as the redevelopment district. The Redevelopment Agency does not have any assets, liabilities, fund balance, revenues, nor expenditures. As such, no financial statements exist or are available for this component unit as it has no activity.

The Tarrywile Park Authority ("Tarrywile") is responsible for administering, operating and maintaining Tarrywile Park, including all structures and land. The land and original buildings are owned by the City. Tarrywile is governed by members that are appointed by the Mayor and confirmed by the Common Council on a rotating basis. The City is potentially liable for any operating deficits and provides substantial funding to Tarrywile to support its operations. Tarrywile is presented as a governmental fund type. The information presented for Tarrywile is for the year ended June 30, 2005.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

The Danbury Parking Authority ("Parking Authority") is responsible for establishing and operating parking facilities within the City in a manner similar to a private business enterprise where the costs of providing services to the general public are financed through user charges. The Parking Authority is governed by members which are appointed by the Mayor and confirmed by the Common Council. The Parking Authority has the potential to provide specific financial benefit to, or impose specific financial burdens on, the City. The Parking Authority is presented as a proprietary fund type. The information presented for the Parking Authority is for the year ended June 30, 2005.

Richter Park is responsible for independent control over the operation of the Stanley L. Richter Memorial Park. Richter Park was donated to the City of Danbury for use as a recreational facility in 1971. The board members are selected on a rotating basis by the Mayor and confirmed by the Common Council. The City is potentially liable for any operating deficits and provides substantial funding, in the form of operating and capital grants, to Richter Park to support its operations. Richter Park is presented as a proprietary fund type. The information presented for Richter Park is for the year ended December 31, 2004.

Complete financial statements for each of the individual component units may be obtained at the entities' administrative offices:

Tarrywile Park Authority
70 Southern Boulevard
Danbury, CT 06810

Stanley L. Richter Memorial Park Authority
100 Aunt Hack Road
Danbury, CT 06811

Danbury Parking Authority
21 Delay Street
Danbury, CT 06810

Joint ventures and related organizations

The Candlewood Lake Authority, the Housatonic Resources Recovery Authority, and the Housatonic Area Regional Transit District are joint ventures of the City. The Housing Authority is a related organization. See Note 15 in the notes to financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, landfill closure costs and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

The City reports the following major governmental funds.

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Century 21 PI Fund* accounts for the proceeds of specific general obligation bonds for various projects throughout the City.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operation of the City's water supply system. It is independent in terms of its relationship to other City functions. Its operations are financed from direct charges to the users of the service.

The *Sewer Fund* accounts for the operations of the City's wastewater treatment system. The City, through Veolia Water North America - Northeast, LLC ("Veolia Water"), operates its own sewage treatment plant, sewage pumping stations, and collection system. It is independent in terms of its relationship to other City functions. Veolia Water finances all aspects of the sewage system operations and recovers such costs through direct charges billed through the City to the users of the service.

Additionally, the City reports the following fund types:

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for use by a not-for-profit organization devoted to educating the public about the government's historic city hall by means of guided tours, publications, and special events. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.

The *Pension Trust Funds* account for the activities of the City's six defined benefit pension plans, which accumulate resources for pension benefit payments to qualified employees. Pension funds follow the accrual basis of accounting.

The *Agency Funds* account for monies held as a custodian for outside student groups. Agency funds have no measurement focus and are reported on the accrual basis of accounting.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and 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 the proprietary fund financial statements, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Accounting estimates

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

Property taxes

Property taxes are assessed as of October 1 and levied on the following July 1. Taxes are due in four installments on July 1, October 1, January 1 and April 1. Supplemental motor vehicle taxes are due in full January 1. Liens are recorded during the month of June.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2005**

Cash equivalents

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

Investments

Investments, all of which are held in the pension trust funds, are stated at fair value based on quoted market prices. The pension funds allow for investments in certain hedge funds. All such assets are carried at fair value; losses are incurred only up to the assets invested.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares.

Inventories

Inventories of governmental fund types are stated at the lower of cost or market using the consumption method on the first-in, first-out basis.

Inventories of proprietary funds are stated at the lower of cost (first-in, first-out) or market.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased and constructed assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

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

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	15-45
Land improvements	20
Distribution and collection systems	50-100
Infrastructure	10-100
Machinery and equipment	5-20
Vehicles	6
Other	10
Furniture and fixtures	20

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

Compensated absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for the amounts that have become due. Amounts for compensated absences are generally liquidated by the general fund.

Long-term obligations

In the government-wide and proprietary 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 term 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 debt issued, including capital leases, is reported as other financing 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 DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

Pension accounting:

Pension Trust Funds

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds

Expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding policy

The City funds the contributions to its pension plans based on the actuarial required contribution.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

Fund Equity and Net Assets

In the Government-Wide Financial Statements and in the Proprietary Fund Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category represents the net assets of the City, which are restricted by donors for a specific purpose.

Unrestricted Net Assets or Deficits – This category represents the net assets of the City, which are not restricted for any project or other purpose. Deficits require future funding.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

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

Reserved Fund Balance - indicates that portion of fund equity which has been legally segregated for specific purposes.

Unreserved Fund Balance/Deficits - indicates that portion of fund equity which is available for appropriation and expenditure in future periods. A deficit will require future funding.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$87,031,420) difference are as follows:

Bonds payable	\$ (66,211,450)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	949,850
Add: Issuance premium (to be amortized over life of debt)	(1,899,212)
Deferred revenue, not related to debt	1,936,528
Capital leases payable	(3,451,078)
Notes payable	(37,112)
Compensated absences	(525,998)
Landfill closure	(13,789,243)
Accrued expenses	(2,503,705)
HUD-Section 108 loans	(1,500,000)
	<hr/>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ (87,031,420)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets 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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$11,563,207 difference are as follows:

Capital outlay	\$ 18,374,477
Depreciation expense	<u>(6,811,270)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 11,563,207</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 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.” The details of this \$(6,787,930) difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$ (10,202,000)
Premiums	(331,618)
Bond issuance costs	(569,077)
Capital leases	(1,156,397)
HUD-Section 108 loans	(1,500,000)
Principal repayments:	
General obligation debt	5,769,462
Capital leases	<u>1,201,700</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (6,787,930)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(523,495) difference are as follows:

Compensated absences	\$ 609,772
Other liabilities	<u>(86,277)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 523,495</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Note 3. Budgets and Budgetary Accounting

The City follows procedures in establishing the formal (as amended) budgetary data reflected in the financial statements for the General Fund. The procedures are as follows:

1. Prior to April 7, the Mayor submits proposed operating budgets to the Common Council for the fiscal year commencing the following July 1. The Board of Education has the same duties and follows the same procedures with respect to the budget of the Board of Education as those required of the Mayor. The operating budgets include proposed expenditures and the means of financing them; however, capital lease acquisitions and state on-behalf payments are not included in the operating budget.
2. Upon receipt of the proposed budgets, the Common Council publishes a notice of the proposed budgets and a public hearing to be held no later than May 1.
3. No later than May 15, the budgets are legally enacted through Common Council resolution.
4. The legal level of budgetary control is at the department level. The Mayor is authorized to transfer budget amounts within departments and the Common Council is authorized to transfer budget amounts between departments within any fund as well as any supplemental appropriations that amend the total expenditures of any budgeted fund. During the year, several supplemental appropriations were necessary; the effect of the amendments increased budgeted expenditures by approximately \$2,257,086 and also increased budgeted revenues approximately \$2,152,388.
5. Formal budgetary accounting is employed as a management control within the City for the General Fund and certain special revenue funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting, except that encumbrances and continued appropriations are treated as budgeted expenditures in the year of incurrence of the commitment to purchase and certain employee benefits are budgeted on the cash basis of accounting (non-GAAP basis). Budgetary comparisons in the financial statements are presented pursuant to the applicable budgetary basis referred to above.
6. Except for purposes which are to be financed by the issuance of bonds or by special assessment, no money can be disbursed without an authorized appropriation in any fiscal year. A contingency fund may be used for emergency appropriations, however, expenditures may not be charged directly to this fund. An appropriation and transfer to the expending fund must be approved by the Common Council.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

7. All unencumbered appropriations, except for continued appropriations, lapse at the end of each fiscal year.
8. Continued appropriations represent approved appropriations from the current or prior years' budgets for construction or other permanent improvement projects. In accordance with the City's Charter, these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned. Any such project is deemed to be abandoned if three years have elapsed without any expenditure from, or encumbrance of, the appropriation. At June 30, 2005, there was \$216,271 in continued appropriations.

A reconciliation of General Fund operations presented on a budgetary basis to the amounts presented in the fund financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") is as follows:

	General Fund	
	Revenues	Expenditures, Encumbrances and Transfers Out
Balance, budgetary basis	\$ 168,723,003	\$ 162,034,440
Encumbrances and continued appropriations		
June 30, 2004	-	1,080,103
June 30, 2005	-	(1,697,289)
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	3,203,000	3,203,000
On-behalf payments, paid directly by the Department of Public Health to WIC recipients, not recognized for budgetary purposes	1,521,954	1,521,954
Purchases of equipment under capital lease obligations, not recognized for budgetary purposes	1,156,397	1,156,397
Net of accruals not recognized for budgetary purposes	-	221,569
Balance, GAAP basis	\$ 174,604,354	\$ 167,520,174

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Special revenue funds

The City does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds that are utilized to account for specific grant programs are established in accordance with the requirements for the grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

Capital projects funds

Legal authorization for expenditures of capital projects funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 4. Cash and Investments

Deposits: The City has a policy that deposits can include demand and savings accounts and certificates of deposit with Connecticut banks. City policy adopts the State of Connecticut requirements that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The investment and credit risk policies of the City conform to the policies as set forth by the State of Connecticut. The City policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund.

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk. They set asset allocation parameters, as follows:

	Range	Target
Cash and short-term investments	0%-20%	5%
Equity securities	45%-75%	60%
Fixed income securities	20%-60%	40%
Alternative strategies (hedge funds)	0%-20%	15%

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Interest Rate Risk: The City does not have a policy that limits its exposure to fair value losses arising from changes in interest rates. The City's pension funds do have a policy to limit their exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, and monitoring the liquidity of the funds on an ongoing basis.

Concentrations: The City does not have a formal policy; however, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

The pension plans policy is that no more than 10% (at market) may be invested in any one company and no more than 20% exposure to any one industry. In addition, the portfolio cannot have more than 20% invested in foreign bonds and no more than 20% invested in preferred stocks and convertibles.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2005 \$49,859,854 of the City's bank balance of \$60,853,051 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and the pension funds do not have custodial credit risk policies for investments.

Cash and investments of the City consist of the following at June 30, 2005:

Cash and Cash Equivalents	
Deposits With Financial Institutions	\$ 60,631,515
Tax Exempt Proceeds Fund	170,620
Municipal Backed Investment Fund	50,916
Total cash and cash equivalents	<u>60,853,051</u>
Investments	
Pension Trust Funds:	
U.S. Government Securities	2,957,409 *
U.S. Government Agencies	30,762,058 *
Corporate Debt	10,635,027 *
Common Stocks	101,249,555 *
Mutual Funds	34,120,388
Private Hedge Fund	34,505,223
Total pension investments	<u>214,229,660</u>
Total cash and investments	<u>\$ 275,082,711</u>

* These investments are uninsured and unregistered, with securities held by its agent, but not in the City's name.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Cash and investments are classified in the accompanying financial statements as follows:

	Primary Government
Statement of Net Assets	
Cash and cash equivalents	\$ 41,460,649
	<u>41,460,649</u>
Fiduciary Funds:	
Cash and cash equivalents	19,392,402
Investments	214,229,660
	<u>233,622,062</u>
Total cash and investments	<u>\$ 275,082,711</u>

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the City's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Government Agencies	\$ 30,762,058	\$ 3,179,908	\$ 9,230,000	\$ 2,369,075	\$ 15,983,075
U.S. Government Securities	2,957,409	-	549,540	222,829	2,185,040
Corporate Bonds	10,635,027	547,205	6,203,438	3,014,120	870,264
Pooled Fixed Income	221,536	221,536	-	-	-
TOTAL	<u>\$ 44,576,030</u>	<u>\$ 3,948,649</u>	<u>\$ 15,982,978</u>	<u>\$ 5,606,024</u>	<u>\$ 19,038,379</u>

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Average Rating	U.S. Government		
	Corporate Bonds	Agency Obligation	Pooled Fixed Income
AAA	\$ 514,335	\$ 19,197,505	\$ -
AA	-	-	50,916
AA-	791,728	-	-
A+	3,011,905	300,574	-
A	3,705,052	-	-
A-	535,112	-	-
BBB+	1,241,457	-	-
BB+	96,377	-	-
BBB	739,061	-	-
Unrated	-	11,263,979	170,620
	<u>\$ 10,635,027</u>	<u>\$ 30,762,058</u>	<u>\$ 221,536</u>

Note 5. Receivables – Fund Basis

Receivables at June 30, 2005, including the applicable allowances for collection losses, are as follows:

	General	Century 21 PI	Water	Sewer	Nonmajor and Other Funds	Totals
Property taxes	\$ 4,740,434	\$ -	\$ -	\$ -	\$ -	\$ 4,740,434
Accounts receivable	-	-	-	-	518,806	518,806
Note receivable ⁽¹⁾	6,650,000	-	-	-	-	6,650,000
Unbilled services	-	-	1,189,528	1,094,626	-	2,284,154
Special assessments	-	-	1,323,183	3,757,049	-	5,080,232
Federal and state governments	4,796,854	85,761	-	-	5,973,782	10,856,397
Other	1,411,411	-	686,289	1,143,085	63,600	3,304,385
Total gross receivables	<u>17,598,699</u>	<u>85,761</u>	<u>3,199,000</u>	<u>5,994,760</u>	<u>6,556,188</u>	<u>33,434,408</u>
Allowance for collection losses	(2,270,000)	-	(156,497)	(85,951)	(100,000)	(2,612,448)
Total net receivables	<u>\$ 15,328,699</u>	<u>\$ 85,761</u>	<u>\$ 3,042,503</u>	<u>\$ 5,908,809</u>	<u>\$ 6,456,188</u>	<u>\$ 30,821,960</u>

(1) In fiscal year 2004/2005, the City negotiated an agreement with a third party in which the third party agreed to pay the City in four installments of \$2.5 million for the development of property located in the Planned Neighborhood Development Zone. The amount has been recorded at its present value.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2005

Note 6. Interfund Receivables, Payables and Transfers

As of June 30, 2005, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 10,581,189	\$ 52,129
Water	-	1,819,906
Sewer	36,000	2,350,000
Century 21 PI	-	24,530
Nonmajor and Other Funds	52,129	6,416,992
Agency Funds	-	5,761
Totals	<u>\$ 10,669,318</u>	<u>\$ 10,669,318</u>

The balance of \$10,581,189 due to the General Fund is a result of short-term advances from the General Fund to the other funds.

