

Final Official Statement Dated July 29, 2003

New Issue: Book-Entry-Only

RATINGS: Moody's Investors Service: Aaa
Standard & Poor's: AAA
MBIA Insured

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 Exemption" 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

\$12,925,000

General Obligation Bonds, Issue of 2003

Dated: August 1, 2003

Due: Serially on August 1,
as detailed below:

The Bonds will bear interest payable August 1, 2004 and semiannually thereafter on February 1 and August 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.

Year	Principal Amount	Coupon Rate	Yield	CUSIP	Year	Principal Amount	Coupon Rate	Yield	CUSIP
2004	\$760,000	4.7500%	0.9500%	235865YY2	2014	\$540,000	4.0000%	3.9500%	235865ZJ4
2005	760,000	4.7500%	1.2500%	235865YZ9	2015	535,000	4.0000%	4.0500%	235865ZK1
2006	760,000	4.7500%	1.7500%	235865ZA3	2016	535,000	4.0000%	4.1000%	235865ZL9
2007	760,000	4.0000%	2.2000%	235865ZB1	2017	535,000	4.2000%	4.2000%	235865ZM7
2008	760,000	4.0000%	2.5000%	235865ZC9	2018	535,000	4.2500%	4.3000%	235865ZN5
2009	755,000	4.0000%	2.8500%	235865ZD7	2019	535,000	4.3000%	4.4000%	235865ZP0
2010	755,000	3.2500%	3.2500%	235865ZE5	2020	535,000	4.5000%	4.5000%	235865ZQ8
2011	755,000	3.5000%	3.5000%	235865ZF2	2021	535,000	4.5000%	4.5500%	235865ZR6
2012	755,000	3.7000%	3.7000%	235865ZG0	2022	535,000	4.5000%	4.6000%	235865ZS4
2013	750,000	3.8000%	3.8000%	235865ZH8	2023	535,000	4.5000%	4.6500%	235865ZT2



Roosevelt & Cross, Inc. and Associates

\$11,200,000

General Obligation Bond Anticipation Notes

Dated: August 7, 2003

Due: August 6, 2004

Rate: 1.50%

Yield: NRO

Underwriter: Roosevelt & Cross, Inc.

CUSIP: 235865ZU9

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 21, 2003. 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 7, 2003.

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:	Tuesday, July 29, 2003, 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:	\$12,925,000 General Obligation Bonds, Issue of 2003 (the "Bonds").
Dated Date:	August 1, 2003.
Interest Due:	February 1 and August 1 in each year until maturity commencing August 1, 2004.
Principal Due:	The Bonds are due serially, August 1, 2004 through August 1, 2023, as detailed in this Official Statement.
Purpose and Authority:	The Bonds are being issued to permanently finance a portion of bond anticipation notes maturing on August 7, 2003 that were issued for various general purpose and school projects and the balance will provide new money for various general purpose projects.
Redemption:	The Bonds are subject to redemption prior to maturity as herein provided.
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:	Application for a rating on the Bonds has been made to Moody's Investors Service, Inc. and Standard & Poor's. The City received credit ratings from Moody's Investors Service, Inc. and Standard & Poor's of Aa2 and AA, respectively, on its 2003 general obligation refunding bonds dated May 1, 2003.
Bond Insurance:	The City does not expect to direct purchase a credit enhancement facility.
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 and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Financial Advisor:	People's 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 7, 2003 against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Ms. Dena Diorio, 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:	Tuesday, July 29, 2003, 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:	\$11,200,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	August 7, 2003.
Interest Due:	At maturity: August 6, 2004
Principal Due:	At maturity: August 6, 2004
Purpose and Authority:	The Notes are being issued to refund a portion of the Bond Anticipation Notes maturing on August 7, 2003 which were issued for various general purpose, school and sewer projects and the balance of the proceeds will provide new money for various school, sewer and general purpose projects.
Redemption:	The Notes are not subject to redemption prior to maturity.
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:	No application for a rating has been made to any rating agency on the Notes. The City's current bond ratings are: Moody's Investors Service: Aa2; Standard & Poor's Ratings Group: AA.
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 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 7, 2003 against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Ms. Dena Diorio, 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 \$12,925,000 General Obligation Bonds, Issue of 2003 (the "Bonds") and \$11,200,000 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 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.

