

Final Official Statement Dated July 25, 2007

New Issue: Book-Entry Only

**Ratings: Moody's Investors Service, Inc.: Aaa/MIG1
Standard & Poor's Corporation: AAA/SP-1+
Fitch ratings: AAA/F1+**

In the opinion of Bond Counsel, based on existing statutes and court decisions, and assuming continuing compliance with certain covenants and procedures relating to requirements of Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing federal alternative minimum tax. Interest on the Bonds and the Notes may be included in the calculation of certain taxes under the Code, including the alternative minimum tax on corporations, as described under "Tax Matters" herein. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.



City of Danbury, Connecticut \$28,315,000 General Obligation Bonds, Issue of 2007

Dated: August 1, 2007

**Due: Serially on August 1, 2008-2027,
as detailed below:**

The Bonds will bear interest payable February 1, 2008 and semiannually thereafter on August 1 and February 1 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds are subject to redemption prior to maturity as herein provided.

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The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a Financial Guaranty Insurance Policy to be issued concurrently with the delivery of the Bonds by MBIA.



Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2008	\$1,530,000	5.000%	3.500%	235865K68	2018	\$1,315,000	4.000%	4.080%	235865L83
2009	1,530,000	5.000%	3.550%	235865K76	2019	1,315,000	4.125%	4.130%	235865L91
2010	1,530,000	5.000%	3.600%	235865K84	2020	1,315,000	4.125%	4.160%	235865M25
2011	1,525,000	5.000%	3.650%	235865K92	2021	1,310,000	4.125%	4.200%	235865M33
2012	1,520,000	5.000%	3.700%	235865L26	2022	1,310,000	4.250%	4.250%	235865M41
2013	1,520,000	4.000%	3.750%	235865L34	2023	1,310,000	4.250%	4.270%	235865M58
2014	1,520,000	4.000%	3.800%	235865L42	2024	1,310,000	4.250%	4.300%	235865M66
2015 *	1,520,000	4.000%	3.900%	235865L59	2025	1,310,000	4.250%	4.320%	235865M74
2016 *	1,510,000	4.000%	3.950%	235865L67	2026	1,310,000	4.250%	4.350%	235865M82
2017	1,500,000	4.000%	4.000%	235865L75	2027	1,305,000	4.375%	4.375%	235865M90

* Priced assuming redemption on August 1, 2014; however any such redemption is at the option of the City.

\$56,080,000

General Obligation Bond Anticipation Notes

Dated: August 3, 2007

Due: August 1, 2008

Amount: \$56,080,000

Yield: 3.67%

Rate: 4.25%

Cusip: 235865N24

Underwriter: Morgan Stanley

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated July 18, 2007. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

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

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

The Bonds and the Notes are offered for delivery when, as and if issued, subject to the approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds and the Notes in book-entry-only form will be made to DTC on or about August 3, 2007.

No person has been authorized by the City to give any information or to make any representations not contained in this Official Statement or any supplement, which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds and the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

Other than as to matters expressly set forth in Appendix B, Bond Counsel are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

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Bond Issue Summary

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Wednesday, July 25, 2007, 11:30 A.M. (E.D.T.).
Location of Sale:	Danbury City Hall, Finance Department Conference Room, 155 Deer Hill Avenue, Danbury, Connecticut 06810.
Issuer:	City of Danbury, Connecticut (the "City").
Issue:	\$28,315,000 General Obligation Bonds, Issue of 2007 (the "Bonds").
Dated Date:	August 1, 2007.
Interest Due:	February 1, 2008 and semiannually thereafter on August 1 and February 1 in each year until maturity.
Principal Due:	The Bonds are due serially on August 1 in each of the years 2008 through 2027, as detailed in this Official Statement.
Purpose and Authority:	A portion of the Bond proceeds are being issued to permanently finance a portion of bond anticipation notes maturing on August 3, 2007 which were issued for various general purpose and school projects and the balance of the Bond proceeds will provide new money for various general purpose projects.
Redemption:	The Bonds are subject to redemption prior to maturity.
Security and Remedies:	The Bonds will be general obligations of the City of Danbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The City received an "Aaa", "AAA" and "AAA" from Moody's Investors Service, Standard & Poor's and Fitch Ratings respectively, with the understanding that a financial guarantee insurance policy will be issued by MBIA Insurance Corporation concurrently with the delivery of the Bonds. The City's underlying ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings are "Aa2" "AA" and "AA+", respectively.
Bond Insurance:	MBIA Insurance Corporation has made a commitment to issue a financial guarantee insurance policy relating to the Bonds effective as of the date of issuance of the Bonds (See Appendix E - "Financial Guarantee Insurance Policy").
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Bank Qualification:	The Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data, timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement, and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent & Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Financial Advisor:	People's United Bank, Municipal Banking and Finance Department, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.
Legal Opinion:	Robinson & Cole LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 3, 2007 against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to David W. St. Hilaire, Director of Finance, City of Danbury, 155 Deer Hill Avenue, Danbury, Connecticut 06810. Telephone (203) 797-4652.

Note Issue Summary

The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

- Date of Sale:** Wednesday, July 25, 2007, 11:00 A.M. (E.D.T.).
- Location of Sale:** Danbury City Hall, Finance Department Conference Room, 155 Deer Hill Avenue, Danbury, Connecticut 06810.
- Issuer:** City of Danbury, Connecticut (the "City").
- Issue:** \$56,080,000 General Obligation Bond Anticipation Notes (the "Notes").
- Dated Date:** August 3, 2007.
- Interest Due:** At maturity: August 1, 2008
- Principal Due:** At maturity: August 1, 2008
- Purpose and Authority:** A portion of the Note proceeds are being issued to refund a portion of the bond anticipation notes maturing on August 3, 2007 which were issued for various general purpose, school, sewer and water projects and the balance of the Note proceeds will provide new money for various school and general purpose projects.
- Redemption:** The Notes are not subject to redemption prior to maturity, as herein provided.
- Security and Remedies:** The Notes will be general obligations of the City of Danbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
- Credit Rating:** The City received a "MIG 1", "SP-1+" and "F1+" from Moody's Investors Service, Standard & Poor's and Fitch Ratings respectively, on the Notes.
- Basis of Award:** Lowest Net Interest Cost (NIC), as of the dated date.
- Bank Qualification:** The Notes shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.
- Continuing Disclosure:** In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, notices of material events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix C to this Official Statement.
- Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
- Financial Advisor:** People's United Bank, Municipal Banking and Finance Department, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.
- Legal Opinion:** Robinson & Cole LLP, of Hartford, Connecticut will act as Bond Counsel.
- Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about August 3, 2007 against payment in Federal Funds.
- Issuer Official:** Questions concerning the Official Statement should be addressed to David W. St. Hilaire, Director of Finance, City of Danbury, 155 Deer Hill Avenue, Danbury, Connecticut 06810. Telephone (203) 797-4652.

I. Bond and Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the City of Danbury, Connecticut (the "City"), in connection with the original issuance and sale of \$28,315,000 General Obligation Bonds, Issue of 2007 (the "Bonds") and \$56,080,000 General Obligation Bond Anticipation Notes (the "Notes") of the City.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds and the Notes. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

The information in this Official Statement has been prepared by the City's Financial Advisor, People's United Bank, from information supplied by City officials and other sources. The Financial Advisor does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds and the Notes.

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and they make no representation that they have independently verified the same.

Description of the Bonds

The Bonds will be dated August 1, 2007 and will mature in the years and in such amounts and shall bear interest at such rate of rates as set forth on inside of the front cover of this Official Statement, payable on February 1, 2008 and semiannually thereafter on August 1 and February 1 in each year until maturity. Interest will be calculated on the basis of twelve thirty-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the fifteenth day of January and July in each year or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, and the City shall agree.

Redemption Provisions

Bonds maturing on or before August 1, 2014 are not subject to redemption prior to maturity. The Bonds maturing August 1, 2015 and thereafter are subject to redemption prior to maturity, at the election of the City, on or after August 1, 2014 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the respective prices (expressed as a percentage of the principal amount of Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Prices</u>
August 1, 2014 and thereafter	100%

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

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

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

Description of the Notes

The Notes will be dated August 3, 2007 and will be due and payable as to both principal and interest at maturity, August 1, 2008. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry Transfer System". The Notes are not subject to redemption prior to maturity.

The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.

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Authorization and Purpose

The Bonds and the Notes are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, the City Charter and certain ordinances adopted by the Common Council of the City.

Proceeds of the Issue

Proceeds of the Bonds and the Notes will be used to refund a portion of the bond anticipation notes maturing August 3, 2007 and to provide new money borrowing for the projects listed below:

Project	Amount Authorized	Notes Maturing (Reductions)		The Notes To Mature	
		08/03/07	or New Money	The Bonds	08/01/08
21 st Century Danbury Pub. Imp. ...	\$ 55,515,000	\$ 10,950,000	\$ 7,363,000	\$ 8,994,000	\$ 9,319,000
21 st Century Danbury Sewer	5,000,000	1,000,000	3,448,000	364,000	4,084,000
21 st Century Danbury Water.	5,680,000	500,000	1,306,000	-	1,806,000
Danbury Neighborhood Bond	10,930,000	1,000,000	3,951,000	3,843,000	1,108,000
Danbury Neighborhood Sewer	998,000	500,000	370,000	396,000	474,000
Danbury Neighborhood Water	998,000	250,000	298,000	113,000	435,000
Gen. Public Imp. 04-05	500,000	500,000	500,000	-	-
Gen. Public Imp. 05-06	500,000	500,000	-	-	500,000
Gen. Public Imp. 06-07	500,000	250,000	250,000	-	500,000
Gen. Public Imp. 07-08	500,000	-	500,000	-	500,000
Head Start	5,600,000	1,000,000	227,000	308,000	919,000
Parking Garage	6,640,000	3,000,000	1,527,000	4,345,000	182,000
Public Safety Bond	49,200,000	5,000,000	31,211,000	5,650,000	30,561,000
Safety Sewer Improvements	5,800,000	250,000	4,762,000	254,000	4,758,000
Sewer Service Extension II ²	6,000,000	2,200,000	118,000	2,318,000	-
Sewer Service Extension III ²	5,000,000	-	1,293,000	379,000	914,000
Vision 21 Public Improvement	21,000,000	-	132,000	132,000	-
Vision 21/2 Program Schools	5,360,000	-	26,000	26,000	-
Vision 21/2 Public Improvement ..	16,640,000	-	182,000	182,000	-
Water Service Extension II ¹	3,000,000	1,000,000	31,000	1,011,000	20,000
Total	\$ 205,361,000	\$ 27,900,000	\$ 57,495,000	\$ 28,315,000	\$ 56,080,000

¹ Debt service is included in and paid from the operating budget of the Water Enterprise Fund.

² All costs associated with the extension of new sewer services and for the construction of collector lines or laterals are borne by the property owners benefiting by such extension project. Assessments of benefits for those whose property benefits by such extension project are established by standards contained in an ordinance enacted by the Common Council and in conformity with Chapter 103 of the General Statutes, as amended. Debt service is paid from the Sewer Assessment Fund.

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, as amended, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved on or after July 1, 1996. Debt service reimbursement will continue under the old program for all projects approved prior to July 1, 1996.

Under the old program, the State of Connecticut will reimburse the City for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the approved school projects. As of June 30, 2007, that amount is \$11,416,000.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during construction. Thru June 30, 2007, the City has received \$26,158,000 in state funding for ongoing school projects.

Book-Entry-Only Transfer System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law; a "banking organization" within the meaning of the New York Banking Law; a member of the Federal Reserve System; a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Redemption proceeds, distributions, and dividend (including principal and interest) payments on the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail

information from the City or its Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend (including principal and interest) payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

Security and Remedies

The Bonds and the Notes will be general obligations of the City of Danbury, Connecticut and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due. Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues. The City has the power under Connecticut statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

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

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

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the federal bankruptcy code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9 thereof by state law or a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

Qualification for Financial Institutions

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

Availability of Continuing Information

The City of Danbury prepares, in accordance with State law, annual independent audited financial statements and files such annual report with the State Office of Policy and Management within six months of the end of its fiscal year.

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data, timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement, and notices of material events with respect to the Bonds and notices of material events with respect to the Notes pursuant to Continuing Disclosure Agreements to be executed by the City substantially in the forms attached as Appendix C to this Official Statement.

The City has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date the City has not failed to meet any of its undertakings under such agreements.

Ratings

Applications have been made to Moody's Investors Service, Standard & Poor's and Fitch for a rating on the Bonds. Moody's Investors Service, Standard & Poor's Corporation and Fitch Ratings have previously rated various bond issues of the City as follows:

<u>Issue Date</u>	<u>Amount</u>	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>
8/1/2007	\$28,315,000	Aa2	AA	AA+
8/1/2006	\$31,620,000	Aa2	AA	AA+
8/1/2005	10,940,000	Aa2	AA	N/A
8/1/2004	4,915,000	Aa2	AA	N/A
3/1/2004	25,360,000 ¹	Aa2	AA	N/A
8/1/2003	12,925,000	Aa2	AA	N/A
5/1/2003	1,190,000 ¹	Aa2	AA	N/A
5/15/2002	12,745,000	Aa2	AA	AA+
8/1/1999	22,495,000	Aa2	AA	AA+

¹ Refunding Bonds.

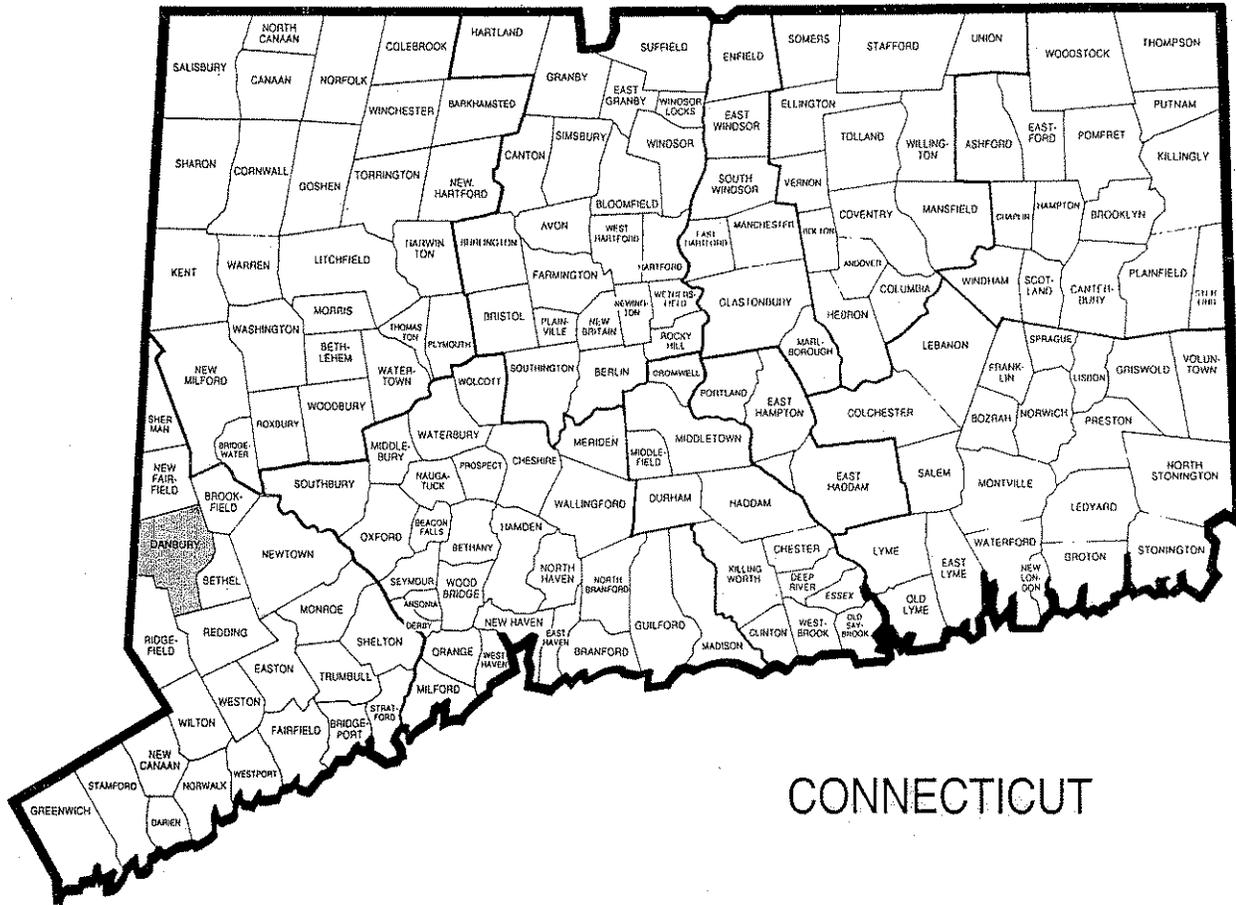
The City furnished to the Rating Agencies information and materials that they requested. However, the City may issue short-term or other debt for which a rating is not required. The City's Financial Advisor, People's United Bank, recommends that all bonded debt be submitted for a credit rating.

The City received an "Aaa", "AAA" and "AAA" rating from Moody's Investors Service, Inc., Standard and Poor's and Fitch Ratings respectively, on the Bonds, with the understanding that a financial guarantee insurance policy will be issued by MBIA Insurance Corporation concurrently with the Bonds. The Notes received ratings of "MIG 1", "SP-1+" and "F1+" from Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

Bond Insurance

MBIA Insurance Corporation has made a commitment to issue a financial guarantee insurance policy relating to the Bonds effective as of the date of issuance of the Bonds.

II. The Issuer



Description of the Municipality

Danbury (the "City") is the largest city in northern Fairfield County. Traversed 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. Danbury is also accessible by a municipal airport.

According to the 2000 U.S. 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 \$53,664. Danbury, with a population of approximately 78,736, is diversely populated. Residents represent more than 60 different nationalities and students entering Danbury public schools speak over 45 different languages. Danbury is a hub for retail shopping. The Danbury Fair Mall remains the largest mall in New England and new shopping centers have attracted tenants such as Bob's Stores, Home Depot, Circuit City, Borders and Wal-Mart.

Cultural activities abound in the City through the Charles Ives Center-the largest outdoor concert site in Western Connecticut, Richter Park- containing one of the top 25 public golf courses in the country, Candlewood Lake - the largest man-made lake in New England, and other smaller sites, museums and festivals.

Form of Government

The City of Danbury operates under a Charter, which was last revised in November, 1990. The City is governed by a Mayor and a twenty-one member Common Council. The Mayor is the City's chief executive and the Common Council is the legislative body.

Principal Municipal Officials

Office	Name	Manner of Selection	Term	Years of Service	Employment Last Five Years
Mayor.....	Mark D. Boughton	Elected	12/05-11/07	5.5	Mayor
Treasurer.....	Daniel P. Jowdy	Elected	12/05-11/07	3.5	Funeral Director
Council.....	21 members	Elected	12/05-11/07	Various	Various
Director of Finance.....	David W. St. Hilaire	Appointed ¹ Civil Service	Indefinite	- ³	Deputy Chief Fiscal Officer
Tax Collector.....	Scott Ferguson	Appointed ¹ Civil Service	Indefinite	0.75	Manager, Taxes
Assessor.....	Colleen Burke	Civil Service	Indefinite	21	Assessor
Superintendent of Schools....	Dr. Sal Pascarella	Appointed ²	Contract		Superintendent
Corp. Counsel.....	Robert J. Yamin	Appointed ¹	Indefinite	5.5	Attorney

¹ *Appointed by the Mayor.*

² *Appointed by the Board of Education.*

³ *Mr. St. Hilaire started with the City on July 16, 2007. He was previously the Deputy Chief Fiscal Officer for the County of Rensselaer in New York.*

Municipal Services

Police Department

The Danbury Police Department's mission is to provide an environment for the people of Danbury, free from the fear of crime, where people can enjoy a high quality of life, and the community can prosper. We are currently undertaking several major projects in support of our mission.

In early 2007, the City of Danbury and Danbury Police Union Local 891 entered into a two-year contract extension. The contract extension will allow for the restructuring of the Police Department in accordance with the strategic plan proposed in 2006. That strategic plan calls for civilianizing certain functions now handled by sworn police officers and for the addition of more sworn officers. Both changes will ultimately put more police officers on the street, making the Danbury Police Department more responsive to the needs of the community.

The Department continues to plan for a new state-of-the-art police facility. The City of Danbury awarded the construction contract in June 2007. Construction of the 75,000 square foot police facility will start later in 2007.

The Department continues the process to complete the Tier 1 State of Connecticut Accreditation. This self-assessment process will reduce liability for actions. It will also force the Department to create written protocols and constantly update them.

The Department continues to deploy new technology. We have awarded a consulting contract to redesign and modernize all City of Danbury radio communication facilities. The Department has also ordered an in-car camera system.

The Department remains committed to eliminating domestic violence through participation in a State grant to create special domestic violence patrols. They also remain committed to making travel safe on Danbury's streets through partnership with the Department of Transportation to conduct several seatbelt and DUI traffic enforcement check points.

Fire Department

The Danbury Fire Department is responsible for the protection of life, property and the environment of all citizens in the most efficient and safest manner possible. This is accomplished with an aggressive Fire Education/Prevention/Inspection Program, up-to-date emergency equipment, and continued training for both Career and Volunteer Divisions of the Department.

The Department is meeting the recent challenges of potential terrorism head on. The development of a regional Technician level Hazardous Materials team is proceeding, and an increased preparedness level has positioned us well. Numerous grant opportunities have allowed the Department to purchase specialized equipment. Additional equipment, including a decontamination trailer and response tow vehicle, are now on site and operational.

In addition, Danbury is also a member of the Region 5 response network. We provide manpower and a number of regional resources, including a Hazardous Material response vehicle, foam trailer and Mass Casualty trailer.

The mission is carried out by a Career Division comprised of 111 individuals in five locations, operating with 29 pieces of equipment (12 major pieces of apparatus and 17 vehicles) and is supplemented by approximately 95 volunteers operating from 12 stations with 23 pieces of equipment.

The Emergency Medical Services Unit is a Division of the Danbury Fire Department and operates three paramedic-staffed ambulances and one lead medic vehicle. The Fire Department has 52 EMT D's, 40 EMT I's, 26 paramedics, 3 EMS I's and an EMS Coordinator. These include personnel manning the ambulances through BSI. All firefighters are cross-trained to a minimum first responder level. The Fire Department operates six first responder engine companies and one Truck Company, all equipped with automatic defibrillators. With reduced response times due to geographic distribution of fire houses, this complement of equipment and professionally trained personnel helps make Danbury a safe community in which to work and live. The deployment schedule for ambulances has improved response time to the City's West Side. The improved response has benefited residents in this growing area of the City with timely emergency medical care.