Interfund transfers during the year ended June 30, 2005 were as follows:

	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:			
General Fund	\$ -	\$ 682,468	\$ 682,468
	<u>\$ -</u>	<u>\$ 682,468</u>	<u>\$ 682,468</u>

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 39,382,873	\$ 6,129,599	\$ -	\$ 45,512,472
Construction in progress	4,489,986	11,732,178	(1,377,414)	14,844,750
Total capital assets, not being depreciated	43,872,859	17,861,777	(1,377,414)	60,357,222
Capital assets, being depreciated:				
Land improvements	7,377,848	676,380	-	8,054,228
Buildings and improvements	107,695,295	701,148	-	108,396,443
Machinery and equipment	20,743,559	3,438,905	(815,565)	23,366,899
Infrastructure	115,803,935	1,513,807	-	117,317,742
Total capital assets being depreciated	251,620,637	6,330,240	(815,565)	257,135,312
Less accumulated depreciation for:				
Land improvements	656,831	324,937	-	981,768
Buildings and improvements	40,386,720	2,087,195	-	42,473,915
Machinery and equipment	14,259,042	2,376,781	(707,464)	15,928,359
Infrastructure	69,301,380	2,022,357	-	71,323,737
Total accumulated depreciation	124,603,973	6,811,270	(707,464)	130,707,779
Total capital assets, being depreciated, net	127,016,664	(481,030)	(108,101)	126,427,533
Governmental activities capital assets, net	\$ 170,889,523	\$ 17,380,747	\$ (1,485,515)	\$ 186,784,755

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,031,946	\$ -	\$ -	\$ 1,031,946
Construction in progress	1,681,218	1,882,223	-	3,563,441
Total capital assets, not being depreciated	2,713,164	1,882,223	-	4,595,387
Capital assets, being depreciated:				
Buildings and improvements	100,314,994	58,075	-	100,373,069
Machinery and equipment	1,080,710	30,088	-	1,110,798
Distribution and collection systems	84,433,702	4,294,009	-	88,727,711
Vehicles	838,250	-	-	838,250
Other	918,561	-	-	918,561
Furniture and fixtures	287,704	-	-	287,704
Total capital assets, being depreciated	187,873,921	4,382,172	-	192,256,093
Less accumulated depreciation for:				
Buildings and improvements	28,085,173	2,425,615	-	30,510,788
Machinery and equipment	704,343	31,966	-	736,309
Distribution and collection systems	16,581,953	1,389,252	-	17,971,205
Vehicles	795,530	27,757	-	823,287
Other	706,658	50,378	-	757,036
Furniture and fixtures	218,946	17,620	-	236,566
Total accumulated depreciation	47,092,603	3,942,588	-	51,035,191
Total capital assets, being depreciated, net	140,781,318	439,584	-	141,220,902
Business-type capital assets, net	\$ 143,494,482	\$ 2,321,807	\$ -	\$ 145,816,289

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 605,552
Public safety	921,227
Public works, including depreciation of general infrastructure assets	2,434,925
Health and welfare	68,593
Culture and recreation	440,931
Education	2,324,328
Other	15,714
Total depreciation expense – governmental activities	<u>\$ 6,811,270</u>

Business-type activities:

Sewer	\$ 2,671,439
Water	1,271,149
Total depreciation expense – business-type activities	<u>\$ 3,942,588</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Discretely presented component units

Activity for the Danbury Parking Authority for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 62,907	\$ -	\$ -	\$ 62,907
Machinery and equipment	442,716	-	-	442,716
Computer equipment	20,670	-	-	20,670
Total capital assets, being depreciated	<u>526,293</u>	-	-	<u>526,293</u>
Less accumulated depreciation for:				
Buildings and improvements	57,378	1,260	-	58,638
Machinery and equipment	331,168	37,461	-	368,629
Computer equipment	19,065	1,605	-	20,670
Total accumulated depreciation	<u>407,611</u>	<u>40,326</u>	-	<u>447,937</u>
Total capital assets, being depreciated, net	<u>\$ 118,682</u>	<u>\$ 40,326</u>	<u>\$ -</u>	<u>\$ 78,356</u>

Activity for the Richter Park Authority for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 1,988,865	\$ -	\$ -	\$ 1,988,865
Improvements	3,373,595	33,990	-	3,407,585
Machinery and equipment	781,628	6,000	-	787,628
Totals, capital assets being depreciated	<u>6,144,088</u>	<u>39,990</u>	-	<u>6,184,078</u>
Less accumulated depreciation for:				
Buildings	821,844	79,902	-	901,746
Improvements	1,279,874	98,282	-	1,378,156
Machinery and equipment	559,498	54,324	-	613,822
Total accumulated depreciation	<u>2,661,216</u>	<u>232,508</u>	-	<u>2,893,724</u>
Total capital assets, being depreciated, net	<u>\$ 3,482,872</u>	<u>\$ (192,518)</u>	<u>\$ -</u>	<u>\$ 3,290,354</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Activity for the Tarrywile Park Authority for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 84,985	\$ -	\$ -	\$ 84,985
Machinery and equipment	22,745	-	(3,600)	19,145
Furniture and fixtures	83,042	-	-	83,042
Computer equipment	4,625	-	-	4,625
Totals, capital assets being depreciated	<u>195,397</u>	-	<u>(3,600)</u>	<u>191,797</u>
Less accumulated depreciation for:				
Buildings and improvements	58,821	4,156	-	62,977
Machinery and equipment	20,771	301	(3,600)	17,472
Furniture and fixtures	84,711	-	-	84,711
Computer equipment	4,629	-	-	4,629
Total accumulated depreciation	<u>168,932</u>	<u>4,457</u>	<u>(3,600)</u>	<u>169,789</u>
Total capital assets, being depreciated, net	<u>\$ 26,465</u>	<u>\$ (4,457)</u>	<u>\$ -</u>	<u>\$ 22,008</u>

Note 8. Bond Anticipation Notes Payable and Subsequent Event

The City has \$32,300,000 of bond anticipation notes outstanding as of June 30, 2005. The bond anticipation notes bear interest at 3.00%.

Bond anticipation note transactions for the year ended June 30, 2005 were as follows:

Outstanding, July 1, 2004	\$ 35,450,000
Borrowings	32,300,000
Repayments	<u>(35,450,000)</u>
Outstanding, June 30, 2005	<u>32,300,000</u>
Reported as:	
Bond anticipation notes	22,098,000
Long-term debt	<u>\$ 10,202,000</u>

Subsequent event

In August 2005, the City issued \$10,940,000 in general obligation bonds. The bonds bear interest of 3.00% to 4.25% and mature serially from August 1, 2007 to August 1, 2025. Of the \$32,300,000 bond anticipation notes outstanding, \$10,202,000 was financed with the August 2005 issue and is considered long-term debt in the government-wide financial statements, and other financing sources in the Governmental Fund financial statements as all conditions of FAS 6 had been met. In addition, the City also issued \$36,600,000 in BANS in August 2005.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Note 9. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 58,126,800	\$ 3,615,000	\$ 5,732,350	\$56,009,450	\$ 5,482,350
Notes payable	74,224	1,500,000	37,112	1,537,112	92,700
Bond anticipation notes	3,615,000	10,202,000	3,615,000	10,202,000	-
Plus deferred amounts:					
Unamortized premiums	1,567,594	480,193	148,575	1,899,212	-
Total bonds and notes payable	63,383,618	15,797,193	9,533,037	69,647,774	5,575,050
Capital leases	3,496,381	1,156,397	1,201,700	3,451,078	1,237,928
Landfill post-closure monitoring	13,968,712	-	179,469	13,789,243	2,068,386
Compensated absences	1,135,770	62,061	671,833	525,998	52,600
Governmental activity long-term liabilities	\$ 81,984,481	\$17,015,651	\$11,586,039	\$87,414,093	\$ 8,933,964
Business-type activities:					
Bonds and notes payable:					
General obligation bonds	\$ 21,873,200	\$ 1,300,000	\$ 1,577,800	21,595,400	\$ 1,642,650
Notes payable	23,345,842	-	2,619,382	20,726,460	2,619,382
Plus deferred amounts:					
Unamortized premiums	933,651	-	121,560	812,091	-
Total bonds and notes payable	46,152,693	1,300,000	4,318,742	43,133,951	4,262,032
Business-type activity long-term liabilities	\$ 46,152,693	\$ 1,300,000	\$ 4,318,742	\$43,133,951	\$ 4,262,032

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Notes payable

The City's notes payable, which are payable from its governmental activities, are as follows at June 30, 2005:

	<u>Outstanding Amount</u>
HUD-Section 108 loan, due in annual installments with an interest rate of 3%.	\$ 1,500,000
General obligation promissory note, at an interest rate of 6% per annum, payable quarterly. The note financed the Triangle St. Bridge project. Equal principal payments are made in December of each year until 2005.	37,112
	<u>\$ 1,537,112</u>

General obligation bonds

As of June 30, 2005, the outstanding general obligation bonded indebtedness of the City, payable from its governmental activities, was as follows:

	<u>Outstanding Amount</u>
\$4,800,000 C.D. Parks Property general obligation bonds issued September 15, 1985 due in annual installments of \$240,000; final maturity September 15, 2005; interest at 8.1% to 8.3%	\$ 240,000
\$13,290,000 Public Improvement general obligation bonds issued August 1, 1986 due in annual installments of \$700,000 (\$260,000 final installment); final maturity August 1, 2005; interest at 6.80% to 7.00%	260,000
\$8,250,000 School Code Compliance and Public Improvement general obligation bonds (\$400,000 used for special assessment projects) issued February 1, 1988 due in annual installments of \$415,000 to \$450,000; final maturity February 1, 2007; interest at 6.2% to 6.7%	735,000
\$16,350,000 School Additions and Improvements/Public Improvements general obligations bonds issued August 15, 1992 due in annual installments of \$815,000 to \$820,000; final maturity August 15, 2012; interest at 4.13% to 6.13%	6,520,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

	<u>Outstanding Amount</u>
\$2,705,000 Public Improvement general obligation bonds issued February 1, 1994 due in annual installments of \$80,000 to \$220,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	720,000
\$17,740,000 School Additions general obligation bonds issued February 1, 1994 due in annual installments of \$880,000 to \$890,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	7,950,000
\$1,695,000 Public Improvement general obligation bonds issued February 1, 1995 due in annual installments of \$70,000 to \$115,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	745,000
\$4,100,000 Public Improvement general obligation bonds issued August 1, 1997 due in annual installments of \$180,000 to \$230,000; final maturity August 1, 2017; interest at 4.1% to 5.75%	690,000
\$10,100,000 Public Improvement general obligation bonds issued August 1, 1998 due in annual installments of \$505,000; final maturity February 1, 2019; interest at 4.0% to 5.5%	2,020,000
\$3,500,000 Public Improvement general obligation bonds issued August 1, 1999 due in annual installments of \$175,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	875,000
\$11,792,000 Public Improvement general obligation bonds issued May 15, 2002 due in annual installments of \$522,350 to \$652,350; final maturity May 15, 2022; interest at 3.5% to 5.0%	4,566,450
\$1,190,000 General refunding bonds issued May 1, 2003 due in annual installments of \$135,000 to \$195,000, final maturity February 1, 2010; interest at 2.0% to 4.0%	860,000
\$12,925,000 Public Improvement general obligation bonds issued August 1, 2003, due in annual installments of \$535,000 to \$760,000; final maturity August 1, 2023; interest at 3.25% to 4.75%.	12,165,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

	<u>Outstanding Amount</u>
\$11,770,000 General Refunding bonds, issued March 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2021; interest at 2.00% to 5.00%.	11,770,000
\$2,278,000 General Obligation Refunding bonds issued March 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2021; interest at 2.00% to 5.00%	2,278,000
\$3,615,000 General Obligation bonds issued August 1, 2004, due in annual installments of \$235,000 to \$260,000; final maturity August 1, 2024; interest at 1.40% to 4.65%	3,615,000
	<u>\$ 56,009,450</u>

At June 30, 2005, the outstanding general obligation bonded indebtedness of the City, payable from its business-type activities, was as follows:

	<u>Outstanding Amount</u>
\$1,310,000 Lateral Sewer Systems general obligation bonds issued February 1, 1994 due in annual installments of \$65,000 to \$70,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	\$ 585,000
\$3,100,000 Waste Water Treatment general obligation bonds (includes \$1 million for water general obligation bonds) issued February 1, 1994 due in annual installments of \$50,000 to \$105,000; final maturity February 1, 2014; interest at 3.20% to 5.13%	1,395,000
\$2,000,000 Water general obligation bonds issued February 1, 1994 due in annual installments of \$100,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	900,000
\$2,100,000 Water general obligation bonds issued February 1, 1995 due in annual installments of \$105,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	1,050,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2005

