



CITY OF DANBURY

155 DEER HILL AVENUE

DANBURY, CONNECTICUT 06810

COMMON COUNCIL

REPORT

February 1, 2004

Mayor Mark D. Boughton
Members of the Common Council

Re: FY03-04 Comprehensive Annual Financial Report and
Appointment of Independent Auditors

The Common Council Committee appointed to review the FY03-04 Comprehensive Annual Financial Report and the Appointment of Independent Auditors met on January 12, 2005 at 2:00 P.M. in the Third Floor Caucus Room in City Hall. In attendance were committee members Urice, Calandrino and Esposito. Also in attendance were Director of Finance Dena Diorio, Deputy Corporation Counsel Eric Gottschalk, Scott Bassett from McGladney & Pullen and School Board Director of Finance Elio Longo.

Mr. Urice asked Mr. Bassett for an overview of the audit report. Mr. Bassett stated that an audit includes examining evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. He stated that in his opinion based on their audit and the reports of other auditors, the financial statements present fairly the respective financial position of the governmental activities, the business activities, the component units, each major fund and the remaining fund information as of June 30, 2004. He also stated that the changes in financial position and cash flows and the budgetary comparison for the general fund ended in conformity with accounting principles generally accepted in the United States.

He stated that the basic financial statements comprise three components: government-wide financial statements; fund financial statements and notes to the financial statements. He went over the revenues, expenses, enterprise funds and fund balance with the committee. The fund balance is strong, the collection rate is satisfactory and pensions funded which makes the City strong when it goes out to the bond market.

Mr. Urice asked Mr. Bassett if he considers the City to be in good financial condition? Mr. Bassett said that he does. Mr. Urice asked if, during the course of the audit, was anything out the ordinary found? Mr. Bassett stated that the City recorded a prior period adjustment to restate prior year entity wide governmental statements for capital assets that had been recorded in error.

Mr. Calandrino asked if there have been improvements in internal controls? Mr. Bassett said there have been at the Board of Education. Mr. Calandrino asked about sewer and water reserves. Ms. Diorio said there have been some issues and rates were raised. We have the assets, but not the cash flow; there are still some cash flow difficulties. Mr. Urice asked if the unrestricted assets are reasonably liquid? Ms. Diorio said there is cash, but most of that was for bond proceeds designated for sewer and water assessment projects. They are encumbered and restricted for future use.

Mr. Calandrino made a motion to recommend acceptance of the FY03-04 Comprehensive Annual Financial Report submitted by McGladney & Pullen as complete and that no further action be taken. Seconded by Mr. Esposito. Motion carried unanimously.

Regarding the second charge of the committee, Mr. Urice asked Mr. Bassett, to the best of his knowledge, is his firm under any malfeasance for accounting practices? Mr. Bassett said no. Mr. Urice asked if there were any other reason to prevent the firm from preparing audits? Mr. Bassett said no. Mr. Urice asked Ms. Diorio if she saw any reason for the firm not to be reappointed? Ms. Diorio said no. She would like to see them reappointed.

Mr. Calandrino made a motion to recommend the approval of the reappointment of McGladney & Pullen as provided in the previous contract. Seconded by Mr. Esposito. Motion carried unanimously.

Respectfully submitted,

JOEL URICE, Chairman

MICHAEL CALANDRINO

JOHN ESPOSITO