The 9-1-1 Fire Department Dispatch Center received a total of 33,903 calls in calendar year 2006, of which 2,407 were for Fire Responses, 5,055 were for Police Responses, 4,164 were for Emergency Medical Service Response. The Fire Department Dispatch Center is the Primary Service Answering Point for the City of Danbury. It has the responsibility of answering all 9-1-1 calls in a professional and expedient manner. The center is manned by uniformed firefighters 24 hours a day. The center has been converted to a Computer Aided Dispatch System, and state-of-the-art Digital 9-1-1 equipment has been installed so that all calls are now received on ISDN (Integrated Services Digital Network) trunk lines.

The department's computer capabilities have increased with the implementation of the new Public Safety Software for Incident Reporting, record management, fire inspection and prevention activities. The continued implementation of Mobile Data Terminals for all front line apparatus and vehicles increases our efficiency. Quick access pre-plans, as well as mapping, dispatch and hazardous material information will be part of the continuing Mobile Data program.

The scheduled replacement program of major equipment continues with the receipt of a 2007 Pierce Dash Pumper in May of 2007. The delivery of this state-of-the-art pumper enhances our ability to handle all fires and emergency incidents within the City. This engine will be assigned to the new West Side Fire Station to be opened in the early fall of 2007. In addition, two new pumpers will be delivered in the late fall of 2007. These will replace two of our front line apparatus currently in service. Thermal Imaging Cameras have been purchased and assigned to both career and volunteer companies; the added availability of these units has proved to be invaluable in their various applications at emergency scenes. Volunteer units, combined with volunteer Fire Police continue to supplement the Department in emergency situations carrying on a proud tradition.

There have been several additions to the vehicles operated through the Danbury Fire Department. These comprise a new multipurpose vehicle, a Hazardous Materials response vehicle, and an off road "Gator" for rescue. In addition, the department has enhanced its response capabilities with the acquisition of a wheeled light generator and tower, a trailer for Haz-Mat gear and a heavy rescue gear trailer.

Construction of the new West Side fire station is nearing completion. This facility in the western section of Danbury will now meet the needs of the 24/7 coverage necessary in this area. The station will provide quicker response times to the western areas of the City. This area of the City continues to grow rapidly, and with the opening of the residential areas of the west side, this fire house will prove invaluable.

Training programs for both Career and Volunteer members are continuous and expand to meet the new challenges of the fire and emergency services. Hundreds of continuing classroom and practical hours keep firefighters abreast of current safety regulations and practices. New recruits are now trained at the Connecticut State Fire Academy. This 12-week session at one of the premier training institutions in the country prepares recruits for the challenges they will face. Many members continue their education through the National Fire Academy, State Fire Academy and other institutions of higher learning.

Public education continues throughout the community with citizen CPR programs, mock crash simulations in local high schools, Juvenile Fire Setter programs, File of Life senior citizen programs and our Babysitters Program in conjunction with Danbury Hospital, which is in its 23rd year and has graduated over 2,200 students. A major initiative within the City has placed automatic defibrillators in municipal buildings. These programs, combined with

our inspection and suppression duties, assist in making the quality of life in the City of Danbury among the best in the nation.

Parks and Recreation

Excluding school facilities, the City of Danbury has 1,326 acres designated for park and recreational use distributed as follows: 186 acres of City parks, 256 acres of natural resource areas, and 884 acres of special use parks. The Parks & Recreation Department uses 15 schools for playgrounds/ballfields, which account for 57 acres.

The City also contains recreational facilities and parks owned and maintained by state and community organizations. Wooster Mountain State Park (428 acres), administered by Squantz Pond State Park, contains a few lightly used hiking trails and a shooting range operated by the Danbury Shooting Sports Associates. Lattins Cove (5 acres) operates a boat launch on Lake Candlewood. Privately owned recreational facilities include such diverse organizations as the Swampfield Land Trust, the Portuguese Cultural Center, the Ridgewood Country Club, private and parochial schools and the Western Connecticut State University.

- *Bear Mountain Park* (140 acres): mostly undeveloped, passive recreation with a conservational outlook, Ranger Cottage and parking.
- *Blind Brook Playground* (.5 acres) playground.
- *Danbury Green* (1 acre): benches, walkway and band shell.
- *Elmwood Park* (2 acres): park benches for passive recreation, fountain.
- *Hatters Community Park* (32 acres): bowling alley, Park & Recreation Office, picnic pavilion, 3 softball fields, banquet hall and playground.
- *Highland Playground* (8 acres): playground and spray-park.
- *Joseph Sauer Memorial Park* (2 acres): park for the elderly, basketball court.
- *Kennedy Park* (1 acre): park benches for passive recreation.
- *Lake Candlewood Park* (11 acres): swimming, picnicking, motorized boating and boat ramp.
- *Lake Kenosia Park* (25 acres): swimming, picnicking, non-motorized boating, four soccer fields and playground.
- *Mill Plain Swamp* (34 acres): no facilities.
- *Old Quarry Nature Center* (40 acres): trails, bird watching, natural setting.
- *Richter Park* (230 acres): 18 hole golf course, pro shop, restaurant, playhouse, basketball court, fishing, hiking trail, two tennis courts, winter recreation. (Richter Park Drive).
- *Rogers Park* (59 acres): 8 tennis courts, handball/paddleball court, 4 softball fields, 6 baseball fields, 1 soccer field, and 6 volleyball courts.
- *Rogers Park Playground* (1 acre): playground and spray-park.
- *Rogers Park Pond* (7 acres): interpretative trails and footbridge.
- *Rowan Street Playground* (3 acres): playground.
- *Stephen A. Kaplanis Field* (5 ½ acres): football, soccer, lacrosse (boys & girls) and field hockey field.
- *Still River Greenway* (35 acres): hiking trails, education station, boat launch, bird sanctuary and footbridge.
- *Tom West Park* (.5 acre): playground.

Tarrywile Park is a passive recreational area. It is 717 acres split into two distinct sections by Brushy Hill Road. It has several buildings on the property of which the following are most noteworthy:

1. Mansion - Three stories, built in late 1800's - 18 rooms - renovated for Community Center.
2. Castle - 3 stories, built 1897 from natural quarry stone - use undetermined - large renovation project.
3. Carriage House - park residence.
4. Farm House - park residence.
5. Dairy Barns - future petting farm.
6. Gate House - administration use when property is developed.
7. Montessori School building - use to remain as such.

Danbury Public Library

The Danbury Public Library opened in 1970 on the primary downtown intersection of Main and West Streets.

Current services include:

- **Hours:** The library is open a total of 58 hours per week including Sundays.
- **Audio-video department:** A 4,200 square foot area holds 18,160 non-print items: videos, compact discs, audio books, books on CD and DVDs.
- **Personal computers for the public use:** Access to word processing, spreadsheet programs, the Internet and a variety of on-line databases are available on over 90 computers for the public. Free wireless Internet access is available in the library, as well as in the library plaza.
- **Library Technology Center:** A 4,300 square foot computer lab with twenty workstations can be used by the public for Internet access, word processing, on-line access to the library catalog, resume and typing programs and multilingual access to the Internet. Library staff offers introductory as well as specialized Internet and computer classes to the public on a regular basis in English, Spanish and Portuguese.
- **Praxair Lab:** With a gift of \$35,000 from Praxair, Inc. and \$5,500 from the FRIENDS of the Danbury Library, a second computer-teaching lab opened in February 2002. It accommodates 10 attendees and one instructor. In addition to having the software available on all other public computers, all workstations are installed with state-of-the-art interactive Ellis Learning English software.
- **Language Center:** A six-workstation lab supports the growing population in Danbury who are learning English. Numerous CD-ROM products teaching reading comprehension, pronunciation, and vocabulary are available for self-study. Audiocassette programs, audio CDs, videos, and DVDs are also available in addition to the Ellis Learning English software. The Language Center also carries materials on learning languages other than English, including Rosetta Stone online for learning Spanish and Portuguese online. In 2006, a Spanish catalog of our holdings was added to the Center, and a new collection of Hindi books and DVDs started.
- **A Program Room:** This room, which seats up to 100, has kitchen facilities and can be reserved by the public for programs and workshops. A second Meeting Room can be reserved for smaller group gatherings.
- **Danbury Library Homepage:** danburylibrary.org: Connecting to the library's home page allows off-site customers to view the library's catalog, reserve books, subscribe to an on-line newsletter, visit selected web sites of current interest and retrieve full-text magazine articles 24 hours a day, seven days a week. In addition, 24 hour a day access to a professional librarian is available through chat software to answer informational and research questions. In 2006, software was installed to enable Google searching of our catalog and website.
- **eAudiobooks:** The library offers 1,100 eAudiobooks to the public. These can be downloaded to computers as well as MP3 players.

A \$540,000 renovation of the library grounds and plaza was completed in 2004. Also in 2004, a \$222,000 redesign of the library's main floor was completed. It includes four customer self check-out machines, a system enabling customers to sign themselves up for Internet computers, as well as new shelving, seating and tables. New carpeting and tile were installed throughout the library in 2005.

Approximately 28,920 Danbury residents (376%) have active library cards. Over 503,000 visited the library during the last year and over 750,000 visited the library's home page.

A Board of Directors, appointed by the Mayor governs the Danbury Public Library. The Mayor also appoints a Library Director to promote library services and supervise a staff of 60 and manage an operating budget of \$2.1 million.

Urban Revitalization

The Danbury Redevelopment Agency (RDA) was established in 1956 for the purpose of revitalizing the central business district and other areas that had been severely flooded by the Still River. The first phase had a total cost of \$8,152,000, including Federal grants of \$5,600,000 and State grants of \$1,225,000. Projects undertaken during that phase included channelization of the River from Rose Street across White Street, construction of several bridges, and the realignment and widening of Rose, Kennedy, Elm, Crosby, Hartell, and White Streets. Land acquisition for redevelopment totaled over 23 acres. The subsequent sale of over 15 acres resulted in the construction of 22 new commercial businesses, twelve of which constituted new businesses for the City while the remainder were relocations from other areas.

The second phase was funded with Federal grants of \$8,372,000. Projects funded by these grants included: (1) acquisition of 56 parcels for redevelopment activities; (2) additional funding to contribute to the \$13 million expended by the U.S. Army Corp of Engineers for flood control improvements; (3) road improvements, including construction of Patriot Drive; (4) disposition of 12 acres of land for private industrial, commercial, and residential uses; and (5) disposition of an additional site for construction of the new Superior Court House. The realignment of Liberty Street was funded during this phase with redevelopment moneys and a Federal Urban Systems Grant.

Urban revitalization of the remaining 7.7 acre redevelopment site in the downtown was based on the "Downtown Danbury Redevelopment Plan" adopted by the Redevelopment Agency in 1990. Public improvement projects constructed from 1990 to 1994 were funded largely by an \$8,000,000 State grant administered by the Department of Economic Development. Approximately \$4.5 million was expended for the construction of the Patriot Garage at the intersection of Patriot Drive and Independence Way, while the remainder was used to fund streetscape improvements along Main Street from Boughton to Crosby Streets and for the extension of Delay Street to White Street. CDBG funds were used to finance construction of the "Danbury Green" on the redevelopment site. Private investment redeveloped vacant sites into Liberty Terrace condominiums and Webster Bank.

Construction of additional downtown sidewalks and walkways was completed in 1996. These improvements, funded through the CDBG program, include (1) a walkway across Elmwood Park at Boughton Street, (2) sidewalk installation along Old Liberty Street and Patriot Drive, and (3) a walkway from Patriot Drive to Delay Street along the north end of the garage. The restoration of Elmwood Park was completed in 1998, and the Danbury Ice Arena was opened in 2001 on the redevelopment site. That was followed by streetscape improvements which were completed on Center Street and on Main Street from Center Street to Park Place.

A \$1.3 million streetscape enhancement project was constructed along North Main Street under the Federal TEA-21 program and completed in 2005. The project provided related support for a \$1.5 million blight reduction program for eight properties on North Main Street financed through City bonds.

A new \$10,000,000 parking garage on Library Place is currently under construction. The garage has been financed by the issuance of City bonds and is scheduled for a Fall 2007 completion. A \$1,000,000 streetscape project on White Street from Main Street to Fifth Avenue has been financed by City bonds and State LOCIP funding.

Solid Waste - Recycling

The City is a member of the Housatonic Resources Recovery Authority (HRRA) which has legal authority to site and contract for long-term garbage disposal services. The HRRA has ruled out consideration of construction of a waste to energy incineration facility in the region. They have signed a contract with the owner of such a facility located in Bridgeport, Connecticut. The City executed a parallel contract with HRRA, which commits its solid waste to this regional solution, which began July 1, 1993. Funding of the proposal will be through tipping fees and garbage rate charges by the haulers to their customers. The tipping fee for the second half of fiscal year 2006-2007 is \$77 per ton. Approximately, twenty independent haulers collect solid waste in Danbury. There is no municipal garbage collection.

The City of Danbury landfill closed December 31, 1996. The final closure and capping of the landfill was completed in 1998. The project includes installation of a gas recovery system including a full synthetic geomembrane cap. The total cost of this project was \$11 million. The cost of the project has been funded under the Cityworks 2000 bond issue in the amount of \$2.4 million and from a portion of the proceeds the City received in connection with privatization of its wastewater treatment plant in the amount of \$8.1 million.

The State Bond Commission in 1997 approved a grant to the City in an amount not to exceed \$4.0 million under legislation enacted in the 1997 session of the General Assembly. This amount was used to reimburse the City for expenditures related to the landfill closure and was credited to the general fund.

Although the landfill closure has been completed, the project generated serious disputes regarding the quality of the work done by the City's contractor and its subcontractors. The contractor and the subcontractors denied responsibility for failures in the planning and execution of the work and then submitted claims for costs in excess of the contract amount. The City settled all claims made against it by the subcontractors but intends to vigorously defend against the claims made by the contractor.

The citywide recycling program was implemented in 1991. The municipal recycling truck remains available for use by all City residents. There is also curbside recycling offered citywide by independent haulers. In addition,

the City has contracted with Automated Waste Disposal to operate a municipal solid waste and recycling center drop off location for residents who do not wish to contract with an independent hauler.

On April 21, 2004, the City of Danbury, Connecticut entered into a 12-year contract with Total Landscaping and Tree Service, LLC for the management and operation of a wood waste facility and a leaf composting facility. The wood waste and leaf composting operations are conducted at City owned facilities. Total Landscaping and Tree Service is responsible for accepting and processing wood waste and leaves deposited at these City owned facilities as generated by the City or its residents.

Enterprise Funds

Sewer Fund

On October 1, 1997, the City of Danbury, Connecticut entered into a 20-year contract with Veolia Water North America (d.b.a. U.S. Filter Operating Services, Inc.) for the management, operation and maintenance of the City's 15.5 MGD wastewater treatment facility and its 13 pump stations. The contract has been amended to increase the number of pump stations to 15 and address changes in operational requirements. Danbury will continue to exercise control over its rate setting and inter-municipal agreements. The City retains full legal title and ownership of the facility. Veolia Water North America operates and maintains the facility in accordance with the terms and conditions of the City's NPDES permit (# CT0100145). The contract with Veolia contains additional performance standards, such as Veolia implementing a program to provide year round nitrification process to ensure the quality of effluent, which are above the requirements of the City's current NPDES permit. A laboratory is maintained on site by Veolia Water North America to insure proper operation of the plant process, and to comply with Connecticut Department of Environmental Protection requirements.

All residential and other sewage collected flows to the treatment plant through lateral and trunk sewers. In those geographic areas where sewage cannot flow by gravity, pumping stations lift the sewage to a higher point in elevation so it may flow by gravity to the treatment plant. Sewers are inspected for blockage and other physical conditions.

Funds for the operation of the Wastewater Division are provided by a sewer use charge. The sewer use charge also pays for the debt service on the debt issued to construct the treatment plant and trunk sewers. The assessment of benefits for lateral sewer lines is calculated in accordance with City ordinances using a formula that includes the following four elements: area of lot or parcel, frontage of lot or parcel, number of existing building units or number of units allowed by zoning on lot or parcel and property valuation for tax purposes of lot or parcel. An individual's assessment represents a proportionate portion of the assessable cost of sewer extensions.

Sewer rates for all customers were increased in 2005-2005 fiscal year by 18.5%, the 2006-2006 fiscal year by 20% and in the 2006-2007 fiscal year by 8%. There is no rate increase for the 2007-2008 fiscal year.

The City of Danbury has inter-municipal agreements with the Towns of Bethel, Brookfield, Newtown and Ridgefield which address and spell out the mechanism for payment of the capital improvements to the upgraded facility as well as the future operating and maintenance payments to the City of Danbury for the treatment of the sewage that is generated from within each of their towns. Both the capital and operation and maintenance formulas are a function of each municipality's proportionate share of the flow either reserved in the plant for capital expenses or actually flowing to the plant for operation and maintenance expenses. The plant is fully operational.

Water Fund

The City's raw water supply has 9 reservoirs with a total capacity of 3.0 billion gallons of water and one well field with a capacity of 0.5 million gallons per day (MGD). The safe yield of the City water system is 8.7 MGD. The Lake Kenosia well field and pump station has the ability to complement the reservoir system with an additional 1.0 MGD to 9 MGD when needed. In 2006, the Danbury Water Department produced and distributed an average of 7.5 million gallons per day.

A water quality monitoring program has been established to insure compliance with the standard for quality of drinking water listed in The State of Connecticut Public Health Code and in the Federal Safe Drinking Water Act. All the drinking water provided at the treatment plants and well field is chlorinated and fluoridated as required by the Connecticut Department of Public Health Service. Testing for water quality is performed by the Danbury Water Department laboratory and outside laboratory services.

The Water Department completed major programs directed at improving the purity, adequacy, and safety of the supply. It is the intent of the City of Danbury to develop a water supply system consistent with its plan of

development. A Vulnerability Assessment for the water system was submitted to the United States Environmental Protection Agency in December 2003 as required by federal regulations.

The City previously was under State order to repair its dams. The reconstruction of dams at Lower Kohanza, West Lake, Boggs Pond, Margerie, Padanaram and Upper Kohanza was completed in 1993-96. All reservoir dams are inspected annually for review of proper operation and maintenance.

Metered and non-metered rates provide funds for the operation, maintenance, and debt service of the water system. Water rates for all customers were increased in the 2004-2005 fiscal year by 32%, the 2005-2006 fiscal year by 20%, and in the 2006-2007 fiscal year by 5%. There is no rate increase for the 2007-08 fiscal year.

The rate structure is intended to provide sufficient funds for the Water System to be self-sustaining.

To ensure better accuracy and efficiency of measuring metered water use, a water meter replacement program was started in 2005. The program includes the replacement of all existing water meters older than 5 years and the installation of an automatic meter reading system. As of June 2007, approximately \$4,500,000 has been spent on the water meter replacement program, which has resulted in replacing approximately 6,000 of the 8,800 meters scheduled for replacement. Allocated meter replacement project funding has been expended, but meter replacement work continues to be performed by Public Utilities personnel.

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Employee Relations and Collective Bargaining

Municipal Employees

<u>Fiscal Year Ended June 30</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government.....	562	540	527	537	550
Board of Education.....	1,474	1,425	1,387	1,329	1,377
Total.....	2,036	1,965	1,914	1,866	1,927

Employee Bargaining Organizations

<u>Board of Education Groups</u>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
Non-Bargaining Employees.....	87	N/A
NEA Teachers.....	852	6/30/2009
Local 677 Teamsters Custodians.....	75	6/30/2008
CSEA Paraprofessionals.....	294	6/30/2009
School Nurses Association.....	25	6/30/2008
Local 677 Teamsters School Lunch.....	70	6/30/2009
Danbury Association of School Secretaries.....	71	6/30/2010
Total.....	1,474	
City Groups		
Local 891 Council 15 AFSCME Police. ²	153	6/30/2009
UPSEIU (formerly DMEA) Municipal Employees.....	118	6/30/2007 ¹
Local 677 Teamsters.....	106	6/30/2009
Local 801 AFL CIO Firefighters.....	109	6/30/2009
Non-Bargaining Employees.....	76	N/A
Total.....	562	

¹ In negotiation.

² Includes two canine control officers.

General Statutes sections 7-473c, 7-474 and 10-153d provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of an affected municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State will then appoint a new panel of three arbitrators to review the decisions on each of the rejected issues. The panel may accept the last best offer of either party. In reaching its determination, the arbitration panel shall give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. In the light of the employer's financial capability, the panel shall consider prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Educational Services

The present Board of Education of the City is comprised of eleven members each serving a four year term, as provided by the City Charter. The Mayor serves as an ex-officio member. The Board of Education is responsible for maintaining public elementary and secondary schools. There are thirteen (13) elementary schools, two (2) middle schools, one (1) high school and one (1) alternative high school providing educational programs to students in grades pre-kindergarten through twelve.