	<u>Outstanding Amount</u>
\$1,500,000 Lateral Sewer Systems general obligation bonds issued February 1, 1995 due in annual installments of \$75,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	750,000
\$6,000,000 Water general obligation bonds issued August 1, 1997 due in annual installments of \$280,000 to \$320,000; final maturity August 1, 2017; interest at 4.1% to 5.75%	840,000
\$12,395,000 Water general obligation bonds issued August 1, 1998 due in annual installments of \$615,000 to \$620,000; final maturity February 1, 2019; interest at 4.1% to 5.5%	2,480,000
\$1,000,000 Water general obligation bonds issued August 1, 1999 due in annual installments of \$50,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	250,000
\$1,600,000 Lateral Sewer Systems general obligation bonds issued August 1, 1999 due in annual installments of \$80,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	400,000
\$953,000 Water and Sewer general obligation bonds issued May 15, 2002, due in annual installments of \$19,000 to \$28,650; final maturity May 15, 2022; interest at 3.5% to 5.0%	333,400
\$11,312,000 Water and Sewer general obligation refunding bonds issued March 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2021; interest at 2.00% to 5.00%.	11,312,000
\$1,300,000 Water and Sewer general obligation refunding bonds issued August 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2024; interest at 1.40% to 4.50%.	1,300,000
Total general obligation bonds	<u>21,595,400</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

	<u>Outstanding Amount</u>
\$2,296,859 Clean Water Fund 103-D note payable signed May 1, 1990 due in annual installments of \$114,843; final maturity May 1, 2009; interest at 2.0%	459,372
\$47,373,853 Clean Water Fund 103-C note payable signed July 30, 1994 due in annual installments of \$2,482,473 (\$206,873 in 2014); final maturity July 30, 2013; interest at 2.0%	20,066,654
\$441,322 Clean Water Fund 305-C note payable signed January 31, 1995 due in annual installments of \$22,066 (\$1,840 in 2015); final maturity January 31, 2014; interest at 2.0%	<u>200,434</u>
Total notes payable	<u><u>20,726,460</u></u>
	<u><u>\$ 42,321,860</u></u>

The annual debt service requirements of the City's bonded indebtedness and notes payable are as follows (excluding BANS payable):

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2006	\$ 5,575,050	\$ 2,487,920	\$ 8,062,970	\$ 4,262,032	\$ 1,349,303	\$ 5,611,335
2007	4,944,629	2,234,466	7,179,095	4,282,032	1,224,288	5,506,320
2008	4,621,371	2,006,589	6,627,960	4,282,032	1,097,765	5,379,797
2009	4,552,166	1,799,880	6,352,046	4,318,032	969,270	5,287,302
2010	4,544,016	1,593,716	6,137,732	4,203,189	839,100	5,042,289
2011	4,385,922	1,392,498	5,778,420	4,203,189	711,355	4,914,544
2012	4,385,886	1,199,761	5,585,647	4,200,189	583,756	4,783,945
2013	4,263,559	993,193	5,256,752	4,194,389	455,198	4,649,587
2014	3,444,645	818,950	4,263,595	1,919,938	343,645	2,263,583
2015	2,276,793	666,839	2,943,632	1,377,838	259,424	1,637,262
2016	2,191,008	561,525	2,752,533	1,189,000	190,096	1,379,096
2017	2,195,289	462,210	2,657,499	1,192,000	132,630	1,324,630
2018	2,191,640	371,536	2,563,176	1,183,000	82,580	1,265,580
2019	1,997,062	290,584	2,287,646	855,000	44,247	899,247
2020	1,488,558	221,477	1,710,035	241,000	23,083	264,083
2021	1,315,130	164,050	1,479,180	112,000	15,948	127,948
2022	1,307,780	108,911	1,416,691	112,000	11,201	123,201
2023	797,511	63,938	861,449	65,000	7,312	72,312
2024	800,325	29,399	829,724	65,000	4,387	69,387
2025	268,222	6,813	275,035	65,000	1,462	66,462
Total	<u>\$57,546,562</u>	<u>\$17,474,255</u>	<u>\$ 75,020,817</u>	<u>\$42,321,860</u>	<u>\$ 8,346,050</u>	<u>\$ 50,667,910</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issues used for school construction. The amount of such reimbursement for the year ended June 30, 2005 was approximately \$757,000. Additional payments aggregating approximately \$5,206,000 are expected to be received through the bonds' maturity dates.

In-Substance Defeasance - Prior Years

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2005, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$25,905,000.

Landfill postclosure monitoring

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The landfill's closure project was completed during the year ended June 30, 1999. The estimated total current cost of the landfill postclosure care, aggregating \$13,789,243, is based on the amount estimated to be paid for all equipment, facilities and services required to monitor and maintain the landfill as of June 30, 2005. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. These costs will be paid from the General Fund.

Compensated absences

Included in the Long-Term Debt in the government-wide is the estimated obligation for employee compensated absences in the amount of \$525,998 as of June 30, 2005. The general fund has typically been used to liquidate the liability for compensated absences.

Capital lease obligations

The City has various capital leases in which they acquire capital assets. Interest rates on these leases range from 2.1% to 6.0%. The capital leases are for various computer equipment and vehicles. The leases are payable in monthly installments through 2011. Original cost of capital assets under such lease agreements are as follows:

Machinery and equipment	\$ 9,196,115
Accumulated depreciation	<u>(7,181,103)</u>
Net book value	<u>\$ 2,015,012</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Future minimum lease payments under capital leases are as follows:

2006	\$ 1,237,928
2007	1,034,240
2008	779,805
2009	539,209
2010	371,722
2011	184,119
	<u>4,147,023</u>
Less amount representing interest	<u>(695,945)</u>
	<u>\$ 3,451,078</u>

Stanley L. Richter Park Authority

The following is a summary of the component unit's bonds and notes payable transactions for the year ended December 31, 2004:

Beginning balance	\$ 182,990
Deductions	<u>59,127</u>
Ending balance	<u>\$ 123,863</u>

The Authority issued a long-term bond amounting to \$325,000 in November 1993 to finance the greens construction project. The bond principal is payable in annual installments of \$21,667 on November 15 of each year until 2008 with interest payable semi-annually at 6.25%.

In 1997, the City of Danbury advanced to the Authority \$299,423 from the City's long-term capital improvement bond proceeds. This loan is payable to the City in eight annual installments of \$37,461 until 2005.

On January 26, 2004, the Authority entered into an agreement with Wachovia Bank for a credit line in the amount of \$100,000 bearing interest at the Bank's Prime Rate plus .75%. The line of credit is used for working capital needs of the Authority. At December 31, 2004, the credit line balance was \$-0-.

The \$299,423 promissory note with the City of Danbury is non-interest bearing, however, the note requires the Authority to make payments in addition to the note principal in the amount of 15% of its yearly net surplus. Payments based on net surplus to date have totaled \$29,795, or 2% annually over the current life of the note.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

The future principal amortization is as follows:

Year ending December 31,		
2005	\$	58,863
2006		21,667
2007		21,667
2008		21,666
	\$	<u>123,863</u>

Authorized but unissued bonds

Bonds authorized but unissued at June 30, 2005 are as follows:

General Purpose	\$	34,443,000
Sewer		11,009,090
Water		4,962,000
Total	\$	<u>50,414,090</u>

Legal Debt Limit

The City's indebtedness (including authorized but not unissued bonds), net of principal reimbursements expected from the state, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 289,443,303	\$ 68,600,150	\$ 220,843,153
Unfunded Pension Benefit Obligation	\$ 385,924,404	\$ -	\$ 385,924,404
Schools	\$ 578,886,606	\$ 38,458,694	\$ 540,427,912
Sewers	\$ 482,405,505	\$ 30,837,460	\$ 451,568,045
Urban renewal	\$ 418,084,771	\$ -	\$ 418,084,771

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$900,490,276.

Note 10. Commitments and Contingencies

Lawsuits

There are several personal injury, negligence, personnel and other 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. For certain cases, where there is a reasonable possibility that a loss has been incurred and therefore not accrued, the City estimated its possible exposure could be \$6.0

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

million, as discussed the following paragraph. Based upon consultation with legal counsel, the City's management estimates that potential claims against the City not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial position of the City.

In April 1998, Metcalf & Eddy, Inc., the City's construction manager on the landfill closure project, had asserted a possible claim against the City ranging from \$0 to \$6,000,000, and therefore not accrued. The claim is associated with the completion of their work. The City is actively negotiating with Metcalf & Eddy, Inc. to resolve all outstanding claims, and believes they will reach an amicable resolution.

Municipal Solid Waste Service Agreement

The City has entered into a municipal solid waste agreement, as amended (the "service agreement") with the Housatonic Resources Recovery Authority (the "Authority") pursuant to which it participates with nine other Connecticut municipalities (the five constituting the "Contracting Municipalities"), in the Housatonic Resources Recovery System (the "System").

Under the service agreement, the City is required to deliver, or cause to be delivered, to the System solid waste generated within its boundaries up to its minimum commitment of 44,500 tons per year and to pay a uniform per ton disposal service payment (the "service payment"). The current fee is \$72 per ton. The aggregate minimum commitment of the nine Contracting Municipalities is 103,800 tons per year. The City's service payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the City must pay the service payment for its proportionate share of the shortfall of the aggregate minimum commitment (even if it did deliver its full portion).

Service payments shall be payable so long as the System is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the facility.

If any Contracting Municipality shall default in the payment of any service payments, the other Contracting Municipalities shall pay their share of the amounts unpaid by the nonpaying Contracting Municipality. If a Contracting Municipality fails to meet its minimum requirement, the effect to the City of Danbury would not be material to the financial statement as a whole.

Waste Water Treatment

The City has a 20-year agreement through June 2018 (the "Agreement") with Veolia Water to manage its waste water collection and treatment system. As consideration for such Agreement, the City received a \$10 million up-front concession fee. If the Agreement is terminated prior to the end of the 20 year term, the City has to repay the unamortized balance of the concession fee (calculated using the straight-line method over the term of the Agreement). The unamortized balance of the concession fee at June 30, 2005 is \$6,124,969 and is recorded as unearned revenue in the Sewer Enterprise Fund.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Under the Agreement, the City pays an annual base fee of approximately \$3,300,000 plus an annual adjustment equal to the change in the consumer price index.

Heart and hypertension

The City pays benefits under the Heart and Hypertension Act, on a pay-as-you-go basis, to retirees whose disabilities are claimed to be job related. During the year ended June 30, 2005, 19 retired employees received benefit payments. Payments totaled approximately \$595,392 during the year ended June 30, 2005.

Note 11. Fund Deficits

The City has the following fund deficits at June 30, 2005 and expects to eliminate the deficits in the future as follows:

Fund	Deficit June 30, 2005	Plan for Eliminating Deficit
Capital Projects:		
City Projects	\$ 921,409	Through future debt issuance
City Works/Library Reconstruction	\$ 194,027	Through future debt issuance
Century 21 P1	\$ 2,428,324	Through future debt issuance
Special Revenue:		
Miscellaneous Special Revenue	\$ 16,608	Through future revenue

Note 12. Employee Retirement Plans

The City maintains six separate single-employer pension plans covering substantially all of its employees (collectively, "the City's plans"), except those public school teachers covered under the State of Connecticut Teachers' Retirement System. The General Employees Plan is a non-contributory defined benefit plan covering all full-time employees not qualified under one of the City's other plans or the State Teachers' Retirement System. The remaining five plans: Pre-1967 Policemen, Pre-1967 Firemen, Post-1967 Policemen, Post-1967 Firemen, and Post-1983 Policemen are contributory defined benefit plans, and cover all paid members of the City Police and Fire Departments. The City's pension plans do not, however, issue stand-alone financial reports.

The plans' assets are consolidated and treated as one combined trust ("Master Trust") for the City's retirement plans. Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

Master Trust transactions other than cash and cash equivalents, employer and employee contributions, and payments to separated participants by participating plans are allocated to each plan based upon procedures established by the trustee and the plans' actuary. Earnings from the Master Trust include interest and dividend income, and net appreciation in the fair value of investments. Master Trust earnings are allocated to the City's plans based upon the relative fair values of the assets of each plan.

The City's plans, including the employer and employee obligations to contribute, are established under the authority of Chapter 14 of the City's Code of Ordinances. The City's plans, by policy, (i) require biennial actuarial valuations (as of July 1), with yearly updates, and (ii) require annual City contributions based on actuarial determinations. During the year of actuarial valuation, the City has historically contributed the annual required contribution ("ARC") for each of the pension plans. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date, and thus the City has never actually had, or had need to report, a net pension obligation ("NPO"). The required contributions are calculated to cover normal cost and the amortization of unfunded actuarial accrued liabilities.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983 Police
		Police	Fire	Police	Fire	
Employees covered	All employees not covered by another plan.	All police employed before 1967.	All firefighters employed before 1967.	All police employed after 1967 but before 1983.	All firefighters employed after 1967.	All police hired after 1983.
Number of retirees receiving benefits	444	41	39	71	45	5
Terminated employees Entitled to future benefits	147	-	-	-	-	-
Current employees	683	-	-	34	105	118
Total number of participants	1,274	41	39	105	150	123
Normal Benefit provisions	After attaining age 65, 1.5% of average compensation times years of credited service	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 2% of average compensation for each year of service, but not greater than 68%
Definition of "Compensation"	Average of last 3 years	Final base salary	Final base salary	Final base salary	Final base salary	Final base salary
Eligibility requirements	50% vested after 5 years and increasing 10% each year thereafter until 10 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years
Disability Benefits: Line of Duty	1.5% of average compensation times years of credited service	66.7% of final pay	50% of final pay			
Non-Line of Duty (Years 1-10)	1.5% of average compensation times years of credited service	2% of final pay for each year of service	2% of final pay for each year of service	2% of final pay for each year of service	2% of final pay for each year of service	2% of final pay for each year of service
Non-Line of Duty (10+ Years)	1.5% of average compensation times years of credited service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983 Police
		Police	Fire	Police	Fire	
Obligation to contribute in accordance with funding policy:						
Employee	\$-0-	4% of earnings	5% of earnings	4% of earnings	5% of earnings	4% of earnings
Employer	\$-0-	\$1,007,000	\$919,000	\$1,082,000	\$298,000	\$605,000
Authority under which benefit provisions established	City code of ordinances					
<u>Funding Status and Progress</u>						
Date of actuarial valuation	7/1/03	7/1/03	7/1/03	7/1/04	7/1/04	7/1/04
Significant actuarial assumptions						
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Projected annual salary increases*	5.5%	6.0%	6.0%	5.5%	5.5%	5.5%
Post retirement benefit increases*	4.5%, 15% every 5 years	4.5%	4.5%	5.0%	5.0%	-
* including inflation of	4.0%-5.0%	5.0%	5.0%	5.0%	5.0%	-
Mortality table	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females
Actuarial asset valuation method	Fair value smoothed					
Funding Policy	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial
Actuarial cost method	Projected unit credit cost					
Amortization method	Level Dollar Amount Open	Level Dollar Amount Closed				
Remaining amortizing period	9 years	11 years	11 years	8 years	14 years	18 years
Authority under which contributions are established	Common Council					