The Bonds

Description of the Bonds

The Bonds will be dated August 1, 2003, will mature in each of the years and in the amounts and shall bear interest at such rate of rates as set forth on the cover of this Official Statement, payable on August 1, 2004 and semiannually thereafter on February 1 and August 1 in each year until maturity. Interest will be calculated on the basis of a thirty-day month 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, 2012 are not subject to redemption prior to maturity. The Bonds maturing August 1, 2013 and thereafter are subject to redemption prior to maturity, at the election of the City, on or after August 1, 2012 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, 2012 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 of 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.

The Notes

The Notes will be dated August 7, 2003 and will be due and payable as to both principal and interest at maturity, August 6, 2004. The Notes will bear interest calculated on the basis of a 30-day month 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. The legal opinion on the Notes will be rendered by Robinson & Cole LLP in substantially the form set forth in Appendix C to this Official Statement.

Authorization and Purpose

The Bonds and the Notes are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and ordinances adopted by the Common Council of the City approved by the Mayor, and the electors of the City at referendum.

Proceeds of the Issue

Proceeds of the Bonds and the Notes will be used to finance a portion of the bond anticipation notes maturing August 7, 2003 and the balance will provide new money for the projects listed below:

Project	Amount Authorized	BANs Maturing 08/07/03	(Reductions) or New Money	The Bonds	The Notes To Mature 08/06/04
Vision 21 Program	\$21,000,000	\$ 4,770,000	\$ 605,000	\$ 5,375,000	\$ --
Sewer Service Extension ¹	2,500,000	--	1,300,000	--	1,300,000
Vision 21/2 Public Improvement	16,640,000	6,900,000	5,000,000	4,000,000	7,900,000
Vision 21/2 Program Schools	5,360,000	3,550,000	1,000,000	3,550,000	1,000,000
Capital Projects 00-01	500,000	250,000	(250,000)	--	--
Capital Projects 01-02	500,000	500,000	(250,000)	--	250,000
Capital Projects 02-03	500,000	400,000	100,000	--	500,000
Capital Projects 03-04	500,000	--	250,000	--	250,000
Total	\$47,500,000	\$16,370,000	\$7,755,000	\$12,925,000	\$11,200,000

¹ 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.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during construction, which was 48.21% for fiscal year 2002-2003.

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 Issuer or 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 Issuer or 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 Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

The Issuer 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. 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, (i) annual financial information and operating data, (ii) 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 (iii) notices of material events with respect to the Bonds and 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.

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Ratings

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

<u>Issue Date</u>	<u>Amount</u>	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>
05/01/03	\$ 1,190,000 ¹	Aa2	AA	N/A
05/15/02	12,745,000	Aa2	AA	AA+
08/01/99	22,495,000	Aa2	AA	AA+
08/01/97	10,100,000	Aa2	AA	AA
03/15/95	5,295,000	Aa	AA	AA
01/31/95	441,322 ²	N/A	N/A	N/A
07/29/94	47,374,000 ²	N/A	N/A	N/A
02/01/94	26,855,000	Aa	AA	AA
08/15/92	16,350,000	Aa	AA	AA
02/15/90	3,360,000	Aa	AA	N/A
05/01/90	2,297,000 ²	N/A	N/A	N/A
02/01/88	8,250,000	Aa	AA	N/A
08/01/86	13,290,000	Aa	AA	N/A
09/15/85	4,800,000	Aa	AA	N/A
02/15/82	11,440,000	Aa	AA	N/A
04/15/81	6,700,000	Aa	AA	N/A

¹ Refunding Bonds.

² State of Connecticut Clean Water Fund Permanent Loan Obligations.

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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 74,848, is diversely populated. Residents represent more than 60 different nationalities and over 45 different languages are spoken by students entering Danbury public schools. 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 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	12/01-11/03	1.5	Teacher
Treasurer.....	Thomas R. Green	Elected	12/01-11/03	18	Funeral Director
Council.....	21 members	Elected	12/01-11/03	Various	Various
Director of Finance.....	Dena Diorio	Appointed ¹ Civil Service	Indefinite	1	Director, OPM City of Stamford
Tax Collector	Catherine Skurat	Appointed ¹ Civil Service	Indefinite	18	Tax Collector, City of Danbury
Assessor	Colleen Velez	Civil Service	Indefinite	16	Asst. Assessor, City of Danbury
Superintendent of Schools	Dr. Eddie L. Davis	Appointed ²	Contract	0	Chief, State Dept. of Ed. Bureau
Corp. Counsel	Robert J. Yamin	Appointed ¹	Indefinite	1.5	Attorney

¹ *Appointed by the Mayor.*

² *Appointed by the Board of Education.*

Municipal Services

Police Department

The Danbury Police Department currently has 148 sworn police officers, with an authorized strength of 152 officers. Seven civilian support personnel are also assigned to the Police Department. The Danbury Police Department is a Community Policing oriented department.