School Facilities

<u>School</u>	<u>Grades</u>	<u>Date Opened</u> <u>(Add. or Ren.)</u>	<u>Type of</u> <u>Construction</u>	<u>Number of</u> <u>Classrooms</u>	<u>Enrollment</u> <u>10/1/06</u>	<u>Rated</u> <u>Capacity</u>
Great Plain.....	PK - 5	1963	Brick	21	317	379
Hayestown.....	PK - 5	1955	Brick	26	397	448
King Street Prim.	PK - 2	1977	Brick	22	380	488
King Street Inter.	3 - 5	1964	Brick	31	316	322
Magnet.....	K - 4	2006	Brick	18	258	390
Mill Ridge Prim.	PK - 2	1974	Brick	22	317	396
Mill Ridge Inter.	3 - 5	1957	Brick	30	450	437
Morris Street.....	PK - 5	1892	Brick	24	360	379
		1963	(Addition)			
		1980	(Add. & Ren.)			
Park Avenue.....	PK - 5	1951	Brick	22	364	402
Pembroke.....	PK - 5	1970	Brick	23	346	425
Roberts Avenue.....	PK - 5	1952	Brick	19	309	356
Shelter Rock.....	PK - 5	1963	Brick	18	344	405
		1973	(Addition)			
South Street.....	PK - 5	1935	Brick	19	312	339
		1980	(Add. & Ren.)			
Stadley Rough.....	PK - 5	1971	Brick	21	425	494
Broadview M.S.	6 - 8	1967	Brick	39	1,111	1,012
Rogers Pk. M.S.	6 - 8	1972	Brick	42	1,011	1,012
Danbury H.S.	9 - 12	1964	Brick	117	2,881	2,442
Alternative Center.....	9 - 12	1977	Brick	11	85	100
Total.....				525	9,983	10,226

School Enrollment ¹

<u>Year</u>	<u>Historical</u>				<u>Total</u>
	<u>Pre-K - 5</u>	<u>6-8</u>	<u>9-12</u>	<u>Other</u>	
1997-1998	4,596	1,907	2,340	274	9,117
1998-1999	4,504	1,844	2,298	280	8,926
1999-2000	4,390	2,065	2,465	231	9,151
2000-2001	4,453	2,144	2,564	209	9,370
2001-2002	4,182	2,205	2,673	210	9,270
2002-2003	4,517	2,201	2,844	209	9,771
2003-2004	4,525	2,177	2,886	220	9,808
2004-2005	4,533	2,093	2,936	219	9,781
2005-2006	4,491	2,123	2,994	296	9,904
2006-2007	4,574	2,122	2,966	321	9,983
		<u>Projected</u> ²			
2007-2008	4,712	2,117	2,956	321	10,106
2008-2009	4,842	2,084	2,935	321	10,182
2009-2010	4,897	2,052	2,916	321	10,186
2010-2011	4,965	2,081	2,906	321	10,273
2011-2012	5,008	2,106	2,903	321	10,338

¹ Superintendent's Office

² Connecticut State Department of Education - Enrollment Projections

III. Economic and Demographic Information

Population and Density

Year	Actual Population ¹	% Increase	Density ²
1970	51,066	29.7%	1,161
1980	60,470	18.4%	1,374
1990	65,585	8.5%	1,491
2000	74,848	14.1%	1,701
2005 ³	78,736	5.2%	1,789

¹ 1970 - 2000, U.S. Department of Commerce, Bureau of Census

² Per square mile: 44 square miles

³ State of Connecticut, Department of Public Health; July 1, 2005

Age Distribution of the Population

	City of Danbury		State of Connecticut	
	2000	Percent	2000	Percent
Under 5.....	4,900	6.5	223,344	6.6
5 - 9.....	4,540	6.1	244,144	7.2
10 - 14.....	4,281	5.7	241,587	7.1
15 - 19.....	4,561	6.1	216,627	6.4
20 - 24.....	5,587	7.5	187,571	5.5
25 - 34.....	13,332	17.8	451,640	13.3
35 - 44.....	13,161	17.6	581,049	17.1
45 - 54.....	10,011	13.4	480,807	14.1
55 - 59.....	3,595	4.8	176,961	5.2
60 - 64.....	2,644	3.5	131,652	3.9
65 - 74.....	4,158	5.6	231,565	6.8
75 - 84.....	2,946	3.9	174,345	5.1
85 years and over.....	1,132	1.5	64,273	1.9
Total.....	74,848	100	3,405,565	100
Median Age (years)		35.2		37.4

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

Income Distribution

	City of Danbury		State of Connecticut	
	Households	Percent	Households	Percent
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 199,999.....	790	4.4	42,472	4.8
\$200,000 or more.....	615	3.4	54,368	6.1
Total.....	18,146	100	885,747	100

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

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
Median Family Income, 1999.....	\$53,664	\$53,935
Percent Below Poverty.....	5.90%	5.60%

Source: U.S. Department of Commerce, Bureau of Census, 2000 and 1990.

Educational Attainment Population 25 years and over

	<u>City of Danbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	5,182	10.1	132,917	5.8
9th to 12th grade, no diploma.....	6,607	12.9	234,739	10.2
High school graduate (includes equivalency).....	14,688	28.7	653,300	28.5
Some college, no degree.....	8,266	16.1	402,741	17.5
Associate's degree.....	2,596	5.1	150,926	6.6
Bachelor's degree.....	8,937	17.4	416,751	18.2
Graduate or professional degree.....	4,947	9.7	304,243	13.3
Total.....	51,223	100	2,295,617	100
Percent high school graduate or higher.....		77.00%		84.00%
Percent bachelor's degree or higher.....		27.10%		31.40%

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

Major Employers As of July, 2007

<u>Name</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
Danbury Hospital.....	Hospital (excluding affiliates)	2,900
Boehringer-Ingelheim Pharmaceuticals.....	Pharmaceuticals	2,893 ¹
Cartus (formerly Cendant Mobility).....	Relocation firm	1,656
Danbury School Systems.....	Education	1,474
Western CT State University.....	Education	1,027 ²
G.E. Capital.....	Consumer/Commercial Credit	1,003
City of Danbury General Government.....	Municipality	562
Goodrich.....	Optical Instruments & Lenses	540
Pitney Bowes, Inc.	Mailing Machines	482
Praxair.....	Industrial Gases	425

¹ Includes both Danbury and Ridgefield

² Includes part-time employees

Source: Greater Danbury Chamber of Commerce, Inc.

Employment by Industry

Sector	City of Danbury		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	69	0.2	7,445	0.4
Construction.....	3,811	9.5	99,913	6.0
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
Transportation and warehousing, and utilities.....	1,213	3.0	64,662	3.9
Information.....	1,602	4.0	55,202	3.3
Finance, insurance, real estate, and rental and leasing.....	2,529	6.3	163,568	9.8
Professional, scientific, management, administrative, and waste 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, accommodation and food services.....	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 the Census, 2000

Employment Data By Place of Residence ¹

Period	City of Danbury		Percentage Unemployed		
	Employed	Unemployed	City of Danbury	Danbury Labor Market	State of Connecticut
May 2007.....	43,405	1,538	3.4	3.3	4.4
Annual Average					
2006.....	42,478	1,499	3.4	3.3	4.3
2005.....	41,629	1,704	3.9	3.8	4.9
2004.....	39,193	1,447	3.6	3.1	4.7
2003.....	38,553	1,782	4.4	3.8	5.5
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

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	Units	Percent	Units	Percent
1999 to March 2000.....	685	2.4	15,993	1.2
1995 to 1998.....	808	2.8	47,028	3.4
1990 to 1994.....	1,023	3.6	56,058	4.0
1980 to 1989.....	4,569	16.0	183,405	13.2
1970 to 1979.....	4,855	17.0	203,377	14.7
1960 to 1969.....	4,583	16.1	212,176	15.3
1940 to 1959.....	6,091	21.4	359,042	25.9
1939 or earlier.....	5,905	20.7	308,896	22.3
Total housing units, 2000.....	28,519	100.0	1,385,975	100.0
Percent Owner Occupied, 2000.....		58.3		66.8

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

Housing Inventory

Type	Units	Percent
1-unit, detached.....	12,653	44.4
1-unit, attached.....	2,137	7.5
2 units.....	3,457	12.1
3 or 4 units.....	3,414	12.0
5 to 9 units.....	2,254	7.9
10 to 19 units.....	1,456	5.1
20 or more units.....	2,706	9.5
Mobile home.....	422	1.5
Boat, RV, van, etc.	20	0.1
Total Inventory	28,519	100.0

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

Building Permits

Calendar Year	Residential		Commercial		Industrial		Total		
	Ending 12/31	No.	Value	No.	Value	No.	Value	No.	Value
2006		1,368	\$ 57,171,613	203	\$ 69,518,464	12	\$ 28,725,755	1,583	\$155,415,832
2005		1,441	96,350,821	177	44,660,170	4	25,324,000	1,622	166,334,991
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	13	16,853,297	2,755	103,622,809 ¹
2000		1,823	62,484,901	426	29,746,777	23	9,744,553	2,272	101,976,231 ¹
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

Source: Building Department, City of Danbury

¹ Building permits for 2000 and 2001 include electrical and mechanical permits.

Owner-Occupied Housing Values

<u>Specified Owner-occupied Values</u>	<u>City of Danbury</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000.....	43	0.40	5,996	0.80
\$ 50,000 to \$ 99,999.....	562	4.80	85,221	11.70
\$100,000 to \$149,999.....	2,347	19.90	212,010	29.10
\$150,000 to \$199,999.....	3,929	33.40	156,397	21.50
\$200,000 to \$299,999.....	3,625	30.80	137,499	18.90
\$300,000 to \$499,999.....	1,082	9.20	79,047	10.90
\$500,000 to \$999,999.....	171	1.50	38,168	5.20
\$1,000,000 or more.....	20	0.20	13,906	1.90
Total.....	11,779	100.00	728,244	100.00
Median Value.....		\$186,500		\$166,900

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

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IV. Tax Base Data

Property Tax

Assessments

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion on the Grand List is the responsibility of the Assessor. The Grand List represents the total of assessed value for all taxable real and personal property located within the City as of October 1. A Board of Assessment Appeal determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last revaluation (Grand List 10/1/2002).

Public Act 04-2 Section 32 amended subsections (a) and (b) of Connecticut General Statutes 12-62. Pursuant to this legislative change, revaluations are to be implemented on a five-year cycle. All towns, including those that implemented revaluation prior to the legislation's effective date are subject to that requirement. The next revaluation the City will be performing will be for the October 1, 2007 grand list.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the City by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes (CGS), provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All business personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

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

In accordance with CGS 12-65b, the Common Council adopted in November 1996 an ordinance authorizing the deferral of assessment increases attributed to construction or improvements to real property. This applies to offices, manufactures, warehouses or storage areas.

Also, in accordance with CGS 12-65b, the Common Council adopted in February 2004 an ordinance authorizing the deferral of assessment increases attributed to the placement of personal property to be located in a manufacturing facility.

Levy

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. At the discretion of the City and for the convenience of the taxpayer, tax bills are payable in installments: July 1, October 1, January 1, and April 1. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. A modest estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least three times a year, with interest charged at the rate of one and one-half percent per month in accordance with CGS, with a minimum charge of \$2.00. Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Real estate accounts and other accounts are transferred to suspense 15 years after the due date in accordance with CGS.

Comparative Assessed Valuation

Grand List as of 10/1	Residential	Commercial/	All	Personal	Motor	Gross Taxable Grand List	Manufacturers' Exemptions ¹ , Veterans Relief, and Elderly	Net Taxable Grand List
	Real Property (%)	Industrial Real Property (%)	Land (%)	Property (%)	Vehicle (%)			
2006	60.6	26.6	N/A	5.9	7.2	\$6,359,947,800	\$106,380,770	\$6,253,567,030
2005	60.8	25.9	N/A	5.9	7.4	6,210,479,700	107,256,230	6,103,223,470
2004	59.2	26.9	N/A	6.1	7.8	6,055,386,825	121,477,840	5,635,804,295
2003	59.9	24.6	N/A	6.7	6.8	5,902,781,490	123,388,910	5,200,457,340
2002 ²	59.4	24.8	N/A	6.9	6.9	5,871,260,940	122,770,090	4,892,216,450
2001	52.4	28.7	N/A	8.6	8.5	4,661,646,250	99,622,880	4,562,023,370
2000	52.5	31.0	N/A	8.3	8.3	4,551,743,810	83,431,520	4,468,312,290
1999 ³	52.1	30.7	N/A	8.7	7.8	4,480,987,800	86,225,680	4,394,762,120
1998	54.8	29.6	1.2	7.8	6.6	4,741,143,050	74,093,740	4,667,049,310
1997	55.1	29.4	1.4	7.8	6.3	4,654,810,700	66,720,460	4,588,090,240

¹ Manufacturers' Exemptions began in 10/1/91.

² Revaluation. The column entitled "Exemptions" does not include exemptions due to phase in of revaluation.

³ Revaluation.

Source: City of Danbury, City Assessor's Office

Exempt Property Assessed Value as of 10/1/06

The following categories of exempt properties are not included in the grand lists.

	<u>Assessed Value</u>
U.S. Government.....	\$ 36,496,700
State of Connecticut.....	253,579,110
Miscellaneous.....	219,689,600
City of Danbury.....	<u>361,421,500</u>
Total Exempt Property.....	\$ 871,186,910
Percent Compared to Net Taxable Grand List ¹	13.93%

¹ Based on a Net Taxable Grand List 10/1/06 of \$6,253,567,030.

Source: City of Danbury, Assessor's Office

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Property Tax Levies and Collections

Grand List as of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Original Annual Levy	Percent of Annual Levy Collected at end of Fiscal Year	Percent of Annual Levy Uncollected at end of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/07
2005	2007 ¹	\$6,103,223,470	22.05	\$134,604,812	98.6%	1.4%	1.40%
2004	2006	5,635,804,295	23.03	129,801,428	99.4	0.6	0.6
2003	2005	5,200,457,340	24.86	129,296,048	98.5	1.5	0.5
2002	2004	4,892,216,450	24.29	118,824,972	99.3	0.7	0.4
2001	2003	4,562,023,370	25.24	115,150,456	98.3	1.7	0.4
2000	2002	4,468,312,290	24.30	108,588,084	98.7	1.3	0.4
1999	2001	4,394,762,120	23.19	101,895,249	98.0	2.0	0.4
1998	2000	4,667,049,310	20.78	96,977,466	98.6	1.4	0.3
1997	1999	4,588,090,240	19.13	87,748,032	98.7	1.3	-
1996	1998	4,558,194,720	19.13	87,189,876	97.6	2.4	-

¹ Estimate for June 30, 2007 and subject to audit.

Source: City of Danbury, Tax Collector's Office

Property Taxes Receivable Last Five Fiscal Years

As of June 30	Total	Current Year
2007 ¹	\$4,215,417	\$1,881,550
2006	3,760,854	1,616,950
2005	5,233,029	1,914,898
2004	4,900,629	1,766,355
2003	5,411,481	2,456,887

¹ Subject to audit

Source: Comprehensive Annual Financial Reports, City of Danbury, 2003 - 2006.

City of Danbury, Tax Collector's Office, 2007.

Ten Largest Taxpayers

Name	Nature of Business	Percent of Net	
		Taxable Valuation	Taxable Grand List ¹
Danbury Mall Associates.....	Shopping Mall	\$133,602,320	2.14%
Danbury Buildings, Inc.	Real Estate Investor	90,828,750	1.45%
Boehringer-Ingelheim.....	Research Center	56,441,910	0.90%
Avalonbay Communities, Inc.	Land Developer	41,702,630	0.67%
Connecticut Light & Power.....	Public Utilities	37,136,610	0.59%
Melvyn, Mary & Seymour Powers Danbury Industrial Corp & MMP Realty.....	Industrial Park	35,845,610	0.57%
WCI Communities, Inc.	Land Developer	33,914,900	0.54%
BF Goodrich Aerospace.....	Electronics	28,153,130	0.45%
Hawley, Ervie, Germantown Plaza Assoc. & Germantown Medical Center.....	Shopping Ctr & Land Developer	28,139,770	0.45%
Ethan Allen Inn/Lake Ave. Associates.....	Hotel/Office	22,039,220	0.35%
Total.....		\$507,804,850	8.12%

¹ Based on a net taxable grand list 10/1/06 of \$6,253,567,030.

Source: Assessor's Office, City of Danbury

V. Debt Summary
Principal Amount of Bonded Indebtedness
As of August 3, 2007
(Pro Forma)

Date	Purpose	Rate %	Amount of Original Issue	Amount Outstanding	Date of Fiscal Year Maturity
05/15/90	Sewer - Clean Water Fund Loan ²	2.000	\$ 2,296,859	\$ 229,686	2009
08/15/92	Schools.....	4.125 - 6.125	16,000,000	4,800,000	2013
08/15/92	Public Improvement.....	4.125 - 6.125	350,000	90,000	2013
02/01/94	Public Improvement.....	3.200 - 5.100	2,705,000	560,000	2014
02/01/94	Schools.....	3.200 - 5.100	17,740,000	6,170,000	2014
02/01/94	Sewer ²	3.200 - 5.100	2,100,000	735,000	2014
02/01/94	Water - Sewer Treatment Plant ²	3.200 - 5.100	1,000,000	350,000	2014
02/01/94	Sewer - Lateral ³	3.200 - 5.100	1,310,000	455,000	2014
02/01/94	Water - Dams ¹	3.200 - 5.100	2,000,000	700,000	2014
07/29/94	Sewers - Clean Water Fund Loan ²	2.000	47,373,853	14,894,836	2014
01/31/95	Sewers - CWF Loan - Lateral ³	2.000	441,322	154,463	2015
03/15/95	Sewer - Lateral ³	5.000 - 7.000	1,500,000	600,000	2015
03/15/95	Water - Dams ¹	5.000 - 7.000	2,100,000	840,000	2015
03/15/95	Public Improvement.....	5.000 - 7.000	1,695,000	595,000	2015
08/01/98	Public Improvement.....	4.100 - 5.500	10,100,000	505,000	2009
08/01/98	Water System Improvements ¹	4.100 - 5.500	11,000,000	550,000	2009
08/01/98	Water Service Extensions ¹	4.100 - 5.500	1,395,000	70,000	2009
08/01/99	Public Improvement.....	4.150 - 6.000	3,500,000	350,000	2010
08/01/99	Water System Improvements ¹	4.150 - 6.000	1,000,000	100,000	2010
08/01/99	Sewer - Lateral ³	4.150 - 6.000	1,600,000	160,000	2010
05/15/02	Public Improvement.....	3.500 - 5.000	7,292,000	2,136,750	2012
05/15/02	Schools.....	3.500 - 5.000	4,500,000	1,125,000	2012
05/15/02	Water Service Extensions ¹	3.500 - 5.000	573,000	143,250	2012
05/15/02	Sewer Lateral ³	3.500 - 5.000	380,000	95,000	2012
05/01/03	Refunding of 1990 Pub. Imp. Bonds.....	2.000 - 4.000	1,190,000	495,000	2010
08/01/03	Schools.....	3.250 - 4.750	5,350,000	4,170,000	2024
08/01/03	Public Improvement.....	3.250 - 4.750	7,575,000	5,715,000	2024
03/01/04	Public Improvement Refunding.....	2.000 - 5.000	11,770,000	11,740,000	2022
03/01/04	Schools Refunding.....	2.000 - 5.000	2,278,000	2,278,000	2022
03/01/04	Sewer - Lateral Refunding ³	2.000 - 5.000	998,000	998,000	2022
03/01/04	Water Refunding ¹	2.000 - 5.000	10,314,000	10,274,000	2022
08/01/04	Public Improvement.....	3.250 - 5.000	3,100,000	2,620,000	2025
08/01/04	Schools.....	3.250 - 5.000	515,000	410,000	2025
08/01/04	Sewer - Lateral ³	3.250 - 5.000	1,300,000	1,105,000	2025
08/01/05	Public Improvement.....	3.000 - 4.500	9,430,000	8,270,000	2026
08/01/05	Schools.....	3.000 - 4.500	1,010,000	600,000	2011
08/01/05	Water ¹	3.000 - 4.500	500,000	450,000	2026
08/01/06	Public Improvement.....	4.250 - 5.000	19,405,500	18,403,000	2027
08/01/06	Schools.....	4.250 - 5.000	4,952,000	4,702,000	2027
08/01/06	Water ¹	4.250 - 5.000	3,712,500	3,525,000	2027
08/01/06	Sewer - Lateral ³	4.250 - 5.000	3,550,000	3,370,000	2027
Total Long Term Debt.....			\$ 226,902,034	\$ 115,533,985	
This Issue					
08/01/07	Public Improvement.....	4.000 - 5.000	\$ 23,146,000	\$ 23,146,000	2028
08/01/07	Schools.....	4.000 - 5.000	334,000	334,000	2028
08/01/07	Sewer ²	4.000 - 5.000	1,014,000	1,014,000	2028
08/01/07	Sewer - Lateral ³	4.000 - 5.000	2,697,000	2,697,000	2028
08/01/07	Water ¹	4.000 - 5.000	1,124,000	1,124,000	2028
Total This Issue.....			\$ 28,315,000	\$ 28,315,000	
Grand Total.....			\$ 255,217,034	\$ 143,848,985	

¹ Debt service is included in and paid from the operating budget of the Water Enterprise Fund.

² Debt service and capital costs incurred in the expansion, renovation, and repair of the central sewer filtering plant, major trunk lines and pumping stations are included in the sewer system operating budget. Rates are established by standards contained in an ordinance enacted by the Common Council and in conformity with Chapter 103 of the General Statutes, as amended.

³ All costs associated with the extension of new sewer services and for the construction of collector lines or laterals are borne by the property owners benefiting by such extension project. Assessments of benefits for those whose property benefits by such extension project are established by standards contained in an ordinance enacted by the Common Council and in conformity with Chapter 103 of the General Statutes, as amended. Debt service is paid from the Sewer Assessment Fund.

Short Term Debt
As of August 3, 2007
(Pro Forma)

<i>Project</i>	<i>Amount Authorized</i>	<i>The Notes To Mature 08/01/08</i>
21 st Century Danbury Pub. Imp.	\$ 55,515,000	\$ 9,319,000
21 st Century Danbury Sewer	5,000,000	4,084,000
21 st Century Danbury Water.	5,680,000	1,806,000
Danbury Neighborhood Bond	10,930,000	1,108,000
Danbury Neighborhood Sewer	998,000	474,000
Danbury Neighborhood Water	998,000	435,000
Gen. Public Imp. 05-06	500,000	500,000
Gen. Public Imp. 06-07	500,000	500,000
Gen. Public Imp. 07-08	500,000	500,000
Head Start	5,600,000	919,000
Parking Garage	6,640,000	182,000
Public Safety Bond	49,200,000	30,561,000
Safety Sewer Improvements	5,800,000	4,758,000
Sewer Service Extension III ²	5,000,000	914,000
Water Service Extension II ¹	3,000,000	20,000
Total.....	\$155,861,000	\$ 56,080,000

¹ Debt service is included in and paid from the operating budget of the Water Enterprise Fund.

² All costs associated with the extension of new sewer services and for the construction of collector lines or laterals are borne by the property owners benefiting by such extension project. Assessments of benefits for those whose property benefits by such extension project are established by standards contained in an ordinance enacted by the Common Council and in conformity with Chapter 103 of the General Statutes, as amended. Debt service is paid from the Sewer Assessment Fund.

Other Obligations

The City of Danbury leases certain capital equipment. Please refer to the General Purpose Financial Statements, Note 9 for more information.