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2005

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Year Ended June 30,	Annual Required Contribution	Percentage Contributed
General Employees:	2005	\$ -	-
	2004	-	-
	2003	-	-
	2002	-	-
	2001	-	-
	2000	235,000	100
	1999	282,000	100
Pre-1967 Police:	2005	\$ 1,007,000	100%
	2004	972,000	100
	2003	971,000	100
	2002	820,000	100
	2001	1,133,000	100
	2000	1,082,000	100
	1999	1,090,000	100
Pre-1967 Fire:	2005	\$ 919,000	100%
	2004	918,000	100
	2003	877,000	100
	2002	761,000	100
	2001	996,000	100
	2000	933,000	100
	1999	981,000	100
Post-1967 Police:	2005	\$ 1,082,000	100%
	2004	884,000	100
	2003	635,000	100
	2002	765,000	100
	2001	808,000	100
	2000	986,000	100
	1999	1,240,000	100
Post-1967 Fire:	2005	\$ 298,000	100%
	2004	902,000	100
	2003	639,000	100
	2002	560,000	100
	2001	472,000	100
	2000	821,000	100
	1999	992,000	100
Post-1983 Police:	2005	\$ 605,000	100%
	2004	404,000	100
	2003	310,000	100
	2002	341,000	100
	2001	291,000	100
	2000	263,000	100
	1999	256,000	100

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

**SCHEDULE OF PLAN NET ASSETS
JUNE 30, 2005**

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
ASSETS							
Cash and cash equivalents	\$ 7,177,104	\$ 479,201	\$ 391,866	\$ 3,598,654	\$ 3,983,188	\$ 663,810	\$ 16,293,823
Investments, at fair value							
Common Stock	44,598,404	2,977,749	2,435,052	22,361,977	24,751,466	4,124,907	101,249,555
Bonds and Notes	19,537,268	1,304,466	1,066,726	9,796,134	10,842,900	1,807,002	44,354,496
Mutual Funds	15,029,348	1,003,480	820,595	7,535,829	8,341,070	1,390,065	34,120,387
Private Hedge Fund	15,198,860	1,014,799	829,851	7,620,823	8,435,146	1,405,743	34,505,222
Total investments	94,363,880	6,300,494	5,152,224	47,314,763	52,370,582	8,727,717	214,229,660
Contributions receivable	-	1,007,000	919,000	1,082,000	298,000	605,000	3,911,000
Accrued interest and dividends	291,073	19,434	15,892	145,946	161,541	26,921	660,807
Pending Sales	509,283	34,004	27,807	255,358	282,645	47,104	1,156,201
Total Assets	102,341,340	7,840,133	6,506,789	52,396,721	57,095,956	10,070,552	236,251,491
LIABILITIES							
Pending Purchases	1,287,285	85,950	70,285	645,455	714,425	119,061	2,922,461
Net Assets Held in Trust for Pension Benefits	\$ 101,054,055	\$ 7,754,183	\$ 6,436,504	\$ 51,751,266	\$ 56,381,531	\$ 9,951,491	\$ 233,329,030

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

SCHEDULE OF CHANGES IN
PLAN NET ASSETS
YEAR ENDED JUNE 30, 2005

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
Additions							
Contributions							
Employer	\$ -	\$ 1,007,000	\$ 919,000	\$ 1,082,000	\$ 298,000	\$ 605,000	\$ 3,911,000
Plan members	-	-	-	87,220	287,458	242,732	617,410
Total contributions	-	1,007,000	919,000	1,169,220	585,458	847,732	4,528,410
Investment Income							
Net appreciation in fair value of investments	7,512,048	1,432,567	1,278,221	4,776,990	4,434,034	1,243,240	20,677,100
Interest and dividends	2,313,262	139,660	113,837	1,139,656	1,274,483	203,696	5,184,594
	9,825,310	1,572,227	1,392,058	5,916,646	5,708,517	1,446,936	25,861,694
Less Investment Expenses:							
Investment manage- ment fees	724,739	48,071	38,523	351,323	387,133	56,197	1,605,986
Investment income	9,100,571	1,524,156	1,353,535	5,565,323	5,321,384	1,390,739	24,255,708
Total additions	9,100,571	2,531,156	2,272,535	6,734,543	5,906,842	2,238,471	28,784,118
Deductions							
Benefits paid	3,765,198	1,410,551	1,359,344	2,490,791	1,613,887	148,208	10,787,979
Total deductions	3,765,198	1,410,551	1,359,344	2,490,791	1,613,887	148,208	10,787,979
Net increase	5,335,373	1,120,605	913,191	4,243,752	4,292,955	2,090,263	17,996,139
Net Assets Held in Trust for Pension Benefits							
Beginning of year	95,718,682	6,633,578	5,523,313	47,507,514	52,088,576	7,861,228	215,332,891
End of year	\$ 101,054,055	\$ 7,754,183	\$ 6,436,504	\$ 51,751,266	\$ 56,381,531	\$ 9,951,491	\$ 233,329,030

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2005

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Over) Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(Over) Underfunded AAL as a Percentage of Covered Payroll
General Employees:						
7/1/03	\$ 97,448,725	\$ 74,647,619	\$ (22,801,106)	130.5 %	\$ 23,576,524	(96.7) %
1/1/02	95,940,971	71,836,054	(24,104,917)	133.6 %	21,547,768	(111.9) %
1/1/00	86,363,384	60,128,299	(26,235,085)	143.6 %	20,334,025	(129.0) %
1/1/98	69,607,623	57,592,398	(12,015,225)	120.9 %	20,024,974	(60.0) %
1/1/96	53,783,848	47,838,592	(5,945,256)	112.4 %	19,141,532	(31.1) %
1/1/94	47,244,021	44,662,512	(2,581,509)	105.8 %	19,288,723	(13.4) %
Pre-1967 Police:						
7/1/03	\$ 6,993,981	\$ 14,173,012	\$ 7,179,031	49.3 %	\$ -	N/A
1/1/02	7,833,857	15,189,737	7,355,880	51.6 %	-	N/A
1/1/00	7,720,242	15,955,616	8,235,374	48.4 %	48,330	17,039.9 %
1/1/98	6,509,190	17,026,404	10,517,214	38.2 %	102,700	10,240.7 %
1/1/96	5,664,099	16,837,404	11,173,305	33.6 %	428,958	2,604.8 %
1/1/94	5,099,454	16,518,397	11,418,943	30.9 %	429,055	2,661.4 %
Pre-1967 Fire:						
7/1/03	\$ 5,864,207	\$ 13,091,400	\$ 7,227,193	44.8 %	\$ -	N/A
1/1/02	6,558,299	13,355,820	6,797,521	49.1 %	-	N/A
1/1/00	6,421,763	13,844,291	7,422,528	46.4 %	-	N/A
1/1/98	5,475,666	14,739,221	9,263,555	37.2 %	120,025	7,718.0 %
1/1/96	4,730,352	14,561,842	9,831,490	32.5 %	161,406	6,091.2 %
1/1/94	4,179,621	14,402,324	10,222,703	29.0 %	386,730	2,643.4 %
Post-1967 Police:						
7/1/04	\$ 50,324,387	\$ 51,774,948	\$ 1,450,561	97.2 %	\$ 2,146,668	67.6 %
1/1/03	48,161,141	53,371,318	5,210,177	90.2 %	2,541,819	205.0 %
1/1/01	44,924,489	45,301,753	377,264	99.2 %	2,532,599	14.9 %
1/1/99	36,880,541	40,634,158	3,753,617	90.8 %	2,724,359	137.8 %
1/1/97	27,464,027	34,113,354	6,649,327	80.5 %	3,026,816	219.7 %
1/1/95	21,339,684	29,568,847	8,229,163	72.2 %	3,095,662	265.8 %
Post-1967 Fire:						
7/1/04	\$ 54,985,734	\$ 48,112,254	\$ (6,873,480)	114.3 %	\$ 6,330,894	(108.6) %
1/1/03	50,848,678	47,808,052	(3,040,626)	106.4 %	6,065,277	(50.1) %
1/1/01	45,969,156	41,475,940	(4,493,216)	110.8 %	5,379,669	(83.5) %
1/1/99	37,127,622	35,250,799	(1,876,823)	105.3 %	4,733,503	(39.6) %
1/1/97	27,099,001	29,002,474	1,903,473	93.4 %	4,619,988	41.2 %
1/1/95	20,768,169	23,548,837	2,780,668	88.2 %	4,301,797	64.6 %
Post-1983 Police:						
7/1/04	\$ 8,268,316	\$ 9,038,173	\$ 769,857	91.5 %	\$ 5,993,120	12.8 %
1/1/03	6,979,088	7,629,489	650,401	91.5 %	5,333,425	12.2 %
1/1/01	5,383,342	5,121,615	(261,727)	105.1 %	4,370,060	(6.0) %
1/1/99	3,665,977	3,603,281	(62,696)	101.7 %	4,029,030	(1.6) %
1/1/97	2,245,888	2,382,676	136,788	94.3 %	3,143,200	4.4 %
1/1/95	1,391,378	1,555,404	164,026	89.5 %	2,147,373	7.6 %

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The financial statements of the Plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The City does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$3,203,000 for the year ended June 30, 2005.

Note 13. Construction Commitments

The City is currently in the middle of various capital projects, including street repaving, school renovations, park improvements and other various projects. At June 30, 2005, such amounts were approximately \$28,967,028.

Note 14. 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; and natural disasters for which the City carries commercial insurance. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the last three years. The City is self-insured for the first \$250,000 per claim and maintains aggregate stop loss on workers' compensation claims of \$1.5 million. The City is fully self-insured for all heart and hypertension liability. Effective July 1, 2004, the City was no longer self-insured for medical or dental insurance claims.

During the fiscal year ended June 30, 1994, the Board of Education established a minimum premium insurance plan for its basic health care, major medical and dental programs, including hospitalization, for Board of Education employees and retirees. These benefits are provided

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

through insurance companies, and include deductibles, and other limitations, and may be amended or changed periodically. The plan covered approximately 200 Board of Education retirees, the cost of which is covered in full by the State of Connecticut Teachers' Retirement Board and/or individual retirees.

Changes in the balances of claims liabilities recorded by the City during the past two years are as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2005	\$ 364,614	\$ -	\$ 364,614	\$ -
2004	\$ 202,947	\$ 1,781,667	\$ 1,620,000	\$ 364,614

Note 15. Joint Ventures and Related Organizations

The Candlewood Lake Authority ("Candlewood") is a joint venture of five municipalities, including the City of Danbury. Candlewood is under joint control, comprised of three delegates from each member municipality selected for three-year terms. The City of Danbury has an ongoing financial responsibility but no equity interest. The City remitted approximately \$54,112 to supplement Candlewood's operating revenues for the year ended June 30, 2005 as Candlewood would experience financial stress without such revenue supplement.

Complete financial statements for Candlewood can be obtained by request from the Candlewood Lake Authority, P.O. Box 37, Sherman, CT 06784-0037.

The Housatonic Area Regional Transit District ("HART") is a joint venture of eight municipalities, including the City of Danbury. HART is under joint control, comprised of at least one director from each member municipality selected for four-year terms. The City of Danbury has an ongoing financial responsibility, but no equity interest. The City remitted approximately \$632,040 to supplement HART's operating revenues for the year ended June 30, 2005 as HART would experience financial stress without such revenue supplement.

Complete financial statements for HART can be obtained by request from HART, 107 Newtown Road, Suite 2C, Danbury, CT 06810.

The Housatonic Resources Recovery Authority ("HRRA") is a joint venture of which the City of Danbury is a member. The HRRA was established as a separate political subdivision of the State in 1986 with the adoption of a creating ordinance by local municipalities, including Danbury. HRRA was created for the purpose of providing solid waste management and disposal services for the member municipalities. There are nine participating municipalities in HRRA with the board being comprised of one member from each municipality. To avoid financial stress, the

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

City has an ongoing financial responsibility to supply a certain level of tonnage to HRRRA in accordance with the agreement between the City and HRRRA, but the City has no equity interest.

Complete financial statements for HRRRA can be obtained by request from HRRRA, Old Town Hall, Routes 25 and 133, Brookfield Center, CT 06804 or at City Hall, 155 Deer Hill Avenue, Danbury, CT 06810.

The City's officials are responsible for appointing the board members of the Housing Authority. The City's accountability for the Housing Authority does not extend beyond making the appointments.

Note 16. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- ◆ GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries."
- ◆ GASB Statement Number 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."
- ◆ GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."
- ◆ GASB Statement Number 46, "Net Assets Restricted by Enabling Legislation - An Amendment of GASB Statement Number 34."
- ◆ GASB Statement Number 47, "Accounting for Termination Benefits."

Additionally, the Governmental Accounting Standards Board issued Statement Number 44, "Economic Condition Reporting: The Statistical Section," which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).