The Community Services Division administers numerous crime prevention programs. Neighborhood Watch consists of citizen groups throughout the City. Many of these groups have evolved into Neighborhood Associations working directly with the Police Department and other City agencies. A grant from the State of Connecticut has instituted a "Safe Neighborhood" program. This grant funds an additional ten police officers working in a defined area with higher than normal criminal activity in a community-policing atmosphere.

D.A.R.E. (Drug Abuse Resistance Education) is being taught by uniformed police officers in all of Danbury's elementary schools. One thousand students received weekly D.A.R.E. training for seventeen weeks. Additionally, more than 4,000 Danbury youth received other drug abuse prevention programs presented by Danbury officers.

G.R.E.A.T. (Gang Resistance Education and Training) is taught at the middle school level to all 7th graders. This program teaches children healthy and positive alternatives to gang activity. Two full-time police officers are assigned to Danbury High School as School Resource Officers. Danbury High School is the largest secondary school in the state. These officers interact with the students and teach courses on criminal law and substance abuse prevention programs.

Another pro-active program is the Police Activities League. "Filling Playgrounds, Not Prisons", our P.A.L. motto, speaks for itself. Approximately 5,000 youth are involved in organized athletic and educational activities. All programs are funded through direct voluntary contributions from private citizens, corporations and program fees based on the participant's ability to pay. Programs are conducted at the newly constructed 24,000 square foot P.A.L. Center.

The Community Services Division works with an array of city and private agencies, in addition to individuals, which allows the department to provide the best possible service to the community.

Special police programs designed to foster better communication and understanding of the police role in our community are conducted throughout the year. Since its inception in 1997, about 150 residents of the greater Danbury area have participated in our Citizen's Police Academy. All are exposed to our department's role and responsibility in our community. Since instituted in December of 1998, the division's Child Passenger Safety

Program has received statewide recognition. These weekly CPS clinics have installed or reinstalled approximately 4,500 child passenger seats for area residents.

The Police Department has also received about \$275,000 in the U.S. Department of Justice's Local Law Enforcement Block Grant funding for the purchase of needed support equipment over the past seven years.

The Danbury Police Department established the first Bicycle Patrol Unit in the state. Currently staffed by ten officers, funded under the federal COPS program and the state's Safe Neighborhood Program, they are responsible for patrolling the center core of the City year round on police mountain bicycles. A recent addition to the department is the formation of the Graffiti Task Force coordinator. This officer is assigned to investigate incidents involving graffiti vandalism and is responsible for the abatement of this blight throughout our city.

With a population of just under 75,000, Danbury is considered a significantly safe community in which to reside and work. Danbury is again expected to be listed as one of New England's safest midsize cities when the FBI Uniform Crime Report for 2002 is published.

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 Technician level Hazardous Materials team 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, is scheduled for delivery in July of 2003.

Our mission is carried out by a Career Division comprised of 111 individuals in five locations, operating with 24 pieces of equipment (9 major pieces of apparatus and 17 vehicles) and is supplemented by approximately 150 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 49 EMT's, 34 EMTI's, 4 paramedics and an EMS Coordinator. All firefighters are cross-trained to the first responder level. The Fire Department operates six first responder engine companies and one Truck Company, all equipped with Automatic Defibrillators. With under a 4-minute response time, this complement of equipment and professionally trained personnel helps make Danbury a safe community in which to work and live. The addition of a new 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 32,526 calls in calendar year 2002, of which 2,515 were for Fire Responses, 10,426 were for Police Responses, 4,474 were for Emergency Medical Service Response and 15,121 other classified calls. 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 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. This year marked the implementation of Mobile Data Terminals for all front line apparatus and vehicles. This program enhances efficiency and improves safety for response situations. 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 continued with the delivery of a state of the art new pumper, which was placed into service enabling the department to handle all fires and emergency incidents with reliable vehicles. Thermal Imaging Cameras have been purchased and assigned to volunteer companies; the added availability of these units has proved to be invaluable in their various applications at emergency scenes.