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**General Fund Annual Bonded Debt Maturity Schedule
As of August 3, 2007
(Pro Forma)**

Fiscal Year	This Issue - Principal						Cummulative % Prin. Retired
	Principal	Interest	Total	Pub. Imp.	Schools	Total	
2008 ¹	\$ 2,682,350	\$ 1,818,228	\$ 4,500,578	\$ -	\$ -	\$ -	2.70%
2009	6,526,350	3,054,753	9,581,103	1,266,000	18,000	1,284,000	10.58%
2010	6,511,350	2,773,839	9,285,189	1,260,000	18,000	1,278,000	18.43%
2011	6,351,350	2,497,027	8,848,377	1,260,000	18,000	1,278,000	26.12%
2012	6,144,350	2,227,516	8,371,866	1,260,000	18,000	1,278,000	33.60%
2013	6,020,000	1,943,972	7,963,972	1,261,000	18,000	1,279,000	40.95%
2014	5,194,000	1,691,127	6,885,127	1,261,000	18,000	1,279,000	47.48%
2015	4,024,000	1,462,739	5,486,739	1,262,000	17,000	1,279,000	52.82%
2016	3,936,000	1,285,164	5,221,164	1,262,000	17,000	1,279,000	58.08%
2017	3,728,000	1,117,137	4,845,137	1,253,000	16,000	1,269,000	63.12%
2018	3,667,000	962,470	4,629,470	1,243,000	16,000	1,259,000	68.08%
2019	3,470,000	818,765	4,288,765	1,058,000	16,000	1,074,000	72.66%
2020	2,959,000	686,980	3,645,980	1,058,000	16,000	1,074,000	76.73%
2021	2,783,000	566,721	3,349,721	1,058,000	16,000	1,074,000	80.61%
2022	2,773,000	448,601	3,221,601	1,054,000	16,000	1,070,000	84.49%
2023	2,255,000	340,606	2,595,606	1,055,000	16,000	1,071,000	87.84%
2024	2,255,000	243,006	2,498,006	1,055,000	16,000	1,071,000	91.19%
2025	1,720,000	156,703	1,876,703	1,055,000	16,000	1,071,000	94.00%
2026	1,550,000	85,522	1,635,522	1,055,000	16,000	1,071,000	96.65%
2027	1,185,000	25921.88	1,210,922	1,055,000	16,000	1,071,000	98.92%
2028	-	-	-	1,055,000	16,000	1,071,000	100.00%
Total	\$75,734,750	\$24,206,798	\$ 99,941,548	\$23,146,000	\$334,000	\$ 23,480,000	

¹ Excludes \$3,917,500 in principal payments and \$1,518,167 in interest payments from July 1, 2007 through August 3, 2007.

**Self-Supporting Debt Annual Bonded Maturity Schedule
As of August 3, 2007
(Pro Forma)**

Fiscal Year	This Issue						Cummulative % Prin. Retired
	Principal	Interest	Total	Water	Sewer	Total	
2008 ¹	\$ 2,958,320	\$ 816,851	\$ 3,775,171	\$ -	\$ -	\$ -	6.6%
2009	4,713,032	1,275,783	5,988,814	57,000	189,000	246,000	17.7%
2010	4,598,189	1,129,138	5,727,327	61,000	191,000	252,000	28.6%
2011	4,593,189	984,992	5,578,181	61,000	191,000	252,000	39.5%
2012	4,590,189	840,912	5,431,101	56,000	191,000	247,000	50.3%
2013	4,584,539	695,716	5,280,255	56,000	185,000	241,000	61.1%
2014	2,309,939	566,283	2,876,221	56,000	185,000	241,000	66.8%
2015	1,767,840	464,274	2,232,113	56,000	185,000	241,000	71.3%
2016	1,579,000	378,496	1,957,496	56,000	185,000	241,000	75.4%
2017	1,582,000	304,548	1,886,548	56,000	185,000	241,000	79.5%
2018	1,568,000	238,093	1,806,093	56,000	185,000	241,000	83.5%
2019	1,240,000	183,459	1,423,459	56,000	185,000	241,000	86.9%
2020	626,000	145,995	771,995	56,000	185,000	241,000	88.8%
2021	497,000	122,545	619,545	56,000	185,000	241,000	90.5%
2022	497,000	101,467	598,467	55,000	185,000	240,000	92.1%
2023	450,000	81,231	531,231	55,000	184,000	239,000	93.6%
2024	450,000	61,944	511,944	55,000	184,000	239,000	95.2%
2025	450,000	42,431	492,431	55,000	184,000	239,000	96.7%
2026	385,000	24,156	409,156	55,000	184,000	239,000	98.1%
2027	360,000	7875.01	367,875	55,000	184,000	239,000	99.5%
2028	-	-	-	55,000	179,000	234,000.00	100.0%
Total	\$39,799,235	\$8,466,189	\$48,265,424	\$ 1,124,000	\$3,711,000	\$ 4,835,000	

¹ Excludes \$1,716,212 in principal payments and \$608,849 in interest payments from July 1, 2007 through August 3, 2007.

Note: Long-Term capital leases and State of Connecticut Local Bridge Loans are not included.

**Total General Obligation Debt
Annual Bonded Debt Maturity Schedule
As of August 3, 2007
(Pro Forma)**

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Total This Issue</i>	<i>Cumulative % Prin. Retired</i>
2008 ¹	\$ 5,640,670	\$ 2,635,079	\$ 8,275,749	\$ -	3.9%
2009	11,239,382	4,330,536	15,569,917	1,530,000	12.8%
2010	11,109,539	3,902,977	15,012,515	1,530,000	21.6%
2011	10,944,539	3,482,019	14,426,558	1,530,000	30.3%
2012	10,734,539	3,068,428	13,802,967	1,525,000	38.8%
2013	10,604,539	2,639,689	13,244,228	1,520,000	47.2%
2014	7,503,939	2,257,409	9,761,348	1,520,000	53.5%
2015	5,791,840	1,927,013	7,718,853	1,520,000	58.6%
2016	5,515,000	1,663,660	7,178,660	1,520,000	63.5%
2017	5,310,000	1,421,685	6,731,685	1,510,000	68.2%
2018	5,235,000	1,200,563	6,435,563	1,500,000	72.9%
2019	4,710,000	1,002,224	5,712,224	1,315,000	77.1%
2020	3,585,000	832,975	4,417,975	1,315,000	80.5%
2021	3,280,000	689,266	3,969,266	1,315,000	83.7%
2022	3,270,000	550,068	3,820,068	1,310,000	86.9%
2023	2,705,000	421,838	3,126,838	1,310,000	89.6%
2024	2,705,000	304,950	3,009,950	1,310,000	92.4%
2025	2,170,000	199,134	2,369,134	1,310,000	94.9%
2026	1,935,000	109,678	2,044,678	1,310,000	97.1%
2027	1,545,000	33,797	1,578,797	1,310,000	99.1%
2028	-	-	-	1,305,000	100.0%
Total	\$115,533,985	\$32,672,988	\$148,206,973	\$28,315,000	

¹ Excludes \$5,633,712 in principal payments and \$2,122,016 interest payments from July 1, 2007 through August 3, 2007.

Note: Long-Term capital leases and State of Connecticut Local Bridge Loans are not included.

Overlapping/Underlying Debt

The City of Danbury has neither overlapping nor underlying debt.

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

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Debt Statement
As of August 3, 2007
(Pro Forma)

Long-Term Debt:

Public Improvement (\$51,479,750 Outstanding Plus \$23,146,000 of This Issue).....	\$74,625,750
Schools (\$24,255,000 Outstanding Plus \$334,000 of this Bond Issue).....	24,589,000
Sewers (\$22,796,985 Outstanding Plus \$3,711,000 of this Bond Issue).....	26,507,985
Water (\$17,002,250 Outstanding Plus \$1,124,000 of this Bond Issue).....	<u>18,126,250</u>
Total Long-Term Debt ¹	143,848,985

Short-Term Debt:

Bond Anticipation Notes (This Issue).....	<u>56,080,000</u>
Total Direct Debt	199,928,985

Less: Amount to be provided by the State for school construction (As of 6/30/07).....	(11,416,000)
Self-Supporting Sewer Debt ² (Includes \$10,230,000 of this Note Issue).....	(36,737,985)
Self-Supporting Water Debt (Includes \$2,261,000 of this Note Issue).....	(20,387,250) <u>(68,541,235)</u>

Total Net Direct Debt	131,387,750
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Plus: Overlapping/Underlying Debt.....	-
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TOTAL OVERALL NET DEBT	<u>\$131,387,750</u>
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¹ Long-term debt does not include an estimated \$563,108 accrued employee benefits, \$13,186,657 of landfill closure and post-closure costs, and \$2,574,248 in capital leases.

² Beginning with fiscal year 1976-77, the Sewer fund was set up as a self-supporting enterprise fund.

Current Debt Ratios
As of August 3, 2007
(Pro Forma)

Population ¹	78,736
Net Taxable Grand List (10/1/06).....	\$ 6,253,567,030
Estimated Full Value.....	\$ 8,933,667,186
Equalized Net Taxable Grand List (10/1/04) ¹	\$ 11,027,563,560
Income per Capita (1990) ²	\$19,300
Income per Capita (2000) ²	\$24,500

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	<u>\$199,928,985</u>	<u>\$131,387,750</u>	<u>\$131,387,750</u>
Per Capita.....	\$2,539.23	\$1,668.71	\$1,668.71
Ratio to Net Taxable Grand List.....	3.20%	2.10%	2.10%
Ratio to Estimated Full Value.....	2.24%	1.47%	1.47%
Ratio to Equalized Net Taxable Grand List.....	1.81%	1.19%	1.19%
Debt per Capita to Income per Capita (1990).....	13.16%	8.65%	8.65%
Debt per Capita to Income per Capita (2000).....	10.36%	6.81%	6.81%

¹ Office of Policy and Management, State of Connecticut, July 1, 2005.

² Department of Commerce, U.S. Bureau of Census, 1990 and 2000.

Bond Authorization Procedure

The issuance of bonds is authorized pursuant to an ordinance passed by the Common Council by affirmative vote of at least two-thirds (2/3) of all members of the Council. No bonds may be issued for a term longer than the estimated life of the improvement for which they are issued and in no event, for a term longer than twenty years. Whenever the Common Council votes to issue bonds in a principal amount in excess of \$500,000, the ordinance authorizing such issue must be submitted for approval or disapproval of the electors at the next municipal election or at a special City meeting called by the Mayor.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to eight years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions starting at the end of the third and continuing in each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than eight years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15th of the total amount of the notes issued by funds derived from certain sources of payment. Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Clean Water Fund Program

The City of Danbury is a participant in the State of Connecticut's Clean Water Fund Program (General Statutes Sections 22a-475 et seq., as amended), which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan). The City authorized \$76,450,000 to undertake major renovations to the wastewater treatment plant. The City financed the renovations and other eligible projects through the State of Connecticut Clean Water Fund Program.

Loans to each municipality are made pursuant to a Project Grant and Project Loan Agreement. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs (Interim Funding Obligation). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality. The City of Danbury has issued \$52,770,712 in debt under the Clean Water Fund Program, and has received \$7,888,296 from the State in the form of a grant. The remaining amounts have been authorized and issued by the participating municipalities.

Amortization of each Loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement, or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are payable 1) in equal monthly installments commencing one month after the scheduled completion date, or 2) in a single annual installment representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement, the first year's date, and thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

Statement of Debt Limitation
As of August 3, 2007
(Pro Forma)

Total Tax Collections (including interest and lien fees):

For the year ended June 30, 2007 (Subject to Audit)..... \$ 134,754,157

Reimbursement For Revenue Loss On:

Tax Relief for Elderly..... 339,826

BASE..... \$ 135,093,983

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 303,961,462	\$ -	\$ -	\$ -	\$ -
4 1/2 times base.....	-	607,922,924	-	-	-
3 3/4 times base.....	-	-	506,602,436	-	-
3 1/4 times base.....	-	-	-	439,055,445	-
3 times base.....	-	-	-	-	405,281,949
Total Debt Limitation	<u>\$ 303,961,462</u>	<u>\$ 607,922,924</u>	<u>\$ 506,602,436</u>	<u>\$ 439,055,445</u>	<u>\$ 405,281,949</u>
Indebtedness:					
Outstanding Debt:					
Bonds Payable ^{1,2}	\$ 51,479,750	\$ 24,255,000	\$ 15,859,522	\$ -	\$ -
Bonds – This Issue.....	23,146,000	334,000	1,014,000	-	-
Short-Term Notes – This Issue 2.....	42,670,000	919,000	9,316,000	-	-
Authorized But Unissued ^{1,2}	37,996,500	5,490,000	1,468,000	-	-
Total Indebtedness ³	<u>155,292,250</u>	<u>30,998,000</u>	<u>27,657,522</u>	<u>-</u>	<u>-</u>
Less School Construction Grants ⁴	-	(11,416,000)	-	-	-
Total Net Indebtedness For Debt Limitation Calculation	<u>\$ 155,292,250</u>	<u>\$ 19,582,000</u>	<u>\$ 27,657,522</u>	<u>\$ -</u>	<u>\$ -</u>
DEBT LIMITATION IN EXCESS OF INDEBTEDNESS	<u>\$ 148,669,212</u>	<u>\$ 588,340,924</u>	<u>\$ 478,944,915</u>	<u>\$ 439,055,445</u>	<u>\$ 405,281,949</u>

¹ Water debt is excludable from the calculation of debt limitation as allowed by Connecticut General Statutes. Excluded from above is \$17,002,250 of outstanding water bonds \$1,124,000 of water bonds included in this issue, \$2,261,000 of outstanding water notes and \$2,612,500 of water debt authorized but unissued debt.

² Sewer assessment debt is excludable from the calculation of debt limitation as allowed by Connecticut General Statutes. Excluded from above is \$6,937,463 of outstanding sewer assessment bonds, \$2,697,000 of sewer bonds included in this issue, \$914,000 of outstanding sewer assessment notes, and \$3,848,090 of authorized and unissued sewer assessment debt.

³ Excludes \$2,574,248 in capital leases.

⁴ See "School Projects" herein.

Note: 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 annual receipts from taxation may not be issued for any purpose. This limitation is \$945,657,881.

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Debt Authorized but Unissued¹
As of August 3, 2007
(Pro Forma)

Project	Debt Authorized but Unissued							
	Authorized	Debt		General				
		Previously Issued	The Bonds	The Notes	Purpose	Schools	Sewers	Water
21st Century Pub. Imp.	\$ 55,515,000	\$ 19,050,000	\$ 8,994,000	\$ 9,319,000	\$ 18,152,000	\$ -	\$ -	\$ -
21st Century Sewer.....	5,000,000	-	364,000	4,084,000	-	-	552,000	-
21st Century Water.....	5,680,000	3,500,000	-	1,806,000	-	-	-	374,000
Danbury Neigh. Bond.....	10,930,000	4,000,000	3,843,000	1,108,000	1,979,000	-	-	-
Danbury Neigh. Sewer.....	998,000	-	396,000	474,000	-	-	128,000	-
Danbury Neigh. Water.....	998,000	-	113,000	435,000	-	-	-	450,000
Gen. Public Imp. 05-06.....	500,000	-	-	500,000	-	-	-	-
Gen. Public Imp. 06-07.....	500,000	-	-	500,000	-	-	-	-
Gen. Public Imp. 07-08.....	500,000	-	-	500,000	-	-	-	-
Head Start.....	5,600,000	-	308,000	919,000	-	4,373,000	-	-
Parking Garage.....	6,640,000	2,000,000	4,345,000	182,000	113,000	-	-	-
Public Safety Bond.....	49,200,000	-	5,650,000	30,561,000	12,989,000	-	-	-
Safety Sewer Improve.....	5,800,000	-	254,000	4,758,000	-	-	788,000	-
Sewer Service Ext. I.....	2,500,000	2,490,910	-	-	-	-	9,090	-
Sewer Service Ext. II.....	6,000,000	3,550,000	2,318,000	-	-	-	132,000	-
Sewer Service Ext. III.....	5,000,000	-	379,000	914,000	-	-	3,707,000	-
Vision 21 Program.....	21,000,000	16,105,000	132,000	-	4,763,000	-	-	-
Vision 21/2 Pub. Imp.	16,640,000	16,457,500	182,000	-	500	-	-	-
Vision 21/2 Schools.....	5,360,000	4,217,000	26,000	-	-	1,117,000	-	-
Water Service Ext. I.....	2,500,000	2,435,500	-	-	-	-	-	64,500
Water Service Ext. II.....	3,000,000	245,000	1,011,000	20,000	-	-	-	1,724,000
Total.....	\$209,861,000	\$74,050,910	\$28,315,000	\$56,080,000	\$37,996,500	\$5,490,000	\$5,316,090	\$2,612,500

¹ Total Authorized but Unissued does not include amounts paid down from the General Fund on outstanding notes, or school construction grants received or expected to be received.

Ratios of Long-Term Debt to Valuation, Population and Income

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Net Long-Term Debt ¹	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population ²	Ratio of Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Income ³ (%)
				Value (%)	Value (%)		Capita	Income ³ (%)
2007 ⁴	\$6,103,223,470	\$ 8,718,890,671	\$ 82,652,250	1.35%	0.95%	78,736	\$ 1,049.74	4.28%
2006	5,635,804,295	8,051,148,993	60,967,100	1.08%	0.76%	78,736	774.32	3.16%
2005	5,200,457,340	7,429,224,771	56,009,450	1.08%	0.75%	78,221	716.04	2.92%
2004	4,892,216,450	6,988,880,643	58,126,800	1.19%	0.83%	78,221	743.11	3.03%
2003	4,562,023,370	6,517,176,243	50,009,500	1.10%	0.77%	77,353	646.51	2.64%

¹ Excludes self-supporting water, sewer and capital lease debt

² State of Connecticut Department of Public Health.

³ U.S. Department of Commerce, Bureau of Census, 2000 data used for per capita income (\$24,500).

⁴ Subject to Audit.

Ratio of Annual Debt Service to Total General Fund Expenditures and Other Financing Uses (Includes Transfers Out)

Fiscal Year Ended 6/30	Principal	Interest	Total	Ratio of General Fund Debt Service To Total General Fund Expenditures %	
				Total General Fund Expenditures	Expenditures %
2007	\$5,672,350	\$3,089,208	\$8,761,558	\$176,927,415	4.95%
2006	5,505,611	2,668,668	8,174,279	177,974,241	4.59%
2005	6,322,511	2,877,558	9,200,069	167,520,174	5.49%
2004	5,074,461	2,219,285	7,293,746	161,319,408	4.52%
2003	5,124,462	2,668,995	7,793,457	153,935,241	5.06%

Source: City of Danbury Audit Reports 2003-2006.

City of Danbury, Finance Department, 2007 Data. Subject to Audit.

Capital Improvement Program
Fiscal Year 2008 through Fiscal Year 2012

Proposed Projects	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Airport	\$ 5,100,000	\$ -	\$ 67,500	\$ 25,175	\$ -	\$ 5,192,675
Data Processing	-	110,000	60,000	110,000	60,000	340,000
Engineering	-	14,355,000	49,917,800	7,295,000	9,530,000	81,097,800
Equipment Maintenance ...	40,000	509,000	119,000	134,000	168,000	970,000
Fire	-	1,200,000	480,000	-	-	1,680,000
Forestry	-	100,000	100,000	175,000	100,000	475,000
Highway	211,200	6,495,488	5,646,437	6,201,934	5,460,444	24,015,503
Parks & Recreation	-	600,000	350,000	1,450,000	-	2,400,000
Parks Maintenance	-	460,000	600,000	150,000	50,000	1,260,000
Planning.....	250,000	-	-	-	-	250,000
Police.....	125,000	2,622,000	3,090,000	240,000	-	6,077,000
Public Buildings	308,950	8,955,222	3,651,687	7,911,098	4,576,500	25,403,457
Recycling/Solid Waste	-	26,000	51,000	51,000	-	128,000
Richter Park.....	702,000	340,000	-	-	-	1,042,000
Tarrywile Park	-	270,000	285,000	250,000	-	805,000
Sewer	5,682,000	3,166,000	3,905,000	3,739,000	6,715,000	23,207,000
Water	3,868,000	3,679,000	5,429,000	3,196,000	3,394,000	19,566,000
TOTAL	\$16,287,150	\$42,887,710	\$ 73,752,424	\$ 30,928,207	\$30,053,944	\$193,909,435

Proposed Funding

Sources	2007-08	2008-09	2009-10	2010-11	2011-12	Total
User Charges ¹	\$ 254,500	\$ 483,458	\$ 338,707	\$ 623,379	\$ 300,214	\$ 2,000,258
Notes/Bonds /Leases	435,000	22,582,665	20,538,030	21,315,730	13,746,730	78,618,155
St./Fed. Grants/Other	15,597,650	19,821,587	52,875,687	8,989,098	16,007,000	113,291,022
TOTAL	\$16,287,150	\$42,887,710	\$ 73,752,424	\$ 30,928,207	\$30,053,944	\$193,909,435

¹ Includes self-supporting sewer and water debt that will be paid by user fees. Does not assume any pay-as-you-go capital.

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VI. Financial Information

Fiscal Year

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

Basis of Accounting

The City's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to General Purpose Financial Statements.

Budget Procedure

The City of Danbury uses the following budgetary sequence and time schedule:

	<u>By</u>
All departments submit estimates to Mayor.....	February 15
Mayor presents budget to the Common Council.....	April 7
Common Council holds public hearings	May 1
Common Council adopts budget.....	May 15

Investment Policy

The operating and working capital funds (excluding pension funds) of the City 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 in (i) high-grade, short-term, federal securities and variable rate obligations backed by federal agencies having monthly or quarterly assets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) 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 benefit of the Pool's participants.

In addition, the City monitors the risk based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, 7-400 and 7-402 with which it places deposits or makes investments.

The Connecticut General Statutes, Section 7-400 and 7-402 govern eligible investments for Connecticut municipalities. Please refer to the Notes to the Financial Statements, Note 4 regarding the City's cash and cash equivalent investments at June 30, 2006.

For an extensive description of the City's investment policy and investments related to the City's Pension Funds, see Note 12 to the City's audited financial statements in Appendix A.

Audit

The City, pursuant to the provisions of Chapter 111 of the Connecticut General Statutes (Sec. 7-391 through 397) is required to undergo an annual audit by an independent public accountant. The auditor, appointed by the Common Council is required to conduct the audit under the standards adopted by the Secretary of the Office of Policy and Management by regulation and approved by the Auditor of Public Accounts. For the fiscal year ended June 30, 2006, the financial statements of the City were audited by McGladrey & Pullen, LLP.

For twenty consecutive years, the City has been a recipient of a certificate of achievement for excellence in financial reporting. This award is issued by the Government Finance Officers Association.

Liability Insurance

The City maintains liability insurance coverage as listed below:

Comprehensive General Liability insurance on an occurrence basis with a limit of \$1,000,000 per occurrence and aggregate limit of \$3,000,000 with a deductible of \$100,000 per occurrence.

Law Enforcement Liability with a limit of \$1,000,000 each wrongful act and an aggregate limit of \$1,000,000 with a deductible of \$100,000 each wrongful act.

Automobile Liability insurance with a limit of \$1,000,000 per each occurrence with a deductible of \$100,000 per occurrence.

Public Official Liability insurance on a claims made basis, \$1,000,000 limit each wrongful act and aggregate limit of \$1,000,000 with a deductible of \$100,000 each wrongful act.

School Board Errors and Omissions Liability on claims made basis, \$2,000,000 each wrongful act and aggregate limit of \$2,000,000 with a deductible of \$10,000 for each wrongful act.

Student Nurses Medical Professional Liability Insurance on an occurrence basis with a limit of \$2,000,000 for each occurrence and aggregate limit of \$4,000,000.

Excess liability insurance over the Comprehensive General Liability, Law Enforcement Liability, Automobile Liability, Public Officials Liability with a limit of \$10,000,000 per occurrence and an aggregate limit of \$10,000,000.