**SUPPLEMENTAL AND COMBINING NONMAJOR
FUND STATEMENTS AND SCHEDULES**

General Fund

General Fund

CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government				
Common Council	\$ 62,853	\$ 63,657	\$ 59,955	\$ 3,702
Mayors Office	321,118	322,609	317,384	5,225
City Clerk	44,354	44,354	44,026	328
Ordinances	20,600	24,600	18,089	6,511
Probate Court	15,625	16,525	16,410	115
Registrars and Elections	153,637	158,737	148,228	10,509
City Treasurer	17,748	17,748	17,747	1
Director of Finance	717,030	714,896	681,987	32,909
Data Processing Information Technology	1,052,770	1,052,450	1,020,062	32,388
Independent Audit	43,900	36,900	36,900	-
Bureau of Assessments	375,647	383,290	361,181	22,109
Board of Assessments and Appeal	4,050	4,050	3,416	634
Tax Collector	501,461	550,728	548,945	1,783
Purchasing	209,956	215,270	206,836	8,434
Corporation Counsel	591,202	899,829	837,749	62,080
Town Clerk	364,148	373,445	358,548	14,897
Annual Report	7,650	8,650	8,632	18
Permit Coordination	282,573	295,617	294,626	991
Planning	468,956	489,431	462,699	26,732
Office of Economic Development	88,000	89,000	70,587	18,413
Danbury Conservation Commission	8,665	14,665	13,480	1,185
Personnel/ Civil Service	222,498	243,394	228,826	14,568
Fair Rent Commission	1,450	1,450	556	894
City Memeberships	77,786	92,795	92,795	-
Lake Authority	48,812	54,112	54,112	-
Retirement Administration	72,500	60,600	36,610	23,990
Labor Negotiations	82,000	148,000	139,618	8,382
Public Buildings	863,633	857,684	847,623	10,061
City Hall Building	281,046	322,782	320,350	2,432
Library Building	162,885	172,579	167,575	5,004
Police Station Building	174,965	163,287	163,097	190
Senior Center Building	79,100	57,528	55,683	1,845
Old Library Building	38,092	27,785	26,442	1,343
Employee Service Benefit	44,402	3,302	-	3,302
Total general government	7,501,112	7,981,749	7,660,774	320,975

(Continued)

CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Police Department	11,443,035	12,007,189	11,871,648	135,541
Animal Control	172,993	182,468	182,468	-
Fire Department	8,487,154	8,793,348	8,600,988	192,360
Building Inspector	453,423	495,411	450,112	45,299
Department of Civil Preparedness	41,650	17,700	16,251	1,449
Department of Consumer Protection	50,659	46,559	26,997	19,562
Employee Service Benefit	9,957	6	-	6
Total public safety	20,658,871	21,542,681	21,148,464	394,217
Public Works				
Highways	2,073,531	2,019,012	1,995,736	23,276
State Aid Highway Project	181,121	294,158	293,124	1,034
Snow and Ice Removal	426,000	624,019	623,607	412
Street Lighting	386,250	380,794	369,926	10,868
Public Building Maintenance Repair	510,653	580,171	579,282	889
Equipment Maintenance	778,828	1,027,517	1,014,058	13,459
Recycling/ Solid Waste	326,150	362,450	347,453	14,997
Engineering Department	981,702	1,091,812	1,084,648	7,164
Park Maintenance & Forestry	1,259,825	1,309,125	1,289,148	19,977
Employee Service Benefit	16,586	286	-	286
Total public works	6,940,646	7,689,344	7,596,982	92,362
Health and Welfare				
Health and Housing Department	827,771	849,589	798,753	50,836
Employee Service Benefit	6,859	6,859	-	6,859
Welfare Department	312,097	329,055	327,941	1,114
Veterans Advisory Center	55,838	56,723	55,901	822
Commission on Aging	227,013	235,312	220,170	15,142
Elderly Transportation	12,000	12,000	12,000	-
Human and Social Welfare	1,004,983	1,019,983	1,019,966	17
Employee Service Benefit	3,738	776	-	776
Total health and welfare	2,450,299	2,510,297	2,434,731	75,566
Education	89,708,575	90,708,575	90,694,338	14,237

(Continued)

CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS -
 BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Recreation	430,144	397,348	395,149	2,199
Tarrywile Park Authority	245,000	245,000	245,000	-
Cultural Commission	76,753	101,793	101,793	-
Lake Kenosia Commission	2,500	2,500	-	2,500
Danbury Public Library	1,894,319	1,950,335	1,945,618	4,717
Long Ridge Library	-	6,000	6,000	-
Employee Service Benefit	1,473	-	-	-
Total culture and recreation	2,650,189	2,702,976	2,693,560	9,416
Employee Benefits	19,704,312	19,430,650	19,073,439	357,211
Debt Service				
Principal - bonds and notes	6,232,350	6,269,462	6,269,462	-
Interest - bonds	3,008,306	2,971,194	2,877,558	93,636
Total debt service	9,240,656	9,240,656	9,147,020	93,636
Other	945,781	963,981	870,021	93,960
Contingency	1,428,754	553,310	553,049	261
Capital Outlay	-	162,062	162,062	-
Total expenditures	\$ 161,229,195	\$ 163,486,281	\$ 162,034,440	\$ 1,451,841

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

School Lunch Program Fund - to account for the operations of the School Lunch Program. Financing is provided by the students and teachers as well as reimbursement from State and Federal governments.

Community Development Block Grant Fund - to account for an entitlement grant received from the Department of Housing and Urban Development for housing and community development activities under the Community Development Act of 1974.

WIC Grant Fund - to account for the operations of the Women, Infant and Children Health Program. Financing is provided by the Federal Government.

Continuing Education – to account for evening classes for individuals 16 years and older, offered in the Fall and Spring. Content varies based upon participants' skills and interests. Class fees are used to pay instructors, program staff and operations.

Railyard Parking Lease Fund – to account for funds received from the City of Danbury Parking Authority for permits sold at the Danbury Railyard - Union Station.

Library Board Library Fund – to account for fines and fees collected by the Library.

Animal Control Fund - to account for funds provided by the sale of dog licenses, sale of stray dogs and various fines levied against owners of stray dogs, as well as General Fund appropriations.

School Based Health Center Grant Fund - to account for funds received from preventive and mental health services for Danbury students. Funding is provided by the State of Connecticut Department of Public Health and Addiction Services.

Ambulance Fund - to account for the operations of the City's ambulance system for the benefit of its residents. Funds are provided on a fee basis and City subsidy.

LOCIP Fund – to account for projects funded through the State Local Capital Improvement Program.

Airport Projects – to account for construction projects related to the maintenance and upkeep of the Danbury Municipal Airport. Funds provided by Federal, State and local sources.

State & Federal School Projects – to account for education related programs that are funded through State and Federal Grants.

Miscellaneous Funds – to account for proceeds from smaller projects related to public health, social services, public safety, open space and culture and recreation.

Capital Projects Funds

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

Vision 21 and Vision 21² Bond Fund - to account for the proceeds of specific general obligation bonds for various projects to further develop the City.

City Projects Fund - to account for proceeds of specific general obligation bonds for various projects either authorized by the City or to further develop the City.

City Works/Library Reconstruction – to account for proceeds of specific general obligation bonds for various projects to further develop the City.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Farioly Permanent Fund – This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to improve the City's library.

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CITY OF DANBURY, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue				
	School Lunch Program	Community Development Block Grant	WIC Grant	Continuing Education	Railyard Parking Lease
ASSETS					
Cash and cash equivalents	\$ 392,205	\$ 900,265	\$ 151,557	\$ 1,289,376	\$ 26,751
Receivables:					
Accounts receivable, net	-	-	-	-	-
Federal and State government	273,991	-	-	-	-
Other	63,600	-	-	-	-
Inventories	41,641	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 771,437	\$ 900,265	\$ 151,557	\$ 1,289,376	\$ 26,751
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ 625,191	\$ -	\$ 292	\$ -	\$ 1,300
Bond anticipation notes payable	-	-	-	-	-
Unearned revenue	-	-	11,758	224,326	-
Due to other funds	-	8,629	139,507	-	14,000
Total liabilities	625,191	8,629	151,557	224,326	15,300
FUND BALANCES (DEFICITS)					
Reserved for library	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	-
Reserved for inventories	41,641	-	-	-	-
Reserved for CDBG	-	891,636	-	-	-
Unreserved and undesignated	104,605	-	-	1,065,050	11,451
Total fund balances (deficits)	146,246	891,636	-	1,065,050	11,451
Total liabilities and fund balances (deficits)	\$ 771,437	\$ 900,265	\$ 151,557	\$ 1,289,376	\$ 26,751

Special Revenue

Library Board Library Fund	Animal Control	School-Based Health Center Grant	Ambulance	LOCIP	Airport Projects	State & Fed. School Projects	Miscellaneous Special Revenue
\$ 177,824	\$ 46,242	\$ 161,586	\$ 591,421	\$ 71,709	\$ 237,970	\$ 1,674,433	\$ 2,100,327
-	-	-	418,806	-	-	-	-
-	-	-	-	551,449	760,307	303,372	4,074,343
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	52,129
<u>\$ 177,824</u>	<u>\$ 46,242</u>	<u>\$ 161,586</u>	<u>\$ 1,010,227</u>	<u>\$ 623,158</u>	<u>\$ 998,277</u>	<u>\$ 1,977,805</u>	<u>\$ 6,226,799</u>
\$ 32,177	\$ 11,905	\$ 2,790	\$ 147,165	\$ 38,158	\$ 42,100	\$ 1,145,168	\$ 1,404,726
-	-	-	-	-	-	-	-
-	-	-	-	-	-	823,852	536,912
-	-	158,796	12,722	585,000	930,000	-	4,301,769
<u>32,177</u>	<u>11,905</u>	<u>161,586</u>	<u>159,887</u>	<u>623,158</u>	<u>972,100</u>	<u>1,969,020</u>	<u>6,243,407</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
145,647	34,337	-	850,340	-	26,177	8,785	(16,608)
<u>145,647</u>	<u>34,337</u>	<u>-</u>	<u>850,340</u>	<u>-</u>	<u>26,177</u>	<u>8,785</u>	<u>(16,608)</u>
\$ 177,824	\$ 46,242	\$ 161,586	\$ 1,010,227	\$ 623,158	\$ 998,277	\$ 1,977,805	\$ 6,226,799

(Continued)

CITY OF DANBURY, CONNECTICUT

COMBINING BALANCE SHEET, Continued

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Capital Projects		Permanent Fund		Totals
	Vision 21 and Vition 21 ²	City Projects	City Works/ Library Reconstruction	Farioly Library	
ASSETS					
Cash and cash equivalents	\$ 6,335,778	\$ 394,529	\$ 83,460	\$ 1,519,452	\$ 16,154,885
Receivables:					
Accounts receivable, net	-	-	-	-	418,806
Federal and State government	10,320	-	-	-	5,973,782
Other	-	-	-	-	63,600
Inventories	-	-	-	-	41,641
Due from other funds	-	-	-	-	52,129
Total assets	<u>\$ 6,346,098</u>	<u>\$ 394,529</u>	<u>\$ 83,460</u>	<u>\$ 1,519,452</u>	<u>\$ 22,704,843</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ 466,731	\$ 15,293	\$ 77,114	\$ 444	\$ 4,010,554
Bond anticipation notes payable	5,648,000	1,250,000	-	-	6,898,000
Deferred revenue	-	-	373	-	1,597,221
Due to other funds	15,924	50,645	200,000	-	6,416,992
Total liabilities	<u>6,130,655</u>	<u>1,315,938</u>	<u>277,487</u>	<u>444</u>	<u>18,922,767</u>
FUND BALANCES (DEFICITS)					
Reserved for library	-	-	-	1,477,174	1,477,174
Reserved for encumbrances	111,181	-	-	-	111,181
Reserved for inventories	-	-	-	-	41,641
Reserved for CDBG	-	-	-	-	891,636
Unreserved and undesignated	104,262	(921,409)	(194,027)	41,834	1,260,444
Total fund balances (deficits)	<u>215,443</u>	<u>(921,409)</u>	<u>(194,027)</u>	<u>1,519,008</u>	<u>3,782,076</u>
Total liabilities and fund balances (deficits)	<u>\$ 6,346,098</u>	<u>\$ 394,529</u>	<u>\$ 83,460</u>	<u>\$ 1,519,452</u>	<u>\$ 22,704,843</u>

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CITY OF DANBURY, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Special Revenue				
	School Lunch Program	Community Development Block Grant	WIC Grant	Continuing Education	Railyard Parking Lease
REVENUES					
Federal and State governments	\$ 1,548,394	\$ 707,683	\$ 277,236	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	2,029,909	-	-	851,091	12,550
Investment income	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	3,578,303	707,683	277,236	851,091	12,550
EXPENDITURES					
General government	-	-	-	-	26,925
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	1,249,721	277,236	-	-
Education	3,377,565	-	-	584,561	-
Capital outlay	-	-	-	-	-
Total expenditures	3,377,565	1,249,721	277,236	584,561	26,925
Revenues over (under) expenditures	200,738	(542,038)	-	266,530	(14,375)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Bond anticipate note proceeds	-	-	-	-	-
Loan proceeds	-	1,500,000	-	-	-
Total other financing sources (uses)	-	1,500,000	-	-	-
Total revenue and other financing sources (uses) over (under) expenditures	200,738	957,962	-	266,530	(14,375)
(Increase) decrease in reserve for inventories or encumbrances	13,143	891,636	-	-	-
Net change in unreserved fund balances	213,881	66,326	-	266,530	(14,375)
UNRESERVED FUND BALANCES (DEFICITS), beginning	(109,276)	(66,326)	-	798,520	25,826
UNRESERVED FUND BALANCES (DEFICITS), ending	\$ 104,605	\$ -	\$ -	\$ 1,065,050	\$ 11,451

Special Revenue

Library Board Library Fund	Animal Control	School-Based Health Center Grant	Ambulance	LOCIP	Airport Projects	State & Fed. School Projects	Miscellaneous Special Revenue
\$ -	\$ -	\$ 194,405	\$ -	\$ 528,074	\$ 685,963	\$ 14,359,377	\$ 4,515,736
-	15,312	-	-	-	-	-	-
-	-	-	2,086,910	-	-	-	57,336
-	360	-	2,521	-	-	-	203
105,418	-	-	-	-	8,552	-	383,751
105,418	15,672	194,405	2,089,431	528,074	694,515	14,359,377	4,957,026
-	-	-	-	528,074	678,427	-	109,087
-	192,566	-	1,600,600	-	-	-	278,109
-	-	-	-	-	-	-	97,730
108,154	-	-	-	-	-	-	1,089,381
-	-	194,405	-	-	-	-	645,897
-	-	-	-	-	-	14,359,377	2,874,547
-	-	-	-	-	-	-	-
108,154	192,566	194,405	1,600,600	528,074	678,427	14,359,377	5,094,751
(2,736)	(176,894)	-	488,831	-	16,088	-	(137,725)
-	182,468	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	182,468	-	-	-	-	-	-
(2,736)	5,574	-	488,831	-	16,088	-	(137,725)
-	-	-	-	-	-	-	-
(2,736)	5,574	-	488,831	-	16,088	-	(137,725)
148,383	28,763	-	361,509	-	10,089	8,785	121,117
\$ 145,647	\$ 34,337	\$ -	\$ 850,340	\$ -	\$ 26,177	\$ 8,785	\$ (16,608)