Plans for Station #25 in the northern part of the City have been developed, and the search for an appropriate site has been narrowed. Funding is in place and construction is expected to begin upon the securing of the site.

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. Various members continue their education through the National Fire Academy, State Fire Academy and other institutions of higher learning. Plans continue for the renovation to our Fire Training facility to be upgraded with the focus on a Regional Fire School for members within the department and those of the surrounding communities.

Public Education continues throughout our community with citizen CPR programs, Citizen Fire Academy Career Day Activities in local high schools, Junior Fire Setter Programs, Fire of Life senior citizen programs and our Babysitters Program in conjunction with Danbury Hospital, which is in its 15th year and has graduated over 1,600 students. 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 14 schools for playgrounds/ballfields, which account for 55 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.

- Rogers Park (59 acres) 8 tennis courts, 10 ballfields, handball, paddleball court, ice skating pond, playground.
- Old Quarry Nature Center (40 acres) trails, bird watching, natural setting.
- Mill Plain Swamp (34 acres) no facilities
- Rogers Park Pond (7 acres) interpretative trails and footbridge.
- Still River Greenway (35 acres) hiking trails, education station, boat launch, bird sanctuary and footbridge.
- Lake Kenosia Park (25 acres) swimming, picnicking, non-motorized boating, three soccer fields.
- Lake Candlewood Park (11 acres) swimming, picnicking, motorized boating and boat ramp.
- Bear Mountain Park (140 acres) mostly undeveloped, passive recreation with a conservational outlook, Ranger Cottage and parking.
- 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).
- Osborne St. Field (8 acres) football, soccer and lacrosse field.
- Rowan Street Playground (3 acres) playground.
- Highland Playground (8 acres) swimming pool (wading), playground, basketball court, ballfield.
- Rogers Park Playground (1 acre) swimming pool (wading), playground.
- Elmwood Park (2 acres) park benches for passive recreation, fountain.
- Joseph Sauer Memorial Park (2 acres) park for the elderly, basketball court.
- Tom West Park (1 acre) playground.
- Kennedy Park (1 acre) park benches for passive recreation.
- Hatters Community Park (32 acres) bowling alley, recreation building, picnic pavilion, 5 acre athletic field, banquet hall.
- Danbury Green (1 acre) benches, walkway and band shell.

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 55 hours per week including Sundays.
- **Audio-video department:** A 4,200 square foot area holds 16,000 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 and CD-ROM databases are available on over 80 computers for the public.
- **Library Technology Center:** A 4,300 square foot, \$1,422,000 computer lab opened in 1998. 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. Two stations will provide accessibility for people with disabilities. Library staff offers introductory as well as specialized Internet and computer classes to the public on a regular basis.
- **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 will accommodate 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.
- **ESL Learning Center:** A three-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 and videos are also available. In 2001, the library received an \$18,000 grant to hire a part-time coordinator for our ESL collections and services, and again in 2002, a grant was received to continue the part-time coordinator for another year.
- **A Program Room:** This room, which seats up to 100, has kitchen facilities and can be reserved by the public for programs and workshops. The Program Room is equipped with satellite conferencing downlink capabilities, also available to the public. A second Meeting Room can be reserved for smaller group gatherings.
- **Danbury Library Homepage:** www.danbury.org/library: Connecting to the library's home page allows off-site customers to view the library's catalog, reserve books, visit selected web sites of current interest and retrieve full-text magazine articles 24 hours a day, seven days a week. In 2001, 24 hour a day access to a professional librarian was made available through chat software to answer informational and research questions. In 2002, an electronic newsletter was established.
- **Electronic Books:** In 2001, the library began offering a 5,000 electronic book collection to the public. This allows 24/7 access to these full textbooks.

In 2001, the library received a gift of \$120,000 to be used to enhance our materials and services to those individuals learning English. The City has acquired property adjacent to the library for additional public and staff parking. Public parking will be increased by 30%. In addition, a \$411,000 renovation of the library grounds and plaza is scheduled to begin in 2003. Also in 2003, a \$222,000 redesign of the library's main floor will be completed. It will include 2 customer self check-out machines, a system enabling customers to sign themselves up for Internet computers, as well as new shelving, seating and tables.