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General Fund Revenues, Expenditures and Changes in Fund Balance
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis)
with Estimated Actuals and Current Budget (Budgetary Basis)

	Budget ¹	Est. Actual ²	Actual	Actual	Actual	Actual
	6/30/2008	6/30/2007	6/30/2006	6/30/2005	6/30/2004	6/30/2003
Revenues						
Property taxes.....	\$ 138,859,007	\$ 133,858,676	\$ 128,855,805	\$ 128,472,290	\$ 119,645,762	\$ 114,944,665
State and federal governments.....	32,793,640	27,804,360	35,977,718	31,266,830	30,057,588	28,907,708
Licenses and permits.....	5,217,950	4,908,130	6,105,553	5,394,512	4,042,900	2,549,179
Charges for services.....	3,116,732	3,685,651	3,997,544	3,368,811	3,218,622	4,686,431
Fines and penalties.....	1,453,000	1,316,128	1,222,113	984,552	1,210,448	1,004,335
Investment income.....	3,200,000	3,721,159	2,283,694	1,335,962	437,401	249,626
Other.....	-	176,347	303,541	-	61,038	105,206
Contributions.....	6,240,000	2,625,000	2,625,000	2,625,000	-	-
Total Revenues.....	190,880,329	178,095,451	181,370,968	173,447,957	158,673,759	152,447,150
Other Financing Sources						
Refunding Bond Proceeds.....	-	-	-	-	14,048,000	1,190,000
Premium on Bonds Issued.....	-	-	745,035	-	1,188,599	50,527
Capital Lease Acquisition.....	-	151,544	239,398	1,156,397	1,913,468	2,023,824
Operating Transfers In.....	500,000	-	-	-	500,000	-
Total Revenues and Other Financing Sources.....	191,380,329	178,246,995	182,355,401	174,604,354	176,323,826	155,711,501
Expenditures						
General Government.....	9,169,378	8,136,202	8,007,621	7,446,262	8,011,648	8,257,783
Public Safety.....	26,138,566	25,150,152	24,390,095	21,196,989	21,086,583	21,119,089
Public Works.....	8,232,954	7,853,132	8,092,000	7,600,601	5,907,028	6,200,904
Health and Welfare.....	2,842,065	2,707,237	4,322,340	3,958,011	4,299,602	1,449,139
Culture and Recreation.....	3,029,223	2,818,143	2,861,019	2,705,599	3,955,294	3,933,541
Education.....	106,270,463	101,235,196	102,381,921	93,430,267	89,066,006	83,256,220
Pension and Other Employee Benefits.....	23,219,661	19,403,611	18,596,490	19,073,801	17,506,130	15,529,121
Other.....	1,300,000	-	-	896,108	1,560,649	2,248,533
Capital Outlay.....	-	177,107	434,595	1,329,999	1,963,023	3,181,618
Debt Service.....	10,958,000	9,241,584	8,174,280	9,200,069	7,293,746	7,793,457
Total Expenditures.....	191,160,310	176,722,364	177,260,361	166,837,706	160,649,709	152,969,405
Other Financing Uses						
Payment to Refunding Agent.....	-	-	-	-	14,955,050	1,177,816
Operating Transfers Out.....	220,019	205,051	713,880	682,468	669,699	965,836
Total Expenditures and Other Financing Uses.....	191,380,329	176,927,415	177,974,241	167,520,174	176,274,458	155,113,057
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources.....						
	-	1,319,580	4,381,160	7,084,180	49,368	598,444
Decrease (Increase) in Reserve for Encumbrances and Other Reservations.....	N/A	N/A	348,992	(617,186)	496,372	(788,341)
Net Change in Unreserved Fund Balance.....						
	N/A	N/A	4,730,152	6,466,994	545,740	(189,897)
Residual Equity Transfer In.....						
	N/A	N/A	-	-	-	-
Beginning Fund Balance - Unreserved.....						
	N/A	22,959,075	18,228,923	11,761,929	11,216,189	11,406,086
Ending Fund Balance - Unreserved.....						
	N/A	N/A	\$ 22,959,075	\$ 18,228,923	\$ 11,761,929	\$ 11,216,189

Analysis of General Fund Equity

	Budget ¹	Est. Actual ²	Actual	Actual	Actual	Actual
	6/30/2008	6/30/2007	6/30/2006	6/30/2005	6/30/2004	6/30/2003
Reserved for Encumbrances.....	N/A	N/A	\$1,189,484	\$1,481,018	\$1,080,103	\$1,576,475
Reserved for Continued Appropriations.....	N/A	N/A	158,813	216,271	-	-
Unreserved						
Designated for Future Budgets.....	N/A	N/A	-	-	-	-
Undesignated.....	N/A	N/A	22,959,075	18,228,923	11,761,929	11,216,189
Total Fund Balance.....	N/A	N/A	\$24,307,372	\$19,926,212	\$12,842,032	\$12,792,664

¹ Budget basis. No assurances can be given that subsequent projections and the final result of operations will not change

² Subject to Audit

VII. Legal and Other Information

Litigation

The Corporation Counsel has advised that 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. 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 materially affect the financial position of the City except for the following cases:

Metcalf and Eddy, Inc. v. City of Danbury - Subsequent to unsuccessful mediation, litigation was commenced by the Plaintiff against Danbury in 2005 based on a claim of breach of contract for project services in the closure process for the Danbury Landfill. The claim filed was in excess of \$7,393,000. It is not expected that this matter will go to trial or reach verdict until 2008.

Tax Appeals: There are presently two pending tax appeals that may go to trial in 2007, with a maximum total tax liability exposure of less than \$100,000. Both are expected to be resolved at a level significantly lower than that.

Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Bonds and the Notes in order that interest on the Bonds and the Notes be and remain excluded from gross income for federal income tax purposes. Non-compliance with such requirements could cause interest on the Bonds and the Notes to be included in gross income retroactive to the date of issuance of the Bonds and the Notes. The Tax Regulatory Agreement, which will be executed and delivered by the City concurrently with the Bonds and the Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and the Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the City also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions, and assuming continuing compliance by the City with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds and the Notes is, however, includable in adjusted current earnings for purposes of computing the alternative minimum tax on certain corporations.

Ownership of the Bonds and the Notes may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of the Bonds and the Notes.

In the opinion of Robinson & Cole LLP, Bond Counsel, based on existing statutes, interest on the Bond and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Connecticut tax law could be affected by a decision of the United States Supreme Court in the case of *Kentucky Department of Revenue Services v. Davis*. The Court agreed to review this case on May 21, 2007. In *Davis*, the Kentucky Court of Appeals ruled that Kentucky's scheme of taxing interest income on out-of-state bonds while exempting interest earned on bonds issued by the Commonwealth of Kentucky and its political subdivisions violates the Commerce Clause of the United States Constitution. Like Kentucky and a number of other states, the

State of Connecticut taxes interest on the bonds of out-of-state issuers but exempts from taxation the interest on bonds issued by the State of Connecticut and its political subdivisions. In the event that the United States Supreme Court upholds the Kentucky decision and rules that it is unconstitutional to exempt the interest on in-state bonds while taxing the interest on out-of-state bonds, the State of Connecticut may decide to modify its tax laws and include the interest on bonds issued by the State of Connecticut and its political subdivisions, including interest on the Bond and Notes, in Connecticut taxable income. No opinion can be rendered as to the likelihood of any change in Connecticut tax laws regarding the taxation of interest on the Bonds and Notes based on the outcome of the Davis case and there can be no assurance that any such change will not reduce or eliminate the benefit of the exclusion from Connecticut taxable income of interest on the Bond and Notes or affect the market value of the Bonds and Notes.

Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding the potential impact of the *Davis* case and other state and local tax consequences of ownership and disposition of, and receipt of interest on, the Bonds and the Notes.

Original Issue Discount

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

Under section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any bond during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Accrued original issue discount on the Bonds is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective investors in the Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of the Bonds.

Original Issue Premium

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

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any bond during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Amortized original issue premium on the bonds is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated a amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective investors in the Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of the Bonds.

Transcript and Closing Documents

The original purchaser(s) will be furnished the following documents when the Bonds and the Notes are delivered:

1. Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them.
2. Certificate on behalf of the City, signed by the Mayor, the Treasurer, and the Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, at the time bids were accepted on the Bonds and the Notes the description and statements in the Official Statement relating to the City and its finances were true and correct in all

material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.

3. Receipts for the purchase price of the Bonds and the Notes.
4. Approving opinions of Robinson & Cole LLP, Bond Counsel.
5. Executed continuing disclosure agreements for the Bonds and the Notes in substantially the forms attached hereto as Appendix C to this Official Statement.

The City of Danbury has prepared an Official Statement for the Bonds and the Notes, which is dated July 18, 2007. The City deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The City will make available to the winning purchaser of the Bonds one hundred (100) copies of the Official Statement at the City's expense, and to each winning purchasers of the Notes five (5) copies. The copies of the Official Statement will be made available to the winning purchaser within seven business days of the bid opening. If the City's Financial Advisor, People's United Bank, is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds and the Notes are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, and any changes on the Bonds and the Notes. The purchaser shall arrange with the Financial Advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

A transcript of the proceedings taken by the City with respect to the Bonds will be kept on file at the offices of U.S. Bank National Association and will be available for examination upon reasonable notice.

Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the City and the Underwriter or holders of the Bonds and the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representation of fact, and no representation is made that any of such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provision of law is subject to repeal or amendment.

Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

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

CITY OF DANBURY, CONNECTICUT

/s/ Mark D Boughton

Mark D. Boughton, Mayor

/s/ Daniel P. Jowdy

Daniel P. Jowdy, Treasurer

/s/ David W St. Hilaire

David W. St. Hilaire, Director of Finance

Dated as of July 25, 2007

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Appendix A

2006 General Purpose Financial Statements (Excerpted from the City's Comprehensive Annual Financial Report)

The following includes the General Purpose Financial Statements of the City of Danbury, Connecticut for the fiscal year ended June 30, 2006. The supplemental data and letter of transmittal, which were a part of that report, have not been reproduced herein. A copy of the complete report is available upon request from Matthew Spoerndle, Vice President, People's United Bank, Municipal Finance, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.

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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, 2006, 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, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 27, 2006 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 and other matters. 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 13 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, budgetary detail, combining and individual nonmajor fund statements, capital asset schedules, other 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, combining and individual nonmajor fund statements, capital asset schedules and other 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 27, 2006

City of Danbury, Connecticut
Management's Discussion and Analysis
June 30, 2006

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, 2006. 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 \$262.7 million. Total net assets for Governmental Activities at fiscal year-end were \$153.1 million and total net assets for Business-Type Activities were \$109.6 million. Net assets for Business-Type Activities increased by \$9.3 million or 9.3%, while net assets for Governmental Activities increased by \$18.9 million or 14.1%. Of the City's total net assets at June 30, 2006, \$22.9 million or 8.7% 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 \$28.2 million or 12.0%, from \$234.5 million to \$262.7 million. Government-wide expenses were \$217.3 million, while revenues were \$245.5 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 \$23 million, an increase of \$1.7 million from the prior fiscal year. The Magnet School Fund ended the year with a fund deficit of \$2,766,273 due to timing of resource flows.
- ◆ At the end of the current fiscal year, fund balance for the general fund alone was \$24.3 million, an increase of \$4.4 million from the prior fiscal year. Of the total general fund balance, \$23 million represents unreserved general fund balance. Unreserved general fund balance at year-end represent 13% of total general fund expenditures of \$177.3 million.
- ◆ The City of Danbury's total debt increased by \$5.4 million or 4.1%. The increase is due to the City's on-going capital program and the requirement to finance this program through long-term debt.

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 23 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, the Century 21 PI Fund and the Magnet School, all 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, the Danbury Neighborhood Bond Fund, the Public Safety Bond Fund, the Head Start Bond 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 29-71 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 \$264.5 million at June 30, 2006. This is an increase of \$30 million from the previous fiscal year.

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 67,289	\$ 10,045	\$ 77,334	\$ 56,243	\$ 9,367	\$ 65,610
Non-current	7,803	5,077	12,880	10,156	5,392	15,548
Capital assets	212,165	150,214	362,379	186,785	145,816	332,601
Total Assets	287,257	165,336	452,593	253,184	160,575	413,759
Current liabilities	37,180	16,513	53,693	31,574	17,148	48,722
Long-term liabilities outstanding	96,942	39,252	136,194	87,414	43,134	130,548
Total Liabilities	134,122	55,765	189,887	118,988	60,282	179,270
Net assets:						
Invested in capital assets, net of related debt	136,424	101,952	238,376	115,002	100,416	215,418
Restricted	1,394	-	1,394	1,519	-	1,519
Unrestricted	15,317	7,619	22,936	17,675	(123)	17,552
Total Net Assets	\$ 153,135	\$ 109,571	\$ 262,706	\$ 134,196	\$ 100,293	\$ 234,489

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 \$262.7 million. This is up from last year's net assets of \$234.5 million. Total net assets for Governmental Activities at fiscal year-end were \$153.1 million (up from \$134.2 million in the previous year) and total net assets for Business-type activities were \$109.6 million (up from \$100.3 million in the previous year). In both instances the increases were due to capital expenditures which were partially offset with capital grants. Of the City's total net assets at June 30, 2006, \$22.9 million or 8.7% 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 \$17.6 million or 7.5% unrestricted.

By far, the largest portion of the City of Danbury's net assets 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, 2006			Year Ended June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 23,192	\$ 19,899	\$ 43,091	\$ 17,867	\$ 16,934	\$ 34,801
Operating Grants and Contributions	41,029	-	41,029	41,737	-	41,737
Capital Grants and Contributions	17,966	2,902	20,868	1,653	2,680	4,333
Donated capited assets	405	-	405	4,440	-	4,440
General Revenues:						
Property Taxes	129,588	-	129,588	127,889	-	127,889
Grants and contributions not restricted to specific programs	7,496	-	7,496	16,494	-	16,494
Unrestricted investment earnings	2,284	717	3,001	1,336	495	1,831
Total Revenues	221,960	23,518	245,478	211,416	20,109	231,525
Expenses:						
General Government	12,818	-	12,818	12,499	-	12,499
Public Safety	39,412	-	39,412	37,383	-	37,383
Public Works	12,293	14,240	26,533	11,246	14,019	25,265
Health and Welfare	6,144	-	6,144	5,735	-	5,735
Culture and Recreation	4,425	-	4,425	4,516	-	4,516
Education	123,824	-	123,824	114,075	-	114,075
Other	1,005	-	1,005	1,633	-	1,633
Interest on long-term debt	3,100	-	3,100	3,697	-	3,697
Total Expenses	203,021	14,240	217,261	190,784	14,019	204,803
Change in net assets	18,939	9,278	28,217	20,632	6,090	26,722
Net assets – beginning	134,196	100,293	234,489	113,564	94,203	207,767
Net assets - ending	\$ 153,135	\$ 109,571	\$ 262,706	\$ 134,196	\$ 100,293	\$ 234,489

Danbury's net assets increased by \$28.2 million during the fiscal year, with net assets of Governmental Activities increasing by \$18.9 million, and net assets of Business-Type Activities increasing by \$9.3 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 net assets of the Governmental activities primarily increased due to capital grants from the State of Connecticut for school construction projects.

Government Activities

For Governmental activities, 58.4% of the revenues were derived from property taxes followed by 37.2% from program revenues, then 3.4% from unrestricted grants, and finally about 1% 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 2006 reflect growth in the total assessed value of property of 8.4%.
- ◆ Charges for services for fiscal year 2006 increased due to better than anticipated building permit revenues.
- ◆ Capital contributions increased due to state reimbursement for construction costs related to the Magnet School and other school construction projects.

For Governmental Activities, 61% of the City's expenditures relate to education, 19.5 relate to public safety, 6% for public works, 6.3% for general government, 2.2% for cultural and recreation, 3% for health and welfare, 1.5% for interest on long-term debt and finally .5% for other activities.

Major expenditure factors included:

- ◆ Expenditures for public safety increased by \$2 million or 5.4%, primarily due to the settlement of the police contract which expired in 2003.
- ◆ Expenditures for education increased \$9.3 million or 8.2% reflecting the rising cost of education.

Business-Type Activities

Business-Type activities increased the City's net assets by \$9.3 million, an increase of 9.2% from the prior fiscal year. Factors impacting the growth include:

Charges for services rose by \$3 million, an increase of 17.5% from the prior year, and contributed capital totaled \$2.9 million, a slight increase from the prior fiscal year. Expenditures remained flat at \$14.2 million contributing to the increase in net assets.

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 \$23 million. This includes a negative fund balance of \$2.8 million in the Magnet School Fund that will be eliminated through future reimbursement from the State of Connecticut. The General Fund, the Century 21 PI Fund, and Other Governmental Funds reported fund balances of \$24.3 million, \$1.3 million and \$138,000, respectively.

Approximately \$23 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, \$1.3 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 \$23 million while total fund balance reached \$24.3. 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 13% of total general fund expenditures, while total fund balance represents 13.7% of that same amount.

The fund balance of the City of Danbury's general fund on a budgetary basis, increased by \$4.7 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 32.6%. This is due to stronger than anticipated building permit revenue.
- ◆ Revenue from Federal & State Governments exceeded budget by \$1 million, due to increased aid from the State of Connecticut.
- ◆ Investment Income exceeded budget by \$2.4 million due to an improved interest rate environment and more cash on hand available to invest.

The Magnet School Fund had a total fund deficit of \$2.8 million. The fund deficit will be eliminated through future reimbursement from the State of Connecticut.

The Century 21 PI had a total fund balance of \$1.3 million. The fund balance changed from a fund deficit of \$2.4 million in the prior year, due to the timing of 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 \$55.9 million. The fund generated operating income during the year of \$4.2 million, an increase of \$2.1 million from the prior year. Capital contributions totaled \$1.3 million, resulting in the fund increasing its net assets by \$5.2 million. Unrestricted net assets at year-end totaled \$5.7 million.

Net assets of the Sewer Fund at the end of the year were \$53.7 million, an increase of \$4.1 million from the prior year. The fund generated operating income of \$2.8 million. An increase in charges for services and capital contributions helped to increase the fund's overall net assets by \$4.1 million. Unrestricted net assets at year-end totaled \$2.0 million.

General Fund Budgetary Highlights

The difference between the original budgeted expenditures and the final amended budgeted expenditures was \$1,828,520. The major additional appropriations approved during the year are summarized below:

- ◆ \$497,000 additional appropriations to various departments throughout the City for snow removal and weather related expenses.
- ◆ \$500,000 additional appropriation for the Board of Education for energy costs.
- ◆ \$820,000 to the Police Department for retroactive wages for the settlement of the police union collective bargaining agreement.

During the year, actual revenues on a budgetary basis were \$173.5 million, which exceeded budgetary estimates by \$5.3 million. Licenses & Permits exceeded budgetary estimates by \$1.5 million due to better than anticipated building permit revenues. Revenue from Federal and State Governments exceeded estimates by \$1 million as the City received more state aid than anticipated. Actual investment income was \$2.4 million higher than the budget of \$675,000.

Actual expenditures on a budgetary basis totaled \$168.9 million, which were less than actual revenues on a budgetary basis by \$2.5 million.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2006, the City of Danbury's investment in capital assets for its governmental and business-type activities amounted to \$362.4 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 \$29.8 million or 9%.

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 46,619,165	\$ 1,031,946	\$ 47,651,111	\$ 45,512,472	\$ 1,031,946	\$ 46,544,418
Land Improvements	6,755,136	-	6,755,136	7,072,460	-	7,072,460
Buildings and Improvements	66,993,625	67,536,829	134,530,454	65,922,528	69,862,281	135,784,809
Machinery and Equipment	6,834,241	534,361	7,368,602	7,438,540	374,489	7,813,029
Infrastructure	45,708,396	72,281,291	117,989,687	45,994,005	70,756,506	116,750,511
Other	-	219,254	219,254	-	227,626	227,626
Construction in Progress	39,254,600	8,610,649	47,865,249	14,844,750	3,563,441	18,408,191
Total	\$ 212,165,163	\$ 150,214,330	\$ 362,379,493	\$ 186,784,755	\$ 145,816,289	\$ 332,601,044

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

- ◆ Land & building acquisitions totaling \$2.3 million for the construction of a consolidated Head Start facility.
- ◆ Land acquisition totaling \$1.6 million, which includes property acquisition for the new police headquarters.
- ◆ Infrastructure improvements including sidewalks, roads and bridges totaling approximately \$1.7 million.
- ◆ Acquisition of machinery and equipment totaling \$1.7 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 \$81,420,000 million. One-hundred percent of this debt is backed by the full faith and credit of the city government.

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 60,967,100	\$ 20,452,900	\$ 81,420,000	\$ 56,009,450	\$ 21,595,400	\$ 77,604,850
Bond anticipation notes	27,850,000	8,750,000	36,600,000	23,050,000	9,250,000	32,300,000
Notes payable	1,405,000	18,107,078	19,512,078	1,537,112	20,726,460	22,263,572
Total	\$ 90,222,100	\$ 47,309,978	\$ 137,532,078	\$ 80,596,562	\$ 51,571,860	\$ 132,168,422

The City of Danbury's total debt increased by \$5.4 million or 4.1% during the current fiscal year. During the year, the City issued Bond Anticipation Notes totaling \$36,600,000. Repayments over the course of the year totaling \$32,300,000 resulted in an outstanding balance at June 30, 2006 of \$36,600,000.

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 \$902,118,756. As of June 30, 2006, the City recorded long-term debt of \$90.2 million related to Governmental Activities and \$47.3 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, 2006, the City had \$72.4 million in cash and cash equivalents. The City also had \$228.6 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%-4.5% 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, 2006 were \$3,548,709.

As of June 30, 2006, the six plans had aggregate assets of \$246 million, up \$9.7 million from \$236.3 million on June 30, 2005. 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 \$230.8 million, while the actuarial accrued liability was \$215.9. On an actuarial accrued basis, the City's liability was in the aggregate, 107% funded.

Economic Factors and Next Year's Budgets and Rates

The City of Danbury continues to show economic strength compared to other parts of the State of Connecticut. As of June 2006, the unemployment rate for the Danbury Labor Market Area was 3.4% down from 4.1% in the prior year. The City of Danbury's unemployment rate was 3.5% down from 4.4% at June 30, 2005. Connecticut's overall unemployment rate was 4.4% at June 30, 2006, down from 5.4% 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.