(Continued)

CITY OF DANBURY, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Capital Projects			Permanent Fund	Totals
	Vision 21 and Vition 21 ²	City Projects	CityWorks/ Library Reconstruction	Farioly Library	
REVENUES					
Federal and State governments	\$ -	\$ -	\$ -	\$ -	\$ 22,816,868
Licenses and permits	-	-	-	-	15,312
Charges for services	-	-	-	-	5,037,796
Investment income	-	-	-	29,874	32,958
Other	-	-	-	-	497,721
Total revenues	-	-	-	29,874	28,400,655
EXPENDITURES					
General government	-	-	-	8,090	1,350,603
Public safety	-	-	-	-	2,071,275
Public works	-	-	-	-	97,730
Culture and recreation	-	-	-	-	1,197,535
Health and welfare	-	-	-	-	2,367,259
Education	-	-	-	-	21,196,050
Capital outlay	1,752,232	561,081	212,474	-	2,525,787
Total expenditures	1,752,232	561,081	212,474	8,090	30,806,239
Revenues over (under) expenditures	(1,752,232)	(561,081)	(212,474)	21,784	(2,405,584)
OTHER FINANCING SOURCES					
Transfers in	-	500,000	-	-	682,468
Bond anticipate note proceeds	1,152,000	-	-	-	1,152,000
Loan proceeds	-	-	-	-	1,500,000
Total other financing sources (uses)	1,152,000	500,000	-	-	3,334,468
Total revenue and other financing sources (uses) over (under) expenditures	(600,232)	(61,081)	(212,474)	21,784	928,884
(Increase) decrease in reserve for inventories or encumbrances	(111,181)	-	-	-	793,598
Net change in unreserved fund balances	(711,413)	(61,081)	(212,474)	21,784	(60,790)
UNRESERVED FUND BALANCES (DEFICITS), beginning					
	815,675	(860,328)	18,447	20,050	1,321,234
UNRESERVED FUND BALANCES (DEFICITS), ending					
	\$ 104,262	\$ (921,409)	\$ (194,027)	\$ 41,834	\$ 1,260,444

CITY OF DANBURY, CONNECTICUT

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - ANIMAL CONTROL FUND
 For the Year Ended June 30, 2005

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Town clerk fees	\$ 11,000	\$ 11,000	\$ 12,842	\$ 1,842
City contribution	172,993	182,468	182,468	-
Other revenue	2,600	2,600	2,830	230
Total revenues	186,593	196,068	198,140	2,072
EXPENDITURES				
	186,593	196,068	192,566	3,502
Revenues over expenditures	\$ -	\$ -	5,574	\$ 5,574
FUND BALANCE, beginning			<u>28,763</u>	
FUND BALANCE, ending			<u>\$ 34,337</u>	

CITY OF DANBURY, CONNECTICUT

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL - AMBULANCE FUND

For the Year Ended June 30, 2005

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,601,000	\$ 1,601,000	\$ 2,086,910	\$ 485,910
Other revenue	-	-	2,521	2,521
Total revenues	1,601,000	1,601,000	2,089,431	488,431
EXPENDITURES	1,601,000	1,621,000	1,600,600	20,400
Revenues over (under) expenditures	\$ -	\$ (20,000)	\$ 488,831	\$ 508,831

**Pension Trusts, Private Purpose
Trusts and Agency Funds**

Pension Trusts, Private Purpose Trusts and Agency Funds

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

- i. **Pension Trust Funds** – utilize the accrual basis of accounting and are used for the accumulation of resources to be used for retirement benefits. The City's Pension Trust Funds are listed below:

General Employees	Post-1967 Police
Pre-1967 Police	Post-1967 Fire
Pre-1967 Fire	Post-1983 Police

- ii. **Private Purpose Trust Fund** – No restrictions have been placed on this fund by the donors. The City's Private Purpose Trust Fund is the Phoebe M. Harrison Fund which is used to account for funds left in trust to the City for scholarships.

- iii. **Agency Funds** - Agency funds are custodial in nature (assets equal liabilities). The City's Agency Funds are listed below:

Street Openings Fund - to account for permits issued by the Public Works Department to contractors or individuals for the opening of a city street (i.e., installation of water line or sewer line). Permit fees range according to the size of the project. Funds are refunded upon completion of a project and approval by the Highway Permit Inspector.

School Activities Fund - to account for collections and payments related to educational extracurricular activities at the schools. Financing is provided by individual fund raising projects.

Danbury High School Scholarship Fund - to account for funds received through donations for yearly scholarships presented to members of the high school graduating class.

Downtown Special Services District Fund - to account for funds received to revitalize and improve the physical appearance of downtown Danbury.

Security Lease Account – holds security deposits on airport leases, per the lease agreements.

Danbury Permits Fund - to account for funds received for performance bonds issued for construction projects that have received sedimentation/erosion control permits.

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CITY OF DANBURY, CONNECTICUT

**STATEMENT OF NET ASSETS - PENSION TRUST FUNDS, PRIVATE
PURPOSE TRUST FUNDS AND AGENCY FUNDS**

June 30, 2005

	Pension Trust Funds			
	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police
ASSETS				
Cash and cash equivalents	\$ 7,177,104	\$ 479,201	\$ 391,866	\$ 3,598,654
Investments, at fair value				
Common Stock	44,598,404	2,977,749	2,435,052	22,361,977
Bonds and Notes	19,537,268	1,304,466	1,066,726	9,796,134
Mutual Funds	15,029,348	1,003,480	820,595	7,535,829
Private Hedge Fund	15,198,860	1,014,799	829,851	7,620,823
Total investments	94,363,880	6,300,494	5,152,224	47,314,763
Contribution receivable	-	1,007,000	919,000	1,082,000
Accrued interest and dividends	291,073	19,434	15,892	145,946
Pending sales	509,283	34,004	27,807	255,358
Total assets	102,341,340	7,840,133	6,506,789	52,396,721
LIABILITIES				
Pending purchases	1,287,285	85,950	70,285	645,455
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	1,287,285	85,950	70,285	645,455
Net Assets Held in Trust for Pension Benefits and Other Purposes				
	\$ 101,054,055	\$ 7,754,183	\$ 6,436,504	\$ 51,751,266

Pension Trust Funds			Private Purpose Trust	Agency Funds		
Post-1967 Fire	Post-1983 Police	Total Pension Trust Funds	Phoebe M. Harrison	Street Openings	School Activities	Danbury High School Scholarship
\$ 3,983,188	\$ 663,810	\$ 16,293,823	\$ 1,263	\$ 977,110	\$ 536,581	\$ 314,812
24,751,466	4,124,907	101,249,555	-	-	-	-
10,842,900	1,807,002	44,354,496	-	-	-	-
8,341,070	1,390,065	34,120,387	-	-	-	-
8,435,146	1,405,743	34,505,222	-	-	-	-
52,370,582	8,727,717	214,229,660	-	-	-	-
298,000	605,000	3,911,000	-	-	-	-
161,541	26,921	660,807	-	-	-	-
282,645	47,104	1,156,201	-	-	-	-
57,095,956	10,070,552	236,251,491	1,263	977,110	536,581	314,812
714,425	119,061	2,922,461	-	-	-	-
-	-	-	-	975,564	536,581	314,812
-	-	-	-	1,546	-	-
714,425	119,061	2,922,461	-	977,110	536,581	314,812
\$ 56,381,531	\$ 9,951,491	\$ 233,329,030	\$ 1,263	\$ -	\$ -	\$ -

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF NET ASSETS - PENSION TRUST FUNDS, PRIVATE
PURPOSE TRUST FUNDS AND AGENCY FUNDS, Continued**

June 30, 2005

	Agency Funds			Total Agency Funds
	Downtown Special Services District	Security Lease Account	Danbury Permits	
ASSETS				
Cash and cash equivalents	\$ 46,168	\$ 6,338	\$ 1,216,307	\$ 3,097,316
Investments, at fair value				
Common Stock	-	-	-	-
Bonds and Notes	-	-	-	-
Mutual Funds	-	-	-	-
Private Hedge Fund	-	-	-	-
Total investments	-	-	-	-
Contribution receivable	-	-	-	-
Accrued interest and dividends	-	-	-	-
Pending sales	-	-	-	-
Total assets	46,168	6,338	1,216,307	3,097,316
LIABILITIES				
Pending purchases	-	-	-	-
Other liabilities	46,168	6,338	1,212,092	3,091,555
Due to other funds	-	-	4,215	5,761
Total liabilities	46,168	6,338	1,216,307	3,097,316
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ -	\$ -	\$ -	\$ -

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CITY OF DANBURY, CONNECTICUT

**STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST
FUNDS AND PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2005**

	Pension Trust Funds			
	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police
Additions				
Contributions				
Employer	\$ -	\$ 1,007,000	\$ 919,000	\$ 1,082,000
Plan members	-	-	-	87,220
Total contributions	-	1,007,000	919,000	1,169,220
Investment Income				
Net appreciation in fair value of investments	7,512,048	1,432,567	1,278,221	4,776,990
Interest and dividends	2,313,262	139,660	113,837	1,139,656
	9,825,310	1,572,227	1,392,058	5,916,646
Less investment expenses:				
Investment management fees	724,739	48,071	38,523	351,323
	9,100,571	1,524,156	1,353,535	5,565,323
Net investment income	9,100,571	1,524,156	1,353,535	5,565,323
Total additions	9,100,571	2,531,156	2,272,535	6,734,543
Deductions				
Benefits	3,765,198	1,410,551	1,359,344	2,490,791
	5,335,373	1,120,605	913,191	4,243,752
Change in net assets	5,335,373	1,120,605	913,191	4,243,752
Net Assets Held in Trust For Pension Benefits and Other Purposes				
Beginning of year	95,718,682	6,633,578	5,523,313	47,507,514
End of year	\$ 101,054,055	\$ 7,754,183	\$ 6,436,504	\$ 51,751,266

Pension Trust Funds			Private Purpose Trust
Post-1967 Fire	Post-1983 Police	Total Pension Trust Funds	Phoebe M. Harrison
\$ 298,000	\$ 605,000	\$ 3,911,000	\$ -
287,458	242,732	617,410	-
585,458	847,732	4,528,410	-
4,434,034	1,243,240	20,677,100	-
1,274,483	203,696	5,184,594	22
5,708,517	1,446,936	25,861,694	22
387,133	56,197	1,605,986	-
5,321,384	1,390,739	24,255,708	22
5,906,842	2,238,471	28,784,118	22
1,613,887	148,208	10,787,979	102
4,292,955	2,090,263	17,996,139	(80)
52,088,576	7,861,228	215,332,891	1,343
\$ 56,381,531	\$ 9,951,491	\$ 233,329,030	\$ 1,263

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
STREET OPENINGS				
Assets				
Cash	\$ 795,095	\$ 1,189,223	\$ 1,007,208	\$ 977,110
Liabilities				
Amounts held for others	\$ 795,095	\$ 1,187,677	\$ 1,007,208	\$ 975,564
Due to other funds	-	1,546	-	1,546
Total liabilities	\$ 795,095	\$ 1,189,223	\$ 1,007,208	\$ 977,110
SCHOOL ACTIVITIES				
Assets				
Cash	\$ 454,205	\$ 1,902,278	\$ 1,819,902	\$ 536,581
Liabilities				
Amounts held for others	\$ 454,205	\$ 1,902,278	\$ 1,819,902	\$ 536,581
DANBURY HIGH SCHOOL SCHOLARSHIP				
Assets				
Cash	\$ 266,672	\$ 111,118	\$ 62,978	\$ 314,812
Liabilities				
Amounts held for others	\$ 266,672	\$ 111,118	\$ 62,978	\$ 314,812
DOWNTOWN SPECIAL SERVICES				
Assets				
Cash	\$ 61,307	\$ 204,773	\$ 219,912	\$ 46,168
Liabilities				
Amounts held for others	\$ 61,307	\$ 204,773	\$ 219,912	\$ 46,168
SECURITY LEASE ACCOUNT				
Assets				
Cash	\$ 6,194	\$ 147	\$ 3	\$ 6,338
Liabilities				
Amounts held for others	\$ 6,194	\$ 147	\$ 3	\$ 6,338

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
DANBURY PERMITS				
Assets				
Cash	\$ 1,210,999	\$ 1,088,551	\$ 1,083,243	\$ 1,216,307
Liabilities				
Amounts held for others	\$ 1,210,999	\$ 1,084,336	\$ 1,083,243	\$ 1,212,092
Due to other funds	-	4,215	-	4,215
Total liabilities	\$ 1,210,999	\$ 1,088,551	\$ 1,083,243	\$ 1,216,307
TOTAL AGENCY FUNDS				
Assets				
Cash	\$ 2,794,472	\$ 4,496,090	\$ 4,193,246	\$ 3,097,316
Liabilities				
Amounts held for others	\$ 2,794,472	\$ 4,490,329	\$ 4,193,246	\$ 3,091,555
Due to other funds	-	5,761	-	5,761
	\$ 2,794,472	\$ 4,496,090	\$ 4,193,246	\$ 3,097,316

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**Capital Assets Used in the Operation
of Governmental Funds**

CITY OF DANBURY, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY CATEGORY**

June 30, 2005

Governmental funds capital assets:

Land	\$ 45,512,472
Land improvements	8,054,228
Buildings and improvements	108,396,443
Machinery and equipment	23,366,899
Infrastructure	117,317,742
Construction in progress	14,844,750
Total governmental funds capital assets	<u><u>\$ 317,492,534</u></u>

CITY OF DANBURY, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY FUNCTION AND ACTIVITY**