Approximately 28,000 Danbury residents (37%) have active library cards. Over 550,000 visited the library over the last year and over 590,000 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 \$1.9 million.

Urban Renewal

The Danbury Redevelopment Agency (DRA) was established in 1956 for the purpose of revitalizing the central business district and other areas, which 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 Court House. The realignment of Liberty Street was funded during this phase with redevelopment moneys and a Federal Urban Systems Grant.

The current urban renewal phase is based on the "Downtown Danbury Redevelopment Plan" adopted by the 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 a 556 space parking 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.

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 walk-way from Patriot Drive to Delay Street along the north end of the garage. A complete restoration of Elmwood Park was completed in 1998, and the Danbury Ice Arena was opened in 2001 on the redevelopment site.

A \$1.3 million enhancement project is currently in the planning stages for North Main Street under the federal TEA-21 program. The project provides support for the beginnings of a \$1.5 million blight reduction program under the Danbury Redevelopment Agency for eight properties on North Main Street, to be financed by the issuance of City Bonds.

The City is currently investigating the feasibility of construction of a new parking garage in the downtown to be financed by the issuance of \$6.3 million of City bonds.

Solid Waste - Recycling

The City is a member of the Housatonic Resources Recovery Authority (HRRRA) which has legal authority to site and contract for long-term garbage disposal services. The HRRRA 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 HRRRA, which commits the solid waste to this proposal, 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 fiscal year 2003-2004 is \$73 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.

The City is presently conducting discussions with the general contractor and the general contractor's surety concerning the quality and extent of work performed by the contractor and its subcontractors in connection with the landfill closure. The contractor is nearly finished with the closure punch list at this time but has advised the City that it may be asserting a claim for costs in excess of the contract amount. The City is taking the position that the contract specifications must be met by the contractor and its subcontractors under the terms and conditions provided in the contract and in accordance with the maximum amount provided therein. If the contractor does not complete the closure to the City's satisfaction, the City may be required to hire a substitute contractor to complete the work pending resolution of its dispute with the original contractor and its surety. The City expects that amounts it has withheld under the contract and certain allowable retainage amounts would be sufficient to complete the work but no assurance can be given in this regard at this time.

The citywide recycling program was implemented in 1991. The municipal recycling center operations have been contracted to Automated Waste Disposal. The municipal recycling truck remains available for use by all city residents. There is also curbside recycling offered citywide by independent haulers.

Enterprise Funds

Sewer Fund

On October 1, 1997, the City of Danbury, Connecticut entered into a 20-year contract with 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. U.S. Filter Operating Services, Inc. has received the City's February 13, 2003 NPDES permit and will provide year-round nitrification process to ensure the quality of the effluent. The contract contains additional performance standards, which are above the city's current NPDES permit. EPA approval was granted on November 5, 1997. 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. A laboratory, U. S. Filter Operating Services Inc., is maintained to insure proper operation of the plant process, and to comply with Connecticut Department of Environmental Protection requirements.

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 using a formula that includes the following four elements: area of lot or parcel, frontage of lot or parcel, number of existing building units on lot or parcel and property valuation for tax purposes of lot or parcel. An individual's assessment represents a portion of the assessable cost of sewer extensions.

As an economic development incentive, in 1995, the Common Council approved a waiver of sewer use charge for a period of up to one year for major non-residential improvements made to properties. Rates were increased for customers in the 2002-2003 fiscal year. Rates were not increased in fiscal year 2003-2004.

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 now fully operational.

Water Fund

The City has 7 reservoirs with a total capacity of 3.0 billion gallons of water and safe yield of 8.7 million gallons per day (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. Water production in the City averages 8 million gallons per day.

A laboratory is maintained for quality control and a water quality monitoring program has been established to insure compliance with the standards for the 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 State Department of Public Health Services.

The Department recently completed major programs directed at improving the purity and adequacy of the supply. The dependable yield of the reservoir system increased from 6.5 MGD to 8.7 MGD. It is the intent of the City of Danbury to develop a water supply system consistent with its plan of development.

The City previously was under State order to repair its dams. The reconstruction of Lower Kohanza, West Lake Dam and Boggs Pond Dam were completed in 1993-1994. The Margerie Dam Dike, Padanaram Dam and Upper Kohanza Dam were completed in 1994-95. The Margerie Lake Dam was completed in 1996. On November 8, 1994, the voters approved a water bond issue for \