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Basic Financial Statements

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CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 44,074,936	\$ 8,798,513	\$ 52,873,449
Receivables (net of allowances for collection losses):			
Property taxes	3,536,160	-	3,536,160
Unbilled services	-	3,040,902	3,040,902
Special assessments	-	433,355	433,355
Contract receivable	2,125,000	-	2,125,000
Accounts receivable	322,495	-	322,495
Federal and state governments	10,928,546	-	10,928,546
Other	2,237,145	1,435,140	3,672,285
Inventories	41,189	329,503	370,692
Internal balances	3,993,627	(3,993,627)	-
Other assets	29,386	-	29,386
Special assessments receivable	-	4,109,060	4,109,060
Deferred charges, net of accumulated amortization	851,489	968,247	1,819,736
Federal and state government receivables	4,451,711	-	4,451,711
Contract receivable	2,500,000	-	2,500,000
Capital assets, not being depreciated	85,873,765	9,642,595	95,516,360
Capital assets, net of accumulated depreciation	126,291,398	140,571,735	266,863,133
Total assets	287,256,847	165,335,423	452,592,270
Liabilities			
Accounts payable	11,410,815	1,415,269	12,826,084
Accrued liabilities	4,064,339	722,491	4,786,830
Advance tax collections	5,774,966	-	5,774,966
Unearned revenues	2,829,881	5,624,965	8,454,846
Bond anticipation notes payable	12,200,000	8,750,000	20,950,000
Noncurrent liabilities:			
Due within one year	7,569,592	4,307,031	11,876,623
Due in more than one year	90,271,953	34,945,158	125,217,111
Total liabilities	134,121,546	55,764,914	189,886,460
Net Assets			
Investment in capital assets, net of related debt	136,423,560	101,951,335	238,374,895
Restricted for:			
Farioly Library:			
Expendable	41,189	-	41,189
Nonexpendable	1,353,133	-	1,353,133
Unrestricted (Deficit)	15,317,419	7,619,174	22,936,593
Total net assets	\$ 153,135,301	\$ 109,570,509	\$ 262,705,810

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
\$ 608,279	\$ 68,959	\$ 78,921
-	-	-
-	-	-
-	-	-
-	-	-
52,130	-	14,875
-	-	-
-	-	-
5,000	-	-
-	-	-
4,688	5,682	18,488
-	-	-
-	-	-
-	-	-
-	-	-
56,665	3,137,514	34,773
<u>726,762</u>	<u>3,212,155</u>	<u>147,057</u>
13,019	-	24,438
32,458	128,197	7,688
-	-	-
21,350	-	-
-	-	-
-	21,667	-
-	43,333	-
<u>66,827</u>	<u>193,197</u>	<u>32,126</u>
56,665	3,072,514	34,773
-	-	-
-	-	-
603,270	(53,556)	80,158
<u>\$ 659,935</u>	<u>\$ 3,018,958</u>	<u>\$ 114,931</u>

CITY OF DANBURY, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ (12,816,880)	\$ 10,069,734	\$ 747,267	\$ 333,950
Public safety	(39,411,913)	403,675	492,472	-
Public works	(12,292,573)	-	4,884,441	-
Health and welfare	(6,143,955)	3,619,202	671,172	-
Culture and recreation	(4,425,455)	-	388,621	404,713
Education	(123,823,970)	8,950,343	33,844,639	17,632,102
Other	(1,004,811)	148,575	-	-
Interest on long-term debt	(3,100,300)	-	-	-
Total governmental activities	(203,019,857)	23,191,529	41,028,612	18,370,765
Business-type activities:				
Sewer	(8,408,066)	10,489,592	-	1,565,618
Water	(5,832,384)	9,409,315	-	1,336,408
Total business-type activities	(14,240,450)	19,898,907	-	2,902,026
Total primary government	(217,260,307)	43,090,436	41,028,612	21,272,791
Component Units:				
Danbury Parking Authority	(823,778)	848,287	5,942	-
Richter Park Authority	(1,869,350)	1,692,917	2,331	-
Tarrywile Park Authority	(347,355)	141,515	275,786	-
Total component units	\$ (3,040,483)	\$ 2,682,719	\$ 284,059	\$ -

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	
(1,665,929)	\$ -	\$ (1,665,929)	\$ -	\$ -	\$ -	\$ -
(38,515,766)	-	(38,515,766)	-	-	-	-
(7,408,132)	-	(7,408,132)	-	-	-	-
(1,853,581)	-	(1,853,581)	-	-	-	-
(3,632,121)	-	(3,632,121)	-	-	-	-
(63,396,886)	-	(63,396,886)	-	-	-	-
(856,236)	-	(856,236)	-	-	-	-
(3,100,300)	-	(3,100,300)	-	-	-	-
(120,428,951)	-	(120,428,951)	-	-	-	-
-	3,647,144	3,647,144	-	-	-	-
-	4,913,339	4,913,339	-	-	-	-
-	8,560,483	8,560,483	-	-	-	-
(120,428,951)	8,560,483	(111,868,468)	-	-	-	-
-	-	-	30,451	-	-	-
-	-	-	-	(174,102)	-	-
-	-	-	-	-	-	69,946
-	-	-	30,451	(174,102)	-	69,946
129,588,158	-	129,588,158	-	-	-	-
7,496,197	-	7,496,197	-	-	-	-
2,283,695	716,765	3,000,460	10,992	-	-	356
139,368,050	716,765	140,084,815	10,992	-	-	356
18,939,099	9,277,248	28,216,347	41,443	(174,102)	-	70,302
134,196,202	100,293,261	234,489,463	618,492	3,193,060	-	44,629
\$ 153,135,301	\$ 109,570,509	\$ 262,705,810	\$ 659,935	\$ 3,018,958	\$ -	\$ 114,931

CITY OF DANBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	General	Century 21 PI	Magnet School Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 20,391,858	\$ 12,453,226	\$ 1,099,492	\$ 10,130,360	\$ 44,074,936
Receivables (net of allowances for collection losses):					
Property taxes	3,536,160	-	-	-	3,536,160
Contract receivable	4,625,000	-	-	322,495	4,947,495
State and federal governments	9,331,306	618,940	4,291,060	1,138,951	15,380,257
Other	2,134,898	-	-	102,247	2,237,145
Inventories	-	-	-	41,189	41,189
Other assets	29,386	-	-	-	29,386
Due from other funds	10,945,178	705,000	-	1,479,829	13,130,007
Total assets	\$ 50,993,786	\$ 13,777,166	\$ 5,390,552	\$ 13,215,071	\$ 83,376,575
Liabilities					
Accounts payable	\$ 5,825,725	\$ 762,141	\$ 1,420,552	\$ 3,402,397	\$ 11,410,815
Accrued wages	2,925,951	-	-	-	2,925,951
Due to other funds	2,055	149,201	3,970,000	5,015,124	9,136,380
Deferred revenues	12,157,719	572,605	2,766,273	579,609	16,076,206
Unearned revenue	-	-	-	2,829,881	2,829,881
Bond anticipation notes payable	-	10,950,000	-	1,250,000	12,200,000
Advance tax collections	5,774,964	-	-	-	5,774,964
Total liabilities	26,686,414	12,433,947	8,156,825	13,077,011	60,354,197
Fund Balances (Deficits)					
Reserved for:					
Inventories	-	-	-	41,189	41,189
Encumbrances	1,189,484	8,691,903	775,212	5,940,015	16,596,614
Continued appropriations	158,813	-	-	-	158,813
Permanent fund	-	-	-	1,353,133	1,353,133
CDBG Projects	-	-	-	433,831	433,831
Unreserved, reported in:					
General fund	22,959,075	-	-	-	22,959,075
Special revenue funds	-	-	-	1,174,142	1,174,142
Capital projects funds	-	(7,348,684)	(3,541,485)	(9,014,455)	(19,904,624)
Permanent fund	-	-	-	210,205	210,205
Total fund balances (deficits)	24,307,372	1,343,219	(2,766,273)	138,060	23,022,378
Total liabilities and fund balances (deficits)	\$ 50,993,786	\$ 13,777,166	\$ 5,390,552	\$ 13,215,071	

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

Capital assets, net of accumulated depreciation of \$136,558,121, 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.	212,165,163
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized.	16,076,206
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(98,128,446)</u>

Net assets of governmental activities

\$ 153,135,301

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, 2006

	General	Century 21 PI	Magnet School Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$128,855,805	\$ -	\$ -	\$ -	\$128,855,805
State and federal governments	35,977,718	3,643,351	12,812,357	17,040,273	69,473,699
Licenses and permits	6,105,553	-	-	14,332	6,119,885
Charges for services	3,997,544	-	-	5,133,119	9,130,663
Fines and penalties	1,222,113	-	-	-	1,222,113
Investment income	2,283,694	-	-	73,689	2,357,383
Other	303,541	13,685	-	435,159	752,385
Contributions	2,625,000	-	-	-	2,625,000
Total revenues	181,370,968	3,657,036	12,812,357	22,696,572	220,536,933
EXPENDITURES					
Current:					
General government	8,007,621	-	-	764,489	8,772,110
Public safety	24,390,095	-	-	2,282,906	26,673,001
Public works	8,092,000	-	-	47,775	8,139,775
Health and welfare	4,322,340	-	-	1,606,377	5,928,717
Culture and recreation	2,861,019	-	-	299,053	3,160,072
Education	102,381,921	-	-	18,778,927	121,160,848
Pension and other employee benefits	18,596,490	-	-	-	18,596,490
Debt service:					
Principal retirements	5,505,612	-	-	95,000	5,600,612
Interest and other charges	2,668,668	-	-	-	2,668,668
Capital outlay	434,595	9,885,493	15,578,630	9,067,941	34,966,659
Total expenditures	177,260,361	9,885,493	15,578,630	32,942,468	235,666,952
Revenues over (under) expenditures	4,110,607	(6,228,457)	(2,766,273)	(10,245,896)	(15,130,019)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	713,880	713,880
Transfers out	(713,880)	-	-	-	(713,880)
Bond anticipation note proceeds	-	10,000,000	-	5,888,000	15,888,000
Bond proceeds	-	10,202,000	-	-	10,202,000
Repayment of bond anticipation notes	-	(10,202,000)	-	-	(10,202,000)
Premium on bonds	745,035	-	-	-	745,035
Lease financing	239,398	-	-	-	239,398
Total other financing sources	270,553	10,000,000	-	6,601,880	16,872,433
Net change in fund balances (deficits)	4,381,160	3,771,543	(2,766,273)	(3,644,016)	1,742,414
FUND BALANCES (DEFICITS), beginning	19,926,212	(2,428,324)	-	3,782,076	21,279,964
FUND BALANCES (DEFICITS), ending	\$ 24,307,372	\$ 1,343,219	\$ (2,766,273)	\$ 138,060	\$ 23,022,378

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	\$ 1,742,414
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.	25,043,237
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	337,171
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	974,350
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.	(9,391,600)
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>233,527</u>
Change in net assets of governmental activities	<u>\$ 18,939,099</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, 2006**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 129,851,428	\$ 129,851,428	\$ 128,855,805	\$ (995,623)
Federal and state governments	25,751,795	26,401,629	27,435,245	1,033,616
Licenses and permits	4,603,292	4,603,292	6,105,553	1,502,261
Charges for services	5,390,107	6,470,529	6,622,544	152,015
Fines and penalties	193,000	193,000	1,222,113	1,029,113
Investment income	675,000	675,000	3,028,730	2,353,730
Other	35,500	40,941	303,541	262,600
Total revenues	166,500,122	168,235,819	173,573,531	5,337,712
EXPENDITURES				
Current:				
General government	8,080,613	8,421,754	7,936,685	485,069
Public safety	23,102,575	24,943,915	24,685,675	258,240
Public works	7,504,671	8,300,144	8,076,709	223,435
Health and welfare	2,741,873	2,760,689	2,710,613	50,076
Culture and recreation	2,865,953	2,881,953	2,878,125	3,828
Education	94,631,075	95,163,536	95,141,056	22,480
Pension and other employee benefits	20,185,978	19,764,869	18,609,731	1,155,138
Capital outlay	-	195,823	195,823	-
Contingency	1,611,283	119,858	-	119,858
Debt service:				
Principal retirements	6,019,462	6,019,462	6,005,611	13,851
Interest	2,856,639	2,856,639	2,668,668	187,971
Total expenditures	169,600,122	171,428,642	168,908,696	2,519,946
Revenues over (under) expenditures	\$ (3,100,000)	\$ (3,192,823)	4,664,835	\$ 7,857,658

UNRESERVED BUDGETARY FUND

BALANCE, beginning	18,727,920
Total unreserved budgetary fund balance	23,392,755
Less: Nonbudgetary accruals and reserves	(433,680)
UNRESERVED FUND BALANCE, ending	\$ 22,959,075

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, 2006

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,420,675	\$ 3,377,838	\$ 8,798,513
Receivables (net of allowances for collection losses):			
Unbilled services	1,502,453	1,538,449	3,040,902
Special assessments receivable	129,790	303,565	433,355
User Charges	702,477	732,663	1,435,140
Inventories	329,503	-	329,503
Total current assets	8,084,898	5,952,515	14,037,413
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	68,355,456	81,858,874	150,214,330
Special assessments receivable, net	1,095,006	3,014,054	4,109,060
Other assets (net of accumulated amortization)	899,085	69,162	968,247
Total noncurrent assets	70,349,547	84,942,090	155,291,637
Total assets	78,434,445	90,894,605	169,329,050
LIABILITIES			
Current liabilities:			
Accrued liabilities	432,423	290,068	722,491
Accounts payable	402,266	1,013,003	1,415,269
Due to other funds	1,613,416	2,380,211	3,993,627
Unearned revenues	-	5,624,965	5,624,965
Notes payable - current	-	2,619,382	2,619,382
Total current liabilities	2,448,105	11,927,629	14,375,734
Noncurrent liabilities:			
Notes payable (net of unamortized discount)	-	15,487,696	15,487,696
Bonds payable (net of unamortized discount)	19,500,900	9,702,000	29,202,900
Other liabilities (net of accumulated amortization)	627,615	64,596	692,211
Total noncurrent liabilities	20,128,515	25,254,292	45,382,807
Total liabilities	22,576,620	37,181,921	59,758,541
NET ASSETS			
Invested in capital assets (net of related debt)	50,191,303	51,760,032	101,951,335
Unrestricted	5,666,522	1,952,652	7,619,174
Total net assets	\$ 55,857,825	\$ 53,712,684	\$ 109,570,509

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, 2006

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 9,409,315	\$ 9,367,202	\$ 18,776,517
Septic and connection fees	-	1,122,390	1,122,390
Total operating revenues	9,409,315	10,489,592	19,898,907
OPERATING EXPENSES			
Salaries, benefits and claims	2,357,033	-	2,357,033
Materials and supplies	577,670	-	577,670
Depreciation	1,296,074	2,672,213	3,968,287
Utilities	186,724	-	186,724
Administration and operation	776,411	5,058,007	5,834,418
Total operating expenses	5,193,912	7,730,220	12,924,132
Operating income	4,215,403	2,759,372	6,974,775
NONOPERATING REVENUES (EXPENSES)			
Interest income	243,466	473,299	716,765
Interest expense	(638,472)	(677,846)	(1,316,318)
Total nonoperating revenues (expenses)	(395,006)	(204,547)	(599,553)
Net income before capital contributions	3,820,397	2,554,825	6,375,222
CAPITAL CONTRIBUTIONS	1,336,408	1,565,618	2,902,026
Change in net assets	5,156,805	4,120,443	9,277,248
FUND NET ASSETS, beginning	50,701,020	49,592,241	100,293,261
FUND NET ASSETS, ending	\$ 55,857,825	\$ 53,712,684	\$ 109,570,509

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, 2006

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 9,022,092	\$ 10,357,871	\$ 19,379,963
Payments to suppliers	(2,335,559)	(4,139,989)	(6,475,548)
Payments to employees	(2,382,004)	-	(2,382,004)
Net cash provided by operating activities	4,304,529	6,217,882	10,522,411
Cash Flows From Capital and Related Financing Activities			
Principal payments on debt	(1,233,400)	(3,028,382)	(4,261,782)
Interest paid on debt	(638,472)	(677,846)	(1,316,318)
Capital contributions	1,336,408	1,565,618	2,902,026
Purchase of capital assets	(3,308,025)	(5,058,403)	(8,366,428)
Net cash used in capital and related financing activities	(3,843,489)	(7,199,013)	(11,042,502)
Cash Flows From Investing Activities			
Interest received on investments	243,466	473,299	716,765
Net cash provided by investing activities	243,466	473,299	716,765
Net increase (decrease) in cash and cash equivalents	704,506	(507,832)	196,674
Cash and Cash Equivalents			
Beginning	4,716,169	3,885,670	8,601,839
Ending	\$ 5,420,675	\$ 3,377,838	\$ 8,798,513
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 4,215,403	\$ 2,759,372	\$ 6,974,775
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,296,074	2,672,213	3,968,287
Changes in assets and liabilities:			
Increase in accounts receivable	(371,035)	(90,344)	(461,379)
(Increase) decrease in other receivables	(16,188)	410,422	394,234
Decrease in inventories	12,301	-	12,301
Decrease in other assets	17,240	12,205	29,445
Decrease in due from other funds	-	36,000	36,000
(Decrease) increase in accrued expenses	(532,020)	896,931	364,911
(Decrease) increase in due to other funds	(206,490)	30,211	(176,279)
Decrease in unearned revenue	-	(500,004)	(500,004)
Decrease in other liabilities	(110,756)	(9,124)	(119,880)
Net cash provided by operating activities	\$ 4,304,529	\$ 6,217,882	\$ 10,522,411

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, 2006

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 16,113,227	\$ 1,298	\$ 3,446,752
Investments, at fair value			
Common stock	103,144,457	-	-
Bonds and notes	36,011,676	-	-
Mutual funds	43,719,054	-	-
Private hedge fund	45,770,839	-	-
Total investments	228,646,026	-	-
Accrued interest and dividends	518,252	-	-
Pending sales	691,556	-	-
Total assets	245,969,061	1,298	3,446,752
LIABILITIES			
Pending purchases	3,203,413	-	-
Other liabilities	-	-	3,446,752
	3,203,413	-	3,446,752
Net Assets Held in Trust for Pension			
Benefits and Other Purposes	\$ 242,765,648	\$ 1,298	\$ -

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, 2006

	Pension Trust Funds	Private Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 3,548,709	\$ -
Plan members	669,372	-
Total contributions	<u>4,218,081</u>	<u>-</u>
Investment Income		
Net appreciation in fair value of investments	12,701,116	-
Interest and dividends	6,438,926	35
	<u>19,140,042</u>	<u>35</u>
Less investment expenses:		
Investment management fees	1,467,986	-
	<u>1,467,986</u>	<u>-</u>
Net investment income	<u>17,672,056</u>	<u>35</u>
Total additions	21,890,137	35
Deductions		
Benefits Paid	12,453,519	-
	<u>12,453,519</u>	<u>-</u>
Change in net assets	9,436,618	35
Net Assets		
Beginning of year	233,329,030	1,263
	<u>233,329,030</u>	<u>1,263</u>
End of year	<u>\$ 242,765,648</u>	<u>\$ 1,298</u>

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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, water and sewer services, 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, 2006.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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, 2006.

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, 2005.

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, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 (measurable) 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, 2006

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 *Magnet School Fund* accounts for the construction of the Western Connecticut Academy of International Studies which will focus on international studies and related cultures.

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, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of operations and maintenance, 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, 2006**

Cash equivalents

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

Allowance for doubtful accounts

Accounts receivables, property tax receivables and notes receivable for the primary government are reported net of allowance for doubtful accounts of approximately \$3,000,000. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history.

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 and are recorded at amortized cost.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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.

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, net of any interest revenue earned from specific borrowings.

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

<u>Assets</u>	<u>Years</u>
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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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.

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 and union contracts.

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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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.

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 or is not available for spending.

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 \$(98,128,472) difference are as follows:

Bonds payable	\$ (76,617,100)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	851,489
Add: Issuance premium (to be amortized over life of debt)	(1,795,740)
Capital leases payable	(2,574,247)
Compensated absences	(485,215)
Landfill closure	(13,664,243)
Accrued interest	(1,138,416)
HUD-Section 108 loans	(1,405,000)
Claims and Other	<u>(1,300,000)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (98,128,472)</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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 allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$25,043,237 difference are as follows:

Capital outlay	\$ 31,954,236
Depreciation expense	<u>(6,910,999)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 25,043,237</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 \$(9,391,600) difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$ (15,888,000)
Premiums	(745,035)
Bond issuance costs	750,143
Capital leases	(239,398)
Principal repayments:	
General obligation debt	5,614,461
Capital leases	<u>1,116,229</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (9,391,600)</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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 \$233,527 difference are as follows:

Compensated absences	\$ 40,783
Other liabilities	<u>192,744</u>
Net adjustment to increase net changes in fund balances -- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 233,527</u>

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 \$1,828,520 and also increased budgeted revenues approximately \$1,735,697.
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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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.
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, 2006, there was \$158,813 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:

	Revenues	Expenditures, Encumbrances and Transfers Out
Balance, budgetary basis	\$ 173,573,531	\$ 168,908,696
Encumbrances and continued appropriations		
June 30, 2005	-	1,697,289
June 30, 2006	-	(1,348,297)
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	6,920,000	6,920,000
On-behalf payments, paid directly by the Department of Public Health to WIC recipients, not recognized for budgetary purposes	1,622,472	1,622,472
Purchases of equipment under capital lease obligations, not recognized for budgetary purposes	239,398	239,398
Net of accruals not recognized for budgetary purposes	-	(65,317)
Balance, GAAP basis	<u>\$ 182,355,401</u>	<u>\$ 177,974,241</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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:

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

	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%

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 benefit payments, 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, 2006 \$58,769,319 of the City's bank balance of \$75,527,585 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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Cash and investments of the City consist of the following at June 30, 2006:

Cash and Cash Equivalents	
Deposits With Financial Institutions	\$ 72,217,263
Tax Exempt Proceeds Fund	117,917
Municipal Backed Investment Fund	99,546
Total cash and cash equivalents	<u>72,434,726</u>
Investments	
Pension Trust Funds:	
U.S. Government Securities	3,801,857 *
U.S. Government Agencies	23,698,050 *
Corporate Debt	8,511,769 *
Common Stocks	103,144,457 *
Mutual Funds	43,719,054
Private Hedge Funds	45,770,839
Total pension investments	<u>228,646,026</u>
Total cash and investments	<u>\$ 301,080,752</u>

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

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

	Primary Government
Statement of Net Assets	
Cash and cash equivalents	\$ 52,873,449
	<u>52,873,449</u>
Fiduciary Funds:	
Cash and cash equivalents	19,561,277
Investments	228,646,026
	<u>248,207,303</u>
Total cash and investments	<u>\$ 301,080,752</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:

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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	\$ 23,698,050	\$ 1,432,342	\$ 5,917,323	\$ 2,380,368	\$ 13,968,017
U.S. Government Securities	3,801,857	496,775	1,292,757	757,586	1,254,739
Corporate Bonds	8,511,769	1,048,944	3,382,421	3,330,027	750,377
Pooled Fixed Income	217,463	217,463	-	-	-
TOTAL	\$ 36,229,139	\$ 3,195,524	\$ 10,592,501	\$ 6,467,981	\$ 15,973,133

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.