June 30, 2005

	Land	Improvements	Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government	\$ 12,733,699	\$ -	\$ 12,196,574	\$ 3,605,086	\$ -	\$ -	\$ 28,535,359
Public Safety	3,759,168	-	3,861,986	7,513,510	-	2,077,022	17,211,686
Public Works	19,700	72,283	788,569	6,490,595	115,502,438	4,608,203	127,481,788
Health & Welfare	821,100	-	3,625,009	88,414	-	604,572	5,139,095
Education	5,229,400	5,732,392	74,698,665	3,716,823	42,970	4,971,622	94,391,872
Culture and Recreation	22,503,205	2,249,553	13,154,254	1,391,813	989,060	2,583,331	42,871,216
Other	446,200	-	71,386	560,658	783,274	-	1,861,518
Total	\$ 45,512,472	\$ 8,054,228	\$ 108,396,443	\$ 23,366,899	\$ 117,317,742	\$ 14,844,750	\$ 317,492,534

CITY OF DANBURY, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

For the Year Ended June 30, 2005

	Governmental Funds				Governmental Funds
	Capital Assets July 1, 2004	Additions	Deletions	Transfers	Capital Assets June 30, 2005
General Government	\$ 27,554,748	\$ 1,016,561	\$ (35,950)	\$ -	\$ 28,535,359
Public Safety	13,441,894	4,005,938	(232,215)	(3,931)	17,211,686
Public Works	124,542,562	4,222,059	(458,000)	(824,833)	127,481,788
Health and Welfare	4,014,953	1,151,642	(27,500)	-	5,139,095
Education	88,920,324	5,497,048	(25,500)	-	94,391,872
Culture and Recreation	35,158,497	8,298,769	-	(586,050)	42,871,216
Other	1,860,518	-	(17,000)	18,000	1,861,518
Total	\$ 295,493,496	\$ 24,192,017	\$ (796,165)	\$ (1,396,814)	\$ 317,492,534

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Other Schedules

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CITY OF DANBURY, CONNECTICUT

**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
GENERAL FUND
For the Year Ended June 30, 2005**

Grand List Year	Taxes Receivable July 1, 2004	Current Levy	Lawful Corrections	Transfers to Suspense	Balance to be Collected
2003	\$ -	\$129,046,027	\$ 172,628	\$ (2,920)	\$ 129,215,735
2002	1,766,355	-	143,515	(14,535)	1,895,335
2001	717,241	-	42,926	(31,059)	729,108
2000	609,275	-	27,830	(36,134)	600,971
1999	527,065	-	(1,571)	(58,218)	467,276
1998	411,443	-	(958)	(67,857)	342,628
1997	240,581	-	(352)	(115)	240,114
1996	247,694	-	(581)	(945)	246,168
1995	245,671	-	(564)	(115)	244,992
1994	135,136	-	(187)	(133,752)	1,197
1993	53	-	-	-	53
1992	50	-	-	-	50
1991	16	-	-	-	16
1990	16	-	-	-	16
1989	16	-	-	-	16
	4,900,612	129,046,027	382,686	(345,650)	133,983,675
Less allowance:	(1,500,000)	-	-	-	(1,500,000)
	<u>\$ 3,400,612</u>	<u>\$129,046,027</u>	<u>\$ 382,686</u>	<u>\$ (345,650)</u>	<u>\$ 132,483,675</u>

Taxes	Interest	Lien Fees	Total	Taxes Receivable June 30, 2005
\$ 127,300,837	\$ 430,435	\$ 7,705	\$ 127,738,977	\$ 1,914,898
1,146,761	199,331	14,773	1,360,865	748,574
167,135	65,202	1,632	233,969	561,973
76,927	42,842	434	120,203	524,044
25,580	20,773	364	46,717	441,696
14,171	15,956	286	30,413	328,457
8,653	11,584	79	20,316	231,461
5,514	7,799	54	13,367	240,654
3,922	8,109	40	12,071	241,070
1,146	4,471	40	5,657	51
-	5,157	-	5,157	53
-	2,127	-	2,127	50
-	3,529	-	3,529	16
-	2,852	-	2,852	16
-	2,424	-	2,424	16
128,750,646	822,591	25,407	129,598,644	5,233,029
-	-	-	-	(1,500,000)
<u>\$ 128,750,646</u>	<u>\$ 822,591</u>	<u>\$ 25,407</u>	<u>\$ 129,598,644</u>	<u>\$ 3,733,029</u>

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Statistical Section

A. GENERAL FUND REVENUES AND EXPENDITURES

CITY OF DANBURY, CONNECTICUT

GENERAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years

(Thousands)

	Property Taxes	Federal & State Governments	Licenses and Permits	Investment Income	Charges for Services	Fines, Penalties and Other	Total
2005	\$ 128,472	\$ 26,542	\$ 5,395	\$ 1,336	\$ 5,994	\$ 984	\$ 168,723
2004	119,646	25,228	4,043	437	3,219	1,836	154,409
2003	114,945	25,822	2,549	250	4,686	1,109	149,361
2002	109,012	26,280	3,740	428	5,721	1,335	146,516
2001	101,867	38,023	2,233	854	5,211	1,136	149,324
2000	96,821	34,556	1,986	792	3,910	692	138,757
1999	88,430	34,981	2,211	1,068	3,496	785	130,971
1998	86,647	33,164	1,618	1,047	3,210	2,165	127,851
1997	88,994	28,720	1,339	1,141	5,064	1,281	126,539
1996	85,259	27,837	1,169	966	9,292	1,332	125,855

Note: Revenues are shown on budgetary basis.

Source: City of Danbury Department of Finance.

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CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES BY FUNCTION
Last Ten Fiscal Years
(Thousands)

	General Government	Public Safety	Public Works	Health and Welfare	Culture and Recreation	State and Federal Programs	Education
2005	\$ 7,661	\$ 21,148	\$ 7,597	\$ 2,435	\$ 2,694	\$ -	\$ 90,694
2004	7,956	20,957	5,822	2,702	3,939	-	85,736
2003	8,304	21,320	6,209	1,444	3,926	-	81,920
2002	8,458	20,312	5,512	1,426	3,748	-	77,489
2001	7,391	19,227	5,658	1,301	3,458	12,016	73,943
2000	7,041	18,994	5,380	1,323	3,442	9,804	72,093
1999	6,547	17,561	5,318	1,271	3,190	10,733	69,220
1998	6,492	16,593	4,717	1,252	3,188	6,831	66,288
1997	5,990	15,801	5,224	1,666	3,106	6,614	64,729
1996	5,454	15,286	5,547	1,978	2,944	5,654	62,487

Note: Expenditures are shown on the budgetary basis.

Source: City of Danbury Department of Finance.

Pension and Other Employee Benefits	Other	Capital Outlay	Debt Service	Total
\$ 19,073	\$ 1,423	\$ 162	\$ 9,147	\$ 162,034
17,482	1,264	166	7,796	153,820
15,515	2,186	200	8,293	149,317
14,203	2,152	455	7,417	141,172
13,265	2,119	4,429	7,565	150,372
12,424	1,793	814	7,624	140,732
12,866	1,943	1,999	7,233	137,881
12,641	2,157	10,371	6,935	137,465
12,978	1,839	1,877	7,055	126,879
12,033	1,624	4,063	7,407	124,477

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B. PROPERTY VALUES AND TAXES

CITY OF DANBURY, CONNECTICUT

**PROPERTY TAX LEVIES AND COLLECTIONS – GENERAL FUND
Last Ten Fiscal Years**

Fiscal Year Ending 6/30	Net Taxable Grand List	Tax Rate (Mills)	Original Tax Levy	Current Tax Collections ⁽¹⁾	Percent of		Total Tax Collections
					Levy Collected	Delinquent Tax Collections	
2005	\$5,200,457,340	24.86	\$ 128,446,048	\$ 127,300,837	99.1%	\$ 1,449,809	\$ 128,750,646
2004	4,892,216,450	24.29	118,824,972	117,935,647	99.3%	2,758,384	120,694,031
2003	4,562,023,370	25.24	115,150,456	113,153,911	98.3%	1,972,152	115,126,063
2002	4,468,312,290	24.30	108,588,084	107,187,016	98.7%	2,404,401	109,591,417
2001	4,394,762,120	23.19	101,895,249	99,856,330	98.0%	2,272,412	102,128,742
2000	4,667,049,310	20.78	96,977,466	95,589,426	98.6%	1,293,079	96,882,505
1999	4,588,090,240	19.13	87,189,876	86,637,239	99.4%	1,903,764	88,541,003
1998	4,558,194,720	19.13	87,748,032	85,131,080	97.0%	4,037,070	89,168,150
1997	4,518,020,290	19.13	86,429,728	84,127,148	97.3%	2,751,417	86,878,565
1996	4,444,257,600	19.13	85,030,892	82,046,035	96.5%	3,077,922	85,123,957

(1) The amount collected to the end of each fiscal year represents collections of twelve months. Taxes for the fiscal year are levied on the Grand List of October 1, and are due and payable in four equal installments, July 1, October 1, January 1, and April 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent (effective July 1, 1982 P.A. 82-141 of the 1982 Connecticut General Assembly). If the installment is not paid by August 1, the tax becomes delinquent and a penalty of 1-1/2% per month (18% per annum) is charged from the due date on the tax.

Note: The City of Danbury is not subject to property taxes of overlapping governments and is not obligated for special assessment debt.

Source: City of Danbury, Tax Collector's Office.

Percent of Total Tax Collections to Original Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Tax Levy
---	------------------------------------	---

100.2%	\$ 5,233,029	4.1%
101.6%	4,900,613	4.1%
100.0%	\$ 5,411,481	4.7%
100.9%	5,005,879	4.6%
100.2%	5,576,494	5.5%
99.9%	4,990,229	5.1%
101.5%	3,431,666	3.9%
101.6%	4,065,924	4.6%
100.5%	6,629,765	7.7%
100.1%	7,271,426	8.6%

CITY OF DANBURY, CONNECTICUT

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value
2005	\$5,200,457,340	\$ 7,429,224,771
2004	4,892,216,450	6,988,880,643
2003	4,562,023,370	6,517,176,243
2002	4,468,312,290	6,383,303,271
2001*	4,394,762,120	6,278,231,600
2000	4,667,049,310	6,667,213,300
1999	4,588,090,240	6,554,414,629
1998	4,558,194,720	6,511,706,743
1997	4,518,020,290	6,454,314,700
1996	4,444,257,600	6,348,939,429

* Values were changed to reflect revaluation implemented in fiscal year 2001.

Source: City of Danbury, Tax Assessor's Office.

CITY OF DANBURY, CONNECTICUT

PRINCIPAL TAXPAYERS

June 30, 2005

Name	Nature of Business	Net Taxable Valuation ⁽¹⁾	Percent of Net Taxable Grand List ⁽¹⁾
Danbury Mall Associates	Shopping Mall	\$120,688,780	2.140%
Danbury Buildings, Inc.	Real Estate Investor	80,894,740	1.440%
Boehringer-Ingelheim	Research Center	50,055,520	0.890%
Woodland Group II, LLC	Land Developer	48,805,040	0.860%
Connecticut Light & Power	Public Utilities	34,361,270	0.610%
Avalonbay Communities, Inc.	Land Developer	30,083,220	0.530%
B.F. Goodrich Aerospace	Electronics	27,410,250	0.490%
Hawley, Ervie, Germantown Plaza Assoc.	Shopping Center and Land Developer	26,250,170	0.470%
Ethan Allen Inn/Lake Ave. Association	Hotel	23,120,700	0.410%
Urstadt & Biddle Properties	Shopping Center	21,437,870	0.380%
	Total	<u>\$463,107,560</u>	<u>8.22%</u>

⁽¹⁾ Based on a net taxable grand list 10/1/04 of \$5,635,804,295.

Source: Assessor's Office, City of Danbury.

CITY OF DANBURY, CONNECTICUT

**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years**

Calendar Year	Residential Construction		Commercial Construction		Industrial Construction		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2004	1,420	\$ 85,958,812	195	\$37,860,444	5	\$ 8,225,886	1,620	\$ 132,045,142
2003	1,127	40,166,000	181	24,635,638	9	3,051,936	1,317	67,853,574
2002	1,062	57,004,872	236	32,725,840	33	6,440,498	1,331	96,171,210
2001	2,160	56,853,403	582	29,916,109	15	16,853,297	2,757	103,622,809 ⁽²⁾
2000	1,823	62,484,901	426	29,746,777	23	9,744,553	2,272	101,976,231 ⁽²⁾
1999	802	37,221,107	227	43,087,178	-	-	1,029	80,308,285
1998	763	43,964,940	9	18,989,896	2	370,961	774	63,325,797
1997	203	19,151,324	53	18,907,047	1	500,000	257	38,558,371
1996	111	10,362,330	49	25,346,500	2	2,533,000	162	38,241,830
1995	112	9,511,704	59	16,520,605	5	1,905,000	176	27,937,309

⁽¹⁾ Federal Deposit Insurance Corporation (FDIC)

⁽²⁾ Building permits for 2000 and 2001 include electrical and mechanical permits.

Source: City of Danbury, Assessor's Office and Federal Deposit Insurance Corporation

Property Values		
Assessed	Estimated Actual	Bank ⁽¹⁾ Deposits (000's)
\$ 4,892,216,450	\$ 6,988,880,643	\$ 1,260,700
4,562,023,370	6,517,176,243	1,376,430
4,468,312,290	6,383,303,271	1,331,243
4,394,762,120	6,278,303,271	1,260,101
4,667,049,310	6,667,213,300	1,267,805
4,588,090,240	6,554,414,629	1,240,956
4,558,194,720	6,511,557,486	1,103,688
4,518,020,290	6,454,314,700	1,058,551
4,444,257,600	6,348,939,429	1,056,036
4,389,993,410	6,271,419,157	1,069,407

CITY OF DANBURY, CONNECTICUT

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Assessment	Advance Assessments Collected	Current Assessment Due	Current and Prior Assessments Collected	Ratio of Current and Prior Assessments Collected to Current Amount Due	Total Assessments Collected	Total Assessments Outstanding
<u>Sewer Assessments</u>							
2005	\$ 1,277,087	\$ 210,471	\$ 267,847	\$ 270,465	101.0%	\$ 480,936	\$ 3,671,098
2004	542,954	71,244	214,391	232,709	108.5%	303,953	2,874,439
2003	39,338	70,084	212,158	241,652	113.9%	311,736	2,635,438
2002	1,795,690	254,705	216,319	194,878	90.1%	449,583	2,907,805
2001	-	4,912	120,268	125,689	104.5%	130,601	1,561,703
2000	-	13,431	125,277	119,499	95.4%	132,930	1,692,304
1999	205,475	28,210	131,661	124,994	94.9%	153,204	1,619,780
1998	44,236	82,567	127,297	116,795	91.8%	199,362	1,772,958
1997	1,030,519	151,364	140,820	198,252	141.8%	349,616	1,928,087
1996	713,403	156,057	111,730	132,131	118.3%	288,188	1,194,824
<u>Water Assessments</u>							
2005	\$ -	\$ 72,058	\$ 87,840	\$ 60,462	68.8%	\$ 132,520	\$ 1,166,686
2004	402,750	97,012	94,762	100,841	106.4%	197,853	1,298,851
2003	-	46,040	77,208	76,719	99.4%	122,759	\$ 1,093,954
2002	-	44,805	79,507	79,269	99.7%	124,074	1,222,351
2001	305,229	74,317	80,027	79,672	99.6%	153,989	1,340,786
2000	-	38,388	70,641	64,208	90.9%	102,596	1,189,546
1999	1,397,892	47,151	73,857	58,599	79.3%	105,750	1,292,142

C. LONG-TERM DEBT

CITY OF DANBURY, CONNECTICUT

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

Fiscal Year	Net Bonded Debt	Assessed Value	Ratio of Net Bonded Debt To Assessed Value	Population	Debt Per Capita
2005	\$ 56,009,450	\$5,200,457,340	1.08%	77,353	\$ 724
2004	58,126,800	4,892,216,450	1.19%	74,848	777
2003	50,009,500	4,562,023,370	1.10%	74,848	668
2002	55,007,000	4,468,312,290	1.23%	74,848	735
2001	47,600,000	4,394,762,120	1.08%	74,848	636
2000	52,320,000	4,667,049,310	1.12%	65,829	795
1999	53,410,000	4,588,090,240	1.16%	65,829	811
1998	47,550,000	4,558,194,720	1.04%	67,370	706
1997	47,470,000	4,518,020,290	1.05%	67,370	705
1996	51,490,000	4,444,257,600	1.16%	67,370	764

Source: City of Danbury, Department of Finance, U.S. Department of Commerce, Bureau of Census and State of Connecticut Department of Health

CITY OF DANBURY, CONNECTICUT

**RATIO OF DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
Last Ten Fiscal Years**

Fiscal Year Ended 6/30	Total General Fund Expenditures	Long-Term Debt Service			Ratio of Total Debt Service To Total Expenditures
		Principal	Interest	Total	
2005	\$ 162,034,440	\$ 6,269,462	\$ 2,877,558	\$ 9,147,020	5.6%
2004	153,819,699	5,576,706	2,219,285	7,795,991	5.1%
2003	149,317,470	5,624,462	2,668,995	8,293,457	5.6%
2002	141,173,874	4,972,112	2,445,012	7,417,124	5.3%
2001	150,371,667	4,807,112	2,757,677	7,564,789	5.0%
2000	140,732,271	4,677,112	2,947,090	7,624,202	5.4%
1999	137,881,245	4,319,201	2,912,698	7,231,899	5.2%
1998	137,465,569	4,099,201	2,835,607	6,934,808	5.0%
1997	126,879,031	4,099,200	2,956,003	7,055,203	5.6%
1996	124,475,987	4,252,088	3,154,541	7,406,629	6.0%

Source: City of Danbury, Department of Finance – Budgetary Basis

CITY OF DANBURY, CONNECTICUT

DEBT ADMINISTRATION
June 30, 2005

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position for municipal management, citizens, and investors. This data for the City at June 30, 2005 was as follows:

Population ⁽⁴⁾		77,353	
Net Taxable Grand List (10/1/04)	\$	5,635,804,295	
2004 Equalized Net Taxable Grand List ⁽³⁾	\$	8,402,511,289	
Estimated Full Value (70%)	\$	8,051,148,993	
2000 Income per capita	\$	24,500	
		<u>Total</u>	<u>Total</u>
		<u>Debt</u>	<u>Net Debt</u>
Per Capita	\$	1,733	\$ 1,119
Ratio to Net Taxable Grand List		2.38%	1.54%
Ratio to Estimated Full Value		1.88%	1.08%
Ratio of Debt Per Capita to 1990 Income Per Capita		7.07%	4.57%
Ratio of Equalized Net Taxable Grand List		1.60%	1.03%

Debt Statement
June 30, 2005

Long-term debt ⁽¹⁾			
General Purpose	\$	31,581,450	
Schools		24,428,000	
Water		16,484,400	
Sewers		25,837,460	
Capital Leases		3,451,078	
Total Long-Term Debt			101,782,388
Short-term debt ⁽²⁾			
Bond Anticipation Notes			32,300,000
Total direct debt			134,082,388
Less: Amount to be provided by State of Connecticut		5,205,903	
Self-Supporting Sewer Debt		25,837,460	
Self-Supporting Water Debt		16,484,550	
			47,527,913
Total overall net debt			\$ 86,554,475

⁽¹⁾ Long-term debt does not include \$13,789,243 of landfill closure and postclosure costs payable and the \$525,998 of accrued employee benefits as of June 30, 2005, the \$37,112 State Local Bridge Loan from the State of Connecticut, or the Section 108 note payable from the Federal government.

⁽²⁾ Bond anticipation notes of \$32,300,000 are for general purposes.

⁽³⁾ Office of Policy and Management, State of Connecticut

⁽⁴⁾ State of Connecticut, Department of Health and U.S. Department of Commerce, Bureau of Census

CITY OF DANBURY, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

June 30, 2005

Computation of Basis for Debt

Tax collections for the year ended June 30, 2005 (including interest and lien fees less refunds)	\$ 129,598,644
Tax relief for the elderly	42,824
	<u>\$ 129,641,468</u>

Debt Limitation	General Purpose	Urban Renewal	Sewer	Schools	Unfunded Pension
2 ¼ times basis	\$ 289,443,303	\$ -	\$ -	\$ -	\$ -
3 ¼ times basis	-	418,084,771	-	-	-
3 ¾ times basis	-	-	482,405,505	-	-
4 ½ times basis	-	-	-	578,886,606	-
3 times basis	-	-	-	-	385,924,404
Debt limitation	289,443,303	418,084,771	482,405,505	578,886,606	385,924,404
Indebtedness:					
Bonds and Notes payable	31,581,450	-	25,837,460	24,428,000	-
Bonds authorized and unissued	23,268,700	-	5,000,000	26,414,300	-
Short-Term Notes payable	13,750,000	-	-	9,300,000	-
Indebtedness	68,600,150	-	30,837,460	60,142,300	-
Less School Construction Grants	-	-	-	(21,683,606)	-
Debt Limitation in excess of indebtedness	<u>\$ 220,843,153</u>	<u>\$ 418,084,771</u>	<u>\$ 451,568,045</u>	<u>\$ 540,427,912</u>	<u>\$ 385,924,404</u>

Notes: With certain exclusions as set forth in Chapter 109 of the General Statutes, bonds and notes causing the aggregate indebtedness of the City to exceed seven times the annual receipts from taxation (\$900,490,276 as of June 30, 2005) may not be issued for any purpose.

Water and sewer assessment debt are excludable from the calculation of debt limitation as allowed by Connecticut General Statutes. Excluded from above is \$9,166,000 of outstanding sewer assessment bonds and notes, \$1,009,090 of authorized unissued sewer assessment debt, \$750,000 of outstanding water assessment notes and \$2,755,000 of authorized, unissued water assessment debt.

Excludes \$21,984,500 of water bonds and notes outstanding and \$2,180,000 of authorized/unissued water debt per Connecticut General Statutes, \$3,451,078 in capital leases, \$13,789,243 of landfill closure, \$525,998 of accrued employee benefits, \$37,112 of State Local Bridge Loan from the State of Connecticut, or the Section 108 note payable from the Federal government.

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D. DEMOGRAPHIC DATA

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA

June 30, 2005

MAJOR EMPLOYERS

Name	Number of Employees
Danbury Hospital	2,778
Danbury School System	1,387
Cendant Mobility	1,350
G.E. Capital	1,200
Boehringer-Ingelheim Pharmaceuticals	1,100
Western CT State University	903
Pitney Bowes, Inc.	700
Scholastic	600
City of Danbury General Government	527
Praxair	400

Source: Greater Danbury Chamber of Commerce

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued
June 30, 2005

POPULATION AND DENSITY

Historical			
Year	Population	% Increase	Density
1950	30,337	8.7%	689
1960	39,382	29.8%	895
1970	51,066	29.7%	1,154
1980	60,470	18.4%	1,374
1990	65,585	8.5%	1,491
2000	74,848	14.1%	1,701
2003	77,353	3.3%	1,758

Source: U.S. Department of Commerce, Bureau of Census and State of Connecticut, Department of Health

AGE DISTRIBUTION OF THE POPULATION

Age	City of Danbury		State of Connecticut	
	2001	Percent	2001	Percent
Under 5	4,900	6.5%	223,344	6.5%
5-14	8,821	11.8%	485,731	14.3%
15-24	10,148	13.6%	404,198	11.9%
25-44	26,493	35.4%	1,032,689	30.3%
45-64	16,250	21.7%	789,420	23.2%
65 & Over	8,236	11.0%	470,183	13.8%
	<u>74,848</u>	<u>100.0%</u>	<u>3,405,565</u>	<u>100.0%</u>
Median Age	<u>35.2</u>		<u>37.4</u>	

Source: U.S. Department of Commerce, Bureau of Census, 2000.

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued

June 30, 2005

INCOME DISTRIBUTION

	<u>City of Danbury</u>		<u>State of Connecticut</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	684	3.8%	33,423	3.8%
\$10,000 to \$14,999	452	2.5%	23,593	2.7%
\$15,000 to \$24,999	1,341	7.4%	63,262	7.1%
\$25,000 to \$34,999	1,695	9.3%	75,413	8.5%
\$35,000 to \$49,999	2,721	15.0%	120,134	13.6%
\$50,000 to \$74,999	4,299	23.7%	198,924	22.5%
\$75,000 to \$99,999	2,988	16.5%	141,981	16.0%
\$100,000 to \$149,999	2,561	14.1%	132,177	14.9%
\$150,000 to \$199,000	790	4.4%	42,472	4.8%
\$200,000 or more	615	3.3%	54,368	6.1%
	<u>18,146</u>	<u>100.0%</u>	<u>885,747</u>	<u>100.0%</u>

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

INCOME LEVELS

	<u>City of Danbury</u>	<u>State of Connecticut</u>
Per Capita Income, 1999	\$ 24,500	\$ 28,766
Per Capita Income, 1989	19,300	20,189
Per Capita Income, 1987	14,472	16,094
Median Family Income, 1999	53,664	53,935
Percent Below Poverty	5.9%	5.6%

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

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued

June 30, 2005

EMPLOYMENT BY INDUSTRY

Sector	City of Danbury		State of Connecticut	
	2000		2000	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fisheries, Mining	69	0.3%	7,445	0.5%
Construction	3,811	9.5%	99,913	6.0%
Transportation and Warehousing, Utilities	1,213	3.0%	64,662	3.9%
Manufacturing	7,323	18.3%	246,607	14.8%
Wholesale trade	1,181	2.9%	53,231	3.2%
Retail trade	5,039	12.6%	185,633	11.2%
Finance, Insurance, Real Estate	2,529	6.3%	163,568	9.8%
Information	1,602	4.0%	55,202	3.3%
Professional, Scientific, Management Services	4,656	11.6%	168,334	10.1%
Educational, Health and Social Services	6,893	17.2%	366,568	22.0%
Arts, Entertainment, Recreation	2,780	6.9%	111,424	6.7%
Other services (except Public Administration)	2,165	5.4%	74,499	4.5%
Public Administration	809	2.0%	67,354	4.0%
Total Labor Force, Employed	40,070	100.0%	1,664,440	100.0%

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

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued

June 30, 2005

UNEMPLOYMENT DATA

	City of Danbury		Percentage Unemployed		
	Employed	Unemployed	City of Danbury	Labor Market	State of Connecticut
June 1, 2005	41,718	1,917	4.4%	4.2%	5.4%
<u>Annual Averages</u>					
2004	39,193	1,447	3.6%	3.1%	4.7%
2003	38,553	1,782	4.4%	3.4%	5.2%
2002	36,346	1,473	3.9%	3.3%	4.3%
2001	34,711	1,086	3.0%	2.5%	3.3%
2000	36,010	662	1.8%	1.5%	2.3%
1999	34,738	1,034	2.9%	2.3%	3.2%
1998	34,718	1,046	2.9%	2.3%	3.4%
1997	34,508	1,589	4.4%	3.4%	5.1%
1996	34,114	1,774	4.9%	3.9%	5.7%
1995	33,830	1,683	4.7%	3.7%	5.5%
1994	34,837	2,022	5.5%	4.3%	5.6%
1993	36,318	2,391	6.2%	4.8%	6.2%

Source: U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut

E. MISCELLANEOUS STATISTICS

CITY OF DANBURY, CONNECTICUT

MISCELLANEOUS STATISTICS

June 30, 2005

Date of Incorporation	1889
Form of Government	Mayor/Council
Area	44 square miles
Miles of Streets	238
Number of Street Lights	2,768

City of Danbury Services and Facilities:

Fire Protection:

Number of Stations	17
Number of Firemen and Officers (includes approximately 120 volunteers)	229

Police Protection:

Number of Stations	1
Number of Policemen and Officers	143
Nonuniformed employees	6

Education (K through 12):

Attendance Centers	17
Number of Classrooms	425
Number of Teachers	842
Number of Students	9,797

Building Permits Issued, 2004	1,420
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Recreation and Culture:

Number of Parks	15 with 571 developed acres
Municipal Golf Course	1
Number of Libraries	1
Number of Volumes	112,812

Employees (other than police and fire):

Classified Service	203
Exempt	75