Average Rating	U.S. Government		
	Corporate Bonds	Agency Obligation	Pooled Fixed Income
AAA	\$ 156,923	\$ 15,170,202	\$ -
AA	99,143	-	99,546
AA-	1,575,246	-	-
A+	1,569,404	266,671	-
A	3,286,650	-	-
A-	584,113	-	-
BBB+	747,411	-	-
BBB	492,879	-	-
Unrated	-	8,261,177	117,917
	\$ 8,511,769	\$ 23,698,050	\$ 217,463

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2006

Note 5. Deferred Revenue/Unearned Revenue

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

	Deferred Revenue	Unearned Revenue
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$ 3,003,721	\$ -
School construction receivable	4,451,711	-
Note receivable	4,625,000	-
Other	77,287	-
Major Funds:		
Magnet School	2,766,273	-
Century 21 PI	572,605	-
Nonmajor Funds:		
Grants and other	579,609	2,829,881
	<u>\$ 16,076,206</u>	<u>\$ 2,829,881</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Note 6. Interfund Receivables, Payables and Transfers

As of June 30, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 10,945,178	\$ 2,055
Water	-	1,613,416
Sewer	-	2,380,211
Century 21 PI	705,000	149,201
Magnet School	-	3,970,000
Nonmajor and Other Funds	1,479,829	5,015,124
Totals	<u>\$ 13,130,007</u>	<u>\$ 13,130,007</u>

Interfund balances represent routine and temporary cash flow assistance.

Interfund transfers during the year ended June 30, 2006 were as follows:

	Transfers In:		
	General Fund	Nonmajor Governmental	Total
Transfers out:			
General Fund	\$ -	\$ 713,880	\$ 713,880
	<u>\$ -</u>	<u>\$ 713,880</u>	<u>\$ 713,880</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, 2006

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 45,512,472	\$ 1,591,192	\$ (484,499)	\$ 46,619,165
Construction in progress	14,844,750	31,900,401	(7,490,551)	39,254,600
Total capital assets, not being depreciated	60,357,222	33,491,593	(7,975,050)	85,873,765
Capital assets, being depreciated:				
Land improvements	8,054,228	34,800	-	8,089,028
Buildings and improvements	108,396,443	3,264,080	-	111,660,523
Machinery and equipment	23,366,899	1,957,219	(1,210,248)	24,113,870
Infrastructure	117,317,742	1,668,356	-	118,986,098
Total capital assets being depreciated	257,135,312	6,924,455	(1,210,248)	262,849,519
Less accumulated depreciation for:				
Land improvements	981,768	352,124	-	1,333,892
Buildings and improvements	42,473,915	2,192,983	-	44,666,898
Machinery and equipment	15,928,359	2,411,927	(1,060,657)	17,279,629
Infrastructure	71,323,737	1,953,965	-	73,277,702
Total accumulated depreciation	130,707,779	6,910,999	(1,060,657)	136,558,121
Total capital assets, being depreciated, net	126,427,533	13,456	(149,591)	126,291,398
Governmental activities capital assets, net	\$ 186,784,755	\$ 33,505,049	\$ (8,124,641)	\$ 212,165,163

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,031,946	\$ -	\$ -	\$ 1,031,946
Construction in progress	3,563,441	5,047,208	-	8,610,649
Total capital assets, not being depreciated	4,595,387	5,047,208	-	9,642,595
Capital assets, being depreciated:				
Buildings and improvements	100,373,069	103,230	-	100,476,299
Machinery and equipment	1,110,798	186,550	(131,250)	1,166,098
Distribution and collection systems	88,727,711	2,963,153	-	91,690,864
Vehicles	838,250	54,441	(34,339)	858,352
Other	918,561	12,515	-	931,076
Furniture and fixtures	287,704	-	-	287,704
Total capital assets, being depreciated	192,256,093	3,319,889	(165,589)	195,410,393
Less accumulated depreciation for:				
Buildings and improvements	30,510,788	2,428,682	-	32,939,470
Machinery and equipment	736,309	26,678	(131,250)	631,737
Distribution and collection systems	17,971,205	1,438,368	-	19,409,573
Vehicles	823,287	33,362	(33,570)	823,079
Other	757,036	22,715	-	779,751
Furniture and fixtures	236,566	18,482	-	255,048
Total accumulated depreciation	51,035,191	3,968,287	(164,820)	54,838,658
Total capital assets, being depreciated, net	141,220,902	(648,398)	(769)	140,571,735
Business-type capital assets, net	\$ 145,816,289	\$ 4,398,810	\$ (769)	\$ 150,214,330

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

Governmental activities:	
General government	\$ 540,309
Public safety	1,111,537
Public works, including depreciation of general infrastructure assets	2,402,519
Health and welfare	70,712
Culture and recreation	521,659
Education	2,247,955
Other	16,308
Total depreciation expense – governmental activities	<u>\$ 6,910,999</u>
Business-type activities:	
Sewer	\$ 2,672,213
Water	1,296,074
Total depreciation expense – business-type activities	<u>\$ 3,968,287</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Discretely presented component units

Activity for the Danbury Parking Authority for the year ended June 30, 2006, 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	-	(21,000)	421,716
Computer equipment	20,670	11,675	(15,504)	16,841
Total capital assets, being depreciated	<u>526,293</u>	<u>11,675</u>	<u>(36,504)</u>	<u>501,464</u>
Less accumulated depreciation for:				
Buildings and improvements	58,638	1,260	-	59,898
Machinery and equipment	368,629	30,939	(21,000)	378,568
Computer equipment	20,670	1,167	(15,504)	6,333
Total accumulated depreciation	<u>447,937</u>	<u>33,366</u>	<u>(36,504)</u>	<u>444,799</u>
Total capital assets, being depreciated, net	<u>\$ 78,356</u>	<u>\$ (21,691)</u>	<u>\$ -</u>	<u>\$ 56,665</u>

Activity for the Richter Park Authority for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 1,988,865	\$ 5,020	\$ -	\$ 1,993,885
Improvements	3,407,585	22,441	-	3,430,026
Machinery and equipment	787,628	38,984	-	826,612
Totals, capital assets being depreciated	<u>6,184,078</u>	<u>66,445</u>	<u>-</u>	<u>6,250,523</u>
Less accumulated depreciation for:				
Buildings	901,746	78,032	-	979,778
Improvements	1,378,156	100,070	-	1,478,226
Machinery and equipment	613,822	41,183	-	655,005
Total accumulated depreciation	<u>2,893,724</u>	<u>219,285</u>	<u>-</u>	<u>3,113,009</u>
Total capital assets, being depreciated, net	<u>\$ 3,290,354</u>	<u>\$ (152,840)</u>	<u>\$ -</u>	<u>\$ 3,137,514</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Activity for the Tarrywile Park Authority for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 84,985	\$ 14,523	\$ -	\$ 99,508
Machinery and equipment	19,145	-	-	19,145
Furniture and fixtures	83,042	3,740	-	86,782
Computer equipment	4,625	-	(4,625)	-
Totals, capital assets being depreciated	191,797	18,263	(4,625)	205,435
Less accumulated depreciation for:				
Buildings and improvements	62,977	5,120	-	68,097
Machinery and equipment	17,472	378	(4,625)	13,225
Furniture and fixtures	84,711	-	-	84,711
Computer equipment	4,629	-	-	4,629
Total accumulated depreciation	169,789	5,498	(4,625)	170,662
Total capital assets, being depreciated, net	\$ 22,008	\$ 12,765	\$ -	\$ 34,773

Note 8. Bond Anticipation Notes Payable and Subsequent Event

The City has \$36,600,000 of bond anticipation notes outstanding as of June 30, 2006. The bond anticipation notes bear interest at 3.00%.

Bond anticipation note transactions for the year ended June 30, 2006 were as follows:

Outstanding, July 1, 2005	\$ 32,300,000
Borrowings	36,600,000
Repayments	<u>(32,300,000)</u>
Outstanding, June 30, 2006	<u>\$ 36,600,000</u>
Reported as:	
Bond anticipation notes	\$ 20,950,000
Long-term debt	\$ 15,650,000

Subsequent event

In August 2006, the City issued \$31,620,000 in general obligation bonds. The bonds bear interest of 4.50% and mature serially from August 1, 2007 to August 1, 2026. Of the \$36,600,000 bond anticipation notes outstanding, \$15,650,000 was financed with the August 2006 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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Note 9. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 56,009,450	\$ 10,440,000	\$ 5,482,350	\$ 60,967,100	\$ 5,672,350
Notes payable	1,537,112	-	132,112	1,405,000	95,000
Bond anticipation notes	10,202,000	15,650,000	10,202,000	15,650,000	-
Plus deferred amounts:					
Unamortized premiums	1,899,212	745,035	848,507	1,795,740	148,575
Total bonds and notes payable	69,647,774	26,835,035	16,664,969	79,817,840	5,915,925
Capital leases	3,451,078	239,398	1,116,229	2,574,247	1,119,667
Landfill post-closure monitoring	13,789,243	-	125,000	13,664,243	485,478
Compensated absences	525,998	103,385	144,168	485,215	48,522
Claims and other	-	1,300,000	-	1,300,000	-
Governmental activity long-term liabilities	\$ 87,414,093	\$ 27,177,818	\$ 18,050,366	\$ 96,541,545	\$ 7,569,592
Business-type activities:					
Bonds and notes payable:					
General obligation bonds	\$ 21,595,400	\$ 500,000	\$ 1,645,289	\$ 20,452,900	\$ 1,687,650
Notes payable	20,726,460	-	2,615,593	18,107,078	2,619,381
Plus deferred amounts:					
Unamortized premiums	812,091	-	119,880	692,211	-
Total bonds and notes payable	43,133,951	500,000	4,380,762	39,253,189	4,307,031
Business-type activity long-term liabilities	\$ 43,133,951	\$ 500,000	\$ 4,380,762	\$ 39,253,189	\$ 4,307,031

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Notes payable

The City's notes payable, which are payable from its governmental activities, are as follows at June 30, 2006:

	<u>Outstanding Amount</u>
HUD-Section 108 loan, due in annual installments with an interest rate of 3%.	<u>\$ 1,405,000</u>

General obligation bonds

As of June 30, 2006, the outstanding general obligation bonded indebtedness of the City, payable from its governmental activities, was as follows:

	<u>Outstanding Amount</u>
\$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%	320,000
\$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%	5,705,000
\$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%	640,000
\$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%	7,060,000
\$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%	670,000
\$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%	460,000
\$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%	1,515,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

	<u>Outstanding Amount</u>
\$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%	700,000
\$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%	3,914,100
\$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%	670,000
\$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%.	11,405,000
\$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%	3,420,000
\$10,440,000 General Obligation bonds, issued August 1, 2005, due in annual installments of \$374,400 and \$777,600; final maturity date August 2025; interest at 3.0% to 4.5%	<u>10,440,000</u>
	<u>\$ 60,967,100</u>

At June 30, 2006, 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%	\$ 520,000
\$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%	1,240,000
\$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%	800,000
\$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%	945,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

	<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%	675,000
\$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%	560,000
\$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%	1,860,000
\$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%	200,000
\$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%	320,000
\$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%	285,900
\$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%.	1,235,000
\$500,000 Sewer general obligation bond issued August 12, 2005 due in annual installments of \$15,600 to \$32,400; final maturity August 2025; interest at 3.0% to 4.5%	<u>500,000</u>
Total general obligation bonds	<u>20,452,900</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%	344,529
\$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%	17,584,181
\$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>178,368</u>
Total notes payable	<u>18,107,078</u>
	<u><u>\$ 38,559,978</u></u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2007	\$ 5,767,350	\$ 2,680,401	\$ 8,447,751	4,307,031	1,243,037	\$ 5,550,068
2008	5,419,350	2,357,969	7,777,319	4,307,031	1,115,764	5,422,795
2009	5,348,350	2,127,763	7,476,113	4,344,037	986,520	5,330,557
2010	5,333,350	1,898,178	7,231,528	4,228,188	855,600	5,083,788
2011	5,173,350	1,672,641	6,845,991	4,228,188	727,073	4,955,261
2012	4,966,350	1,454,350	6,420,700	4,225,188	598,505	4,823,693
2013	4,842,000	1,221,967	6,063,967	4,219,538	468,822	4,688,360
2014	4,021,000	1,024,785	5,045,785	1,944,938	356,270	2,301,208
2015	2,851,000	851,894	3,702,894	1,402,839	271,142	1,673,981
2016	2,763,000	713,318	3,476,318	1,214,000	200,877	1,414,877
2017	2,555,000	607,753	3,162,753	1,217,000	142,442	1,359,442
2018	2,549,000	502,549	3,051,549	1,208,000	91,392	1,299,392
2019	2,354,000	407,068	2,761,068	880,000	52,059	932,059
2020	1,843,000	323,436	2,166,436	266,000	29,895	295,895
2021	1,667,000	251,256	1,918,256	137,000	21,745	158,745
2022	1,657,000	181,138	1,838,138	137,000	15,966	152,966
2023	1,144,000	120,962	1,264,962	90,000	11,031	101,031
2024	1,144,000	70,995	1,214,995	90,000	7,043	97,043
2025	609,000	32,981	641,981	90,000	3,056	93,056
2026	365,000	10,744	375,744	25,000	531	25,531
Total	<u>\$62,372,100</u>	<u>\$18,512,148</u>	<u>\$ 80,884,248</u>	<u>\$ 38,560,978</u>	<u>\$ 7,198,770</u>	<u>\$ 45,759,748</u>

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, 2006 was approximately \$754,200. Additional payments aggregating approximately \$4,451,700 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, 2006, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$25,045,000.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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 \$13,664,243, 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, 2006. 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 \$485,215 as of June 30, 2006. 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	\$ 9,435,513
Accumulated depreciation	<u>(8,197,332)</u>
Net book value	<u>\$ 1,238,181</u>

Future minimum lease payments under capital leases are as follows:

2007	\$ 1,119,667
2008	864,582
2009	553,338
2010	256,666
2011 and thereafter	<u>68,864</u>
	2,863,117
Less amount representing interest	<u>(288,870)</u>
	<u>\$ 2,574,247</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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, 2005:

Beginning balance	\$ 123,863
Deductions	<u>(58,863)</u>
Ending balance	<u>\$ 65,000</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, 2005, 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.

The future principal amortization is as follows:

Year ending December 31,	
2006	\$ 21,667
2007	21,667
2008	<u>21,666</u>
	<u>\$ 65,000</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

Authorized but unissued bonds

Bonds authorized but unissued at June 30, 2006 are as follows:

General Purpose	\$ 106,813,000
Sewer	17,807,090
Water	5,933,000
	<u>\$ 130,553,090</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:

	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose	\$ 289,966,743	\$ 128,794,208	\$ 418,760,951
Unfunded Pension Benefit Obligation	\$ 386,622,324	\$ -	\$ 386,622,324
Schools	\$ 579,933,486	\$ 82,910,847	\$ 662,844,333
Sewers	\$ 483,277,905	\$ 30,745,078	\$ 514,022,983
Urban renewal	\$ 418,840,851	\$ -	\$ 418,840,851

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$902,118,756.

Note 10. Commitments and Contingencies

Lawsuits

There are several personal injury, negligence, personnel and other related lawsuits pending against the City. For certain cases, where it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, a loss contingency has been accrued for in the government-wide statement of approximately \$900,000. Based upon the advice of the legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial statements 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 the loss of which could range from \$0 to

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

\$6,000,000, and therefore no amount has been 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, 2006 is \$5,624,965 and is recorded as unearned revenue in the Sewer Enterprise Fund.

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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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, 2006, 21 retired employees received benefit payments. Payments totaled approximately \$680,148 during the year ended June 30, 2006.

Note 11. Fund Deficits

The City has the following fund deficits at June 30, 2006 and expects to eliminate the deficits in the future as follows:

Fund	Deficit June 30, 2006	Plan for Eliminating Deficit
Capital Projects:		
City Projects	\$ 1,070,793	Through future debt issuance
Danbury Neighborhood Bond	\$ 3,974,098	Through future debt issuance
Head Start	\$ 162,359	Through future debt issuance
Public Safety Bond	\$ 40,000	Through future debt issuance
Magnet School Projects	\$ 2,766,273	Through future debt issuance
Special Revenue:		
LOCIP	\$ 282,120	Through future revenue
Airport	\$ 252,845	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, 2006

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, 2006

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	429	39	37	71	45	5
Terminated employees Entitled to future benefits	149	-	-	-	-	-
Current employees	<u>607</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>105</u>	<u>118</u>
Total number of participants	<u>1,185</u>	<u>39</u>	<u>37</u>	<u>105</u>	<u>150</u>	<u>123</u>
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, 2006

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-	None	None	4% of earnings	5% of earnings	4% of earnings
Employer	\$-0-	\$978,000	\$984,000	\$690,000	\$281,000	\$584,000
Authority under which benefit provisions established	City code of ordinances					
<u>Funding Status and Progress</u>						
Date of actuarial valuation	7/1/05	7/1/05	7/1/05	7/1/04	7/1/04	7/1/04
Significant actuarial assumptions						
Investment rate of return	8.0%	8.0%	8.0%	8.5%	8.5%	8.5%
Projected annual salary increases*	4.0%	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					
Remaining amortizing period	10 years	11 years	11 years	7 years	14 years	17 years
Authority under which contributions are established	Common Council					

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2006

	Trend % Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General Employees			
2006	-	-	-
2005	-	-	-
2004	-	-	-
Police Pre-1967			
2006	978,000	100.0%	-
2005	1,007,000	100.0%	-
2004	972,000	100.0%	-
Fire Pre-1967			
2006	984,000	100.0%	-
2005	919,000	100.0%	-
2004	918,000	100.0%	-
Police Post-1967			
2006	690,000	100.0%	-
2005	1,082,000	100.0%	-
2004	884,000	100.0%	-
Fire Post-1967			
2006	281,000	111.3%	(31,709)
2005	298,000	100.0%	-
2004	902,000	100.0%	-
Police Post-1983			
2006	584,000	100.0%	-
2005	605,000	100.0%	-
2004	404,000	100.0%	-

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2006

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Year Ended June 30,	Annual Required Contribution	Percentage Contributed
General Employees:	2006	\$ -	- %
	2005	-	-
	2004	-	-
	2003	-	-
	2002	-	-
Pre-1967 Police:	2006	\$ 978,000	100%
	2005	1,007,000	100
	2004	972,000	100
	2003	971,000	100
	2002	820,000	100
Pre-1967 Fire:	2006	\$ 984,000	100%
	2005	919,000	100
	2004	918,000	100
	2003	877,000	100
	2002	761,000	100
Post-1967 Police:	2006	\$ 690,000	100%
	2005	1,082,000	100
	2004	884,000	100
	2003	635,000	100
	2002	765,000	100
Post-1967 Fire:	2006	\$ 281,000	111%
	2005	298,000	100
	2004	902,000	100
	2003	639,000	100
	2002	560,000	100
Post-1983 Police:	2006	\$ 584,000	100%
	2005	605,000	100
	2004	404,000	100
	2003	310,000	100
	2002	341,000	100

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2006

SCHEDULE OF PLAN NET ASSETS
 JUNE 30, 2006

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
ASSETS							
Cash and cash equivalents	\$ 7,054,049	\$ 442,308	\$ 374,794	\$ 3,525,735	\$ 3,996,080	\$ 720,261	\$ 16,113,227
Investments, at fair value							
Common Stock	45,154,580	2,831,316	2,399,140	22,569,039	25,579,825	4,610,557	103,144,457
Bonds and Notes	15,765,192	988,520	837,631	7,879,715	8,930,896	1,609,722	36,011,676
Mutual Funds	19,139,328	1,200,088	1,016,905	9,566,166	10,842,325	1,954,242	43,719,054
Private Hedge Fund	20,037,558	1,256,410	1,064,630	10,015,117	11,351,168	2,045,956	45,770,839
Total investments	100,096,658	6,276,334	5,318,306	50,030,037	56,704,214	10,220,477	228,646,026
Accrued interest and dividends	226,880	14,226	12,054	113,399	128,527	23,166	518,252
Pending Sales	302,749	18,983	16,086	151,319	171,506	30,913	691,556
Total Assets	107,680,336	6,751,851	5,721,240	53,820,490	61,000,327	10,994,817	245,969,061
LIABILITIES							
Pending Purchases	1,402,130	87,151	73,961	701,304	795,153	143,714	3,203,413
Net Assets Held in Trust for Pension Benefits	\$ 106,278,206	\$ 6,664,700	\$ 5,647,279	\$ 53,119,186	\$ 60,205,174	\$ 10,851,103	\$ 242,765,648

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006

**SCHEDULE OF CHANGES IN
PLAN NET ASSETS
YEAR ENDED JUNE 30, 2006**

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
Additions							
Contributions							
Employer	\$ -	\$ 978,000	\$ 984,000	\$ 690,000	\$ 312,709	\$ 584,000	\$ 3,548,709
Plan members	-	-	-	71,689	313,565	284,118	669,372
Total contributions	-	978,000	984,000	761,689	626,274	868,118	4,218,081
Investment Income							
Net appreciation (depreciation) in fair value of investments	7,434,480	(601,986)	(603,421)	2,595,500	3,851,976	24,567	12,701,116
Interest and dividends	2,831,473	181,400	148,049	1,418,813	1,586,194	272,997	6,438,926
	10,265,953	(420,586)	(455,372)	4,014,313	5,438,170	297,564	19,140,042
Less Investment Expenses:							
Investment manage- ment fees	662,224	37,641	34,378	316,515	364,976	52,252	1,467,986
Investment income (loss)	9,603,729	(458,227)	(489,750)	3,697,798	5,073,194	245,312	17,672,056
Total additions	9,603,729	519,773	494,250	4,459,487	5,699,468	1,113,430	21,890,137
Deductions							
Benefits paid	4,379,578	1,609,256	1,283,475	3,091,567	1,875,825	213,818	12,453,519
Total deductions	4,379,578	1,609,256	1,283,475	3,091,567	1,875,825	213,818	12,453,519
Net increase (decrease)	5,224,151	(1,089,483)	(789,225)	1,367,920	3,823,643	899,612	9,436,618
Net Assets Held in Trust for Pension Benefits							
Beginning of year	101,054,055	7,754,183	6,436,504	51,751,266	56,381,531	9,951,491	233,329,030
End of year	\$ 106,278,206	\$ 6,664,700	\$ 5,647,279	\$ 53,119,186	\$ 60,205,174	\$ 10,851,103	\$ 242,765,648

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006

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:						
7/1/05	\$ 104,464,850	\$ 81,604,546	\$ (22,860,304)	128.0 %	\$ 23,777,020	(96.1) %
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) %
Pre-1967 Police:						
7/1/05	\$ 7,019,283	\$ 13,139,006	\$ 6,119,723	53.4 %	\$ -	N/A
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 %
Pre-1967 Fire:						
7/1/05	\$ 5,753,625	\$ 12,223,443	\$ 6,469,818	47.1 %	\$ -	N/A
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 %
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, 2006

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 \$6,920,000 for the year ended June 30, 2006.

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, 2006, such amounts were approximately \$19,208,000.

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 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 workers' compensation. The City is self-insured for the first \$500,000 per claim and maintains an aggregate stop loss on these worker's compensation claims of \$3 million. Employee medical benefits are fully insured, except for prescription drug coverage which is a self-insured arrangement. The BOE is also self-insured for certain dental and prescription programs.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006

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
2006	\$ 1,400,000	\$ 7,673,631	\$ 6,873,631	\$ 2,200,000
2005	\$ 364,614	\$ 1,400,000	\$ 364,614	\$ 1,400,000

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 \$56,818 to supplement Candlewood’s operating revenues for the year ended June 30, 2006 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 \$649,136 to supplement HART’s operating revenues for the year ended June 30, 2006 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 has an ongoing financial responsibility to supply a certain level of tonnage to HRRA in accordance with the agreement between the City and HRRA, but the City has no equity interest.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006

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, 2006 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 No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," issued April 2004, will be effective for the City beginning with its year ended June 30, 2007. This Statement establishes uniform financial reporting standards for OPEB (other postemployment benefits) and supersedes the interim guidance included in Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans."
- ◆ GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," issued June 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.
- ◆ Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," issued September 2006, is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

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Appendix B

Forms of Legal Opinions of Bond Counsel

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ROBINSON & COLE LLP

280 Trumbull Street
Hartford, CT 06103-3597
Main (860) 275-8200
Fax (860) 275-8299

August __, 2007

City of Danbury
Danbury,
Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Danbury, Connecticut (the "City"), a Tax Regulatory Agreement of the City dated August 3, 2007, (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$28,315,000 City of Danbury, Connecticut General Obligation Bonds, Issue of 2007, dated August 1, 2007 (the "Bonds"), maturing on August 1 in each of the years in the principal amounts and bearing interest payable on February 1, 2008 and semiannually thereafter on August 1 and February 1 in each year until maturity, or earlier redemption, at the rates per annum as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2008	\$ 1,530,000	%
2009	1,530,000	
2010	1,530,000	
2011	1,525,000	
2012	1,520,000	
2013	1,520,000	
2014	1,520,000	
2015	1,520,000	
2016	1,510,000	
2017	1,500,000	
2018	1,315,000	
2019	1,315,000	
2020	1,315,000	
2021	1,310,000	
2022	1,310,000	
2023	1,310,000	
2024	1,310,000	
2025	1,310,000	
2026	1,310,000	
2027	1,305,000	

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the fifteenth day of July and January in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and statutes of the State of Connecticut and that the Bonds are a valid and binding general obligation of the City of Danbury the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

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

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion

regarding any other State or local tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights generally and by application of equitable principles, whether considered at law or in equity.

Respectfully yours,

ROBINSON & COLE LLP

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ROBINSON & COLE_{LLP}

280 Trumbull Street
Hartford, CT 06103-3597
Main (860) 275-8200
Fax (860) 275-8299

August ____, 2007

City of Danbury
Danbury,
Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Danbury, Connecticut (the "City"), a Tax Regulatory Agreement of the City dated August 3, 2007 (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$56,080,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes, dated August 3, 2007, and maturing August 1, 2008, consisting of Note No. R-__ in the aggregate principal amount of \$ _____, bearing interest at the rate of ____% per annum and Note No. R-__ in the aggregate principal amount of \$ _____, bearing interest at the rate of ____% per annum, AND Note No. R-__ in the aggregate principal amount of \$ _____, bearing interest at the rate of ____% per annum, with principal and interest payable at maturity (the "Notes"). The Notes are not subject to redemption prior to maturity.

The Notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Notes. So long as DTC or its nominee is the registered owner, principal and interest payments on the Notes will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any Official Statement or other offering material relating to the Notes (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under authority of the Constitution and statutes of the State of Connecticut and that the Notes are a valid and binding general obligation of the City of Danbury the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Notes is, however, includable in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

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

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

The rights of owners of the Notes and the enforceability of the Notes and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights generally and by application of equitable principles, whether considered at law or in equity.

Respectfully yours,

Appendix C

Forms of Continuing Disclosure Agreements

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CONTINUING DISCLOSURE AGREEMENT

CITY OF DANBURY, CONNECTICUT

Dated As Of August 3, 2007

**In Connection With The Issuance And Sale Of
\$28,315,000 City Of Danbury, Connecticut
General Obligation Bonds, Issue of 2007, Dated August 1, 2007**

WHEREAS, the City of Danbury, Connecticut (the "Issuer") has heretofore authorized the issuance of \$28,315,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2007 (the "Bonds"), to be dated August 1, 2007 and to mature in the principal amounts and on the dates set forth in the Issuer's final Official Statement dated July 25, 2007 describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer has offered the Bonds for sale through competitive bid pursuant to its Notice of Sale dated July 18, 2007 (the "Notice of Sale"); and

WHEREAS, in the Notice of Sale the Issuer has heretofore acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Section 3-20e of the Connecticut General Statutes to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"SID" shall mean any state information depository established or designated by the State of Connecticut for the purposes of the Rule. As of the date of this Agreement no SID has been so established or designated by the State of Connecticut.

Section 2. Annual Reports.

(a) The Issuer shall provide or cause to be provided to each NRMSIR and to the SID the following annual financial information and operating data regarding the Issuer:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

(ii) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in (i) above:

(A) the amounts of the gross and net taxable grand list;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(C) the percentage and amount of the annual property tax levy collected and uncollected;

(D) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);

(F) the total direct debt, total net direct debt and total overall net debt of the Issuer per capita;

(G) the ratios of total direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list;

(H) a statement of statutory debt limitations and debt margins; and

(I) the funding status of the Issuer's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents provided to each NRMSIR and the SID, including official statements of the Issuer which will be available from the MSRB.

(c) Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within 60 days of receipt.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner, to (i) each NRMSIR or to the MSRB, and (ii) the SID, notice of the occurrence of any of the following events, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or to the MSRB, and (ii) the SID, notice of any failure by the Issuer to provide the annual financial information described in Section 2(a) of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) each NRMSIR or the MSRB, and (ii) the SID. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officials, officers and employees harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any such liabilities due to any such person's malicious, wanton, or willful act. The obligations of the Issuer under this Section shall survive, notwithstanding that such person may no longer be serving in such capacity.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

Section 12. Miscellaneous. Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretation advise in its letter to the MAC dated September 7, 2004.

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

CITY OF DANBURY,
CONNECTICUT

By _____
Mark D. Boughton
Mayor

By _____
Daniel P. Jowdy
Treasurer

By _____
David W. St. Hilaire
Director of Finance

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CONTINUING DISCLOSURE AGREEMENT
By The CITY OF DANBURY, CONNECTICUT

Dated As Of August 3, 2007

In Connection With The Issuance And Sale Of
\$56,080,000 City Of Danbury, Connecticut

General Obligation Bond Anticipation Notes, Dated August 3, 2007

WHEREAS, the City of Danbury, Connecticut (the "Issuer") has heretofore authorized the issuance of \$56,080,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") dated August 3, 2007, maturing August 1, 2008, said Notes as more fully described in the Issuer's final Official Statement dated July 25, 2007 (the "Official Statement"); and

WHEREAS, the Issuer has offered the Notes for sale through competitive bid pursuant to its Notice of Sale dated July 18, 2007 (the "Notice of Sale"); and

WHEREAS, in the Notice of Sale the Issuer has heretofore acknowledged that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Notes to provide notices of material events as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Notes in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Section 3-20e of the Connecticut General Statutes, to make representations and agreements for the benefit of the beneficial owners of the Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Notes and to be described in the Official Statement, all for the benefit of the beneficial owners of the Notes, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Listed Events" shall mean any of the events listed in Section 2 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"SID" shall mean any state information depository established or designated by the State of Connecticut for the purposes of the Rule. As of the date of this Agreement no SID has been so established or designated by the State of Connecticut.

Section 2. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner, to (i) each NRMSIR or to the MSRB, and (ii) the SID, notice of the occurrence of any of the following events, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

Section 3. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 4. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not adversely affect the beneficial owners of the Notes and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) each NRMSIR or the MSRB, and (ii) the SID.

Section 6. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure

Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 7. Indemnification. The Issuer agrees to indemnify and save its officials, officers and employees harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any such liabilities due to any such person's malicious, wanton, or willful act. The obligations of the Issuer under this Section shall survive, notwithstanding that such person may no longer be serving in such capacity.

Section 8. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of the beneficial owners of the Notes and shall be enforceable by them. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Notes of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Notes.

Section 9. Miscellaneous. Any filing under this Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

CITY OF DANBURY,
CONNECTICUT

By _____
Mark D. Boughton
Mayor

By _____
Daniel P. Jowdy
City Treasurer

By _____
David W. St. Hilaire
Director of Finance

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Appendix D

Notices of Sale & Bid Forms

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NOTICE OF SALE

**\$28,315,000
CITY OF DANBURY, CONNECTICUT
GENERAL OBLIGATION BONDS
ISSUE OF 2007**

Sealed proposals and electronic bids (as described herein) will be received by the **CITY OF DANBURY, CONNECTICUT** (the "City"), until 11:30 A.M. (E.D.T.) Wednesday,

JULY 25, 2007

for the purchase of all, but not less than all, of \$28,315,000 City of Danbury, Connecticut General Obligation Bonds, Issue of 2007 (the "Bonds"). Sealed proposals will be received at Danbury City Hall, Finance Department, Conference Room, 155 Deer Hill Avenue, Danbury, CT 06810 (See "Sealed Proposal Procedures"). Electronic bids must be submitted via **PARITY®** (See "Electronic Bidding Procedures").

The Bonds

The Bonds will be dated August 1, 2007, mature \$1,530,000 on August 1 in each of the years 2008-2010, both inclusive, \$1,525,000 on August 1, 2011, \$1,520,000 on August 1 in each of the years 2012-2015, both inclusive, \$1,510,000 on August 1, 2016, \$1,500,000 on August 1, 2017, \$1,315,000 on August 1 in each of the years 2018-2020, both inclusive, \$1,310,000 on August 1 in each of the years 2021-2026, both inclusive, and \$1,305,000 on August 1, 2027, bear interest payable on February 1, 2008 and semiannually thereafter on August 1 and February 1 in each year until maturity, or earlier redemption, as further described in the Preliminary Official Statement for the Bonds dated July 18, 2007 (the "Preliminary Official Statement").

The Bonds maturing on August 1, 2015 and thereafter are subject to redemption prior to maturity, at the election of the City, on and after August 1, 2014, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the respective prices (expressed as percentages of the principal amounts of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
From: August 1, 2014, and thereafter	100%

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the City of Danbury or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Nature of Obligation

The Bonds will be general obligations of the City payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

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

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY®**.

An electronic bid made through the facilities of **PARITY®** shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **PARITY®**, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale shall conflict with information provided by **PARITY®** as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 – email notice: parity@i-deal.com).

For purposes of both the written sealed proposal process and the electronic bidding process, the time as maintained by **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, computed and rounded to four decimal places, as described under "Bid Specifications/Basis of Award" below, and in the written form of Proposal for Bonds. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Bonds.

Sealed Proposal Procedures

Bids will be accepted in written form on the form of Proposal for Bonds at the place and time indicated above. Bids must be enclosed in sealed envelopes marked "Proposal for Bonds" and addressed to Mr. Daniel P. Jowdy, City Treasurer, City of Danbury.

Bid Specifications/Basis of Award

Each bid must be for the entire \$28,315,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than all of the Bonds or for less than par and accrued interest will be considered. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purpose of determining the successful bidder, the true interest cost to the City will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to August 1, 2007, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to August 3, 2007, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (E.D.T.) on July 25, 2007. The purchase price must be paid in Federal Funds.

Closing Documents and Legal Opinion

The Bonds will be certified by U.S. Bank National Association, in Hartford, Connecticut. The legality of the Bonds will be passed upon by Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for the Bonds, a certificate signed by the appropriate officials of the City relating to the accuracy and completeness of information contained in the final Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax; but is, however, includable in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations, (iii) under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering the legal opinion, Robinson & Cole LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the City for the benefit of the owners of the Bonds, and further, will assume compliance by the City with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut and will be available for examination upon request.

Continuing Disclosure

The City will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Settlement of the Bonds

It shall be the responsibility of the winning bidder to certify to the City before delivery of the Bonds the prices at which a substantial amount of the Bonds of each maturity were initially offered and sold to the public.

The Bonds will be available for delivery on or about August 3, 2007. The deposit of the Bonds with DTC, or its custodian, under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the City will not be

responsible for any delay occasioned by the failure of the winning bidder to obtain such numbers and to supply them to the City in a timely manner. The City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

The successful bidder for all of the Bonds may request that the Bonds be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Bonds in this manner shall bear any and all costs of any re-registration or transfer of Bonds from time to time. Any bidder seeking to have the Bonds issued in the form of fully registered physical certificates, rather than in book-entry form, shall indicate this preference to the City at the time of the submission of the winning bid. The City reserves the right to decline any request to issue the Bonds in non-book-entry form if it should determine, in its sole discretion, that issuing the Bonds in this manner is not in its best interests.

The Preliminary Official Statement is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 100 copies of the final Official Statement prepared for the Bonds at the City's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidder no later than seven business days after the bid opening at the office of the City's financial advisor. If the City's financial advisor is provided with the necessary information from the winning bidder by 12:00 p.m. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Related Information

For more information regarding the Bonds and the City, reference is made to the Preliminary Official Statement. Bid forms and copies of the Preliminary Official Statement may be obtained from the undersigned, or from Matthew A. Spoemdle, People's United Bank, 850 Main Street, Bridgeport, CT 06601 Tel. (203) 338-4238.

MARK D. BOUGHTON
Mayor

DANIEL P. JOWDY
Treasurer

DAVID W. ST. HILAIRE
Director of Finance

July 18, 2007

(See attached for form of Proposal for Bonds)

PROPOSAL FOR BONDS

July __, 2007

MARK D. BOUGHTON, Mayor
 DANIEL P. JOWDY, City Treasurer
 DAVID W. ST. HILAIRE, Director of Finance
 City of Danbury, Connecticut
 Danbury City Hall, Finance Department, Conference Room
 155 Deer Hill Avenue
 Danbury, CT 06810

Gentlemen:

Subject to the provisions of the Notice of Sale dated July 18, 2007, which Notice is made a part of this proposal, we offer to purchase all \$28,315,000 bonds of the City of Danbury, Connecticut comprising the issue described in said Notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$....., provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
August 1, 2008	\$ 1,530,000	___%	August 1, 2018	\$ 1,315,000	___%
August 1, 2009	1,530,000	___	August 1, 2019	1,315,000	___
August 1, 2010	1,530,000	___	August 1, 2020	1,315,000	___
August 1, 2011	1,525,000	___	August 1, 2021	1,310,000	___
August 1, 2012	1,520,000	___	August 1, 2022	1,310,000	___
August 1, 2013	1,520,000	___	August 1, 2023	1,310,000	___
August 1, 2014	1,520,000	___	August 1, 2024	1,310,000	___
August 1, 2015	1,520,000	___	August 1, 2025	1,310,000	___
August 1, 2016	1,510,000	___	August 1, 2026	1,310,000	___
August 1, 2017	1,500,000	___	August 1, 2027	1,305,000	___

.....
 (Name of Bidder)

.....
 (Authorized Signature)

.....
 (Mailing Address)

The following is our computation of the true interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$28,315,000 bonds under the foregoing proposal:

Percent True Interest Cost %
 (Four Decimals)

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NOTICE OF SALE
\$56,080,000
CITY OF DANBURY, CONNECTICUT
GENERAL OBLIGATION BOND ANTICIPATION NOTES

Sealed proposals and electronic bids (as described herein) will be received by the **CITY OF DANBURY, CONNECTICUT** (the "City"), until 11:00 A.M. (E.D.T.) Wednesday,

JULY 25, 2007

for the purchase of \$56,080,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes (the "Notes"). Sealed proposals will be received at Danbury City Hall, Finance Department Conference Room, 155 Deer Hill Avenue, Danbury CT 06810 in the manner specified below (See "Sealed Proposal Procedures"). Electronic bids must be submitted via **PARITY**[®]. (See "Electronic Bidding Procedures").

The Notes

The Notes will be dated August 3, 2007 and will be payable to the registered owner on August 1, 2008 as further described in the Preliminary Official Statement for the Notes dated July 18, 2007 (the "Preliminary Official Statement"). The Notes will bear interest (which interest shall be computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/1000 of 1% per annum.

The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the City or its agent in same-day funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Nature of Obligation

The Notes will be general obligations of the City payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

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

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY**[®].

An electronic bid made through the facilities of **PARITY**[®] shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **PARITY**[®], the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale shall conflict with information provided by **PARITY**[®] as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY**[®], including any fee charged, may be obtained from **PARITY**[®], 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 – email notice: parity@i-deal.com).

For purposes of both the written sealed proposal process and the electronic bidding process, the time as maintained by **PARITY**[®] shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the City, as described under “Bid Specifications/Basis of Award” below, and in the written form of Proposal for Purchase. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and form of Proposal for Purchase.

Sealed Proposal Procedures

Bids will be accepted in written form on the form of Proposal for Purchase at the place and time indicated above. Bids must be enclosed in sealed envelopes marked “Proposal for Notes” and addressed to Daniel P. Jowdy, City Treasurer, City of Danbury.

Bid Specifications/Basis of Award

Proposals for the purchase of the Notes must be in the form of the proposal for purchase attached hereto or, if submitted electronically, in accordance with the requirements prescribed herein. A proposal may be for all or any part of the Notes but any proposal for a part must be for \$100,000, or a whole multiple thereof, except that one such proposal may include the odd \$80,000, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid. Unless all bids are rejected the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the City, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the City reserves the right to award to any bidder all or any part of the Notes bid for in his proposal. If a bidder is awarded only a part of the Notes bid for in his proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the City with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four decimal places. The purchase price must be paid in Federal Funds.

The City reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The City further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The City will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

Closing Documents and Legal Opinion

The full faith and credit of the City will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be certified by U. S. Bank National Association, Hartford, Connecticut. The legality of the Notes will be passed upon by Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and the winning bidder(s) will be furnished with their opinion without charge. Each winning bidder(s) will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for this sale, a certificate signed by the appropriate officials of the City relating to the accuracy and completeness of information contained in the final Official Statement and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions (i) interest on the Notes is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax; but is, however, includable in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations, (iii) under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering the legal opinion, Robinson & Cole LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the City for the benefit of the owners of the Notes, and further, will assume compliance by the City with the covenants and procedures set forth in such Tax Regulatory Agreement.

Settlement of the Notes

It shall be the responsibility of the winning bidder or bidders to certify to the City before the delivery of the Notes the price or prices at which a substantial amount of the Notes were initially offered and sold to the public.

The Notes will be available for delivery on or about August 3, 2007. The deposit of the Notes with DTC, or its custodian, under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder or bidders to obtain CUSIP numbers for the Notes prior to delivery, and the City will not be responsible for any delay occasioned by the failure of the winning bidder or bidders to obtain such numbers and to supply them to the City in a timely manner. The City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

The winning bidder(s) may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of DTC. The winning bidder(s) seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the City at the time of the submission of the winning bid(s). The City reserves the right to decline any request to issue the Notes in non book-entry form, if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

The Preliminary Official Statement is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12(b)(1). Each winning bidder will be furnished 5 copies of the final Official Statement prepared for the Notes at the City's expense. Additional copies may be obtained by the winning bidder(s) at its own expense by arrangement with the printer. The copies of the final Official Statement will be made available to the winning bidder(s) no later than seven business days after the bid opening at the office of the City's financial advisor. If the City's financial advisor is provided with the necessary information from the winning bidder(s) by 12:00 pm (noon) on the day after the bid

opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter.

Continuing Disclosure

The City will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide timely notice of the occurrence of certain material events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for the Notes.

Related Information

For more information regarding the Notes and the City, reference is made to the Preliminary Official Statement. Bid forms and copies of the Preliminary Official Statement may be obtained from the undersigned, or from Matthew A. Spoerndle, People's United Bank, 850 Main Street, Bridgeport, CT 06601 Tel. (203) 338-4238.

MARK D. BOUGHTON
Mayor

DANIEL P. JOWDY
City Treasurer

DAVID W. ST. HILAIRE
Director of Finance

July 18, 2007

(See attached for form of Proposal for Purchase)

PROPOSAL FOR PURCHASE

July __, 2007

MARK D. BOUGHTON, Mayor
 DANIEL P. JOWDY, City Treasurer
 DAVID W. ST. HILAIRE, Director of Finance
 City of Danbury
 City Hall
 Finance Department Conference Room
 155 Deer Hill Avenue
 Danbury, CT 06810

Gentlemen:

Subject to the provisions of the Notice of Sale dated July 18, 2007, which Notice is made a part of this proposal, we offer to purchase the principal amount of the \$56,080,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes specified below at the stated interest rate (provided not less than \$100,000 of principal amount per interest rate is bid and the total of all principal amounts bid does not exceed \$56,080,000) plus the premium specified below, if any, and to pay therefor par plus the premium specified below, if any, to the date of delivery. We further provide our computation of net interest cost as to each bid, carried to four decimals, and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Principal amount	_____	Principal amount	_____
Interest rate	_____	Interest rate	_____
Premium	_____	Premium	_____
Net Interest Cost	_____ %	Net Interest Cost	_____ %
	(Four Decimals)		(Four Decimals)
Principal amount	_____	Principal amount	_____
Interest rate	_____	Interest rate	_____
Premium	_____	Premium	_____
Net Interest Cost	_____ %	Net Interest Cost	_____ %
	(Four Decimals)		(Four Decimals)

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of the Notes in Federal Funds on the date of the Notes or as soon thereafter (but not later than 30 days thereafter) as such Notes may be prepared and ready for delivery by the Issuer.

.....
 (Name of Bidder)

.....
 (Authorized Signature)

.....
 (Mailing Address)

.....
 (Telephone Number)

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Appendix E

Financial Guarantee Insurance Policy

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Section 7 of the Connecticut Financial Guaranty Act.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

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STANDARD FORM FOR MBIA DISCLOSURE FOR OFFICIAL STATEMENTS

[March 31, 2007]

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "Financial Guaranty Insurance Policy". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City of Danbury to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50

states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the [Bonds/Securities], and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the [Bonds/Securities]. MBIA does not guaranty the market price of the [Bonds/Securities] nor does it guaranty that the ratings on the [Bonds/Securities] will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of \$11.2 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the [Bonds/Securities] offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Article 7 of the Connecticut Financial Guaranty Act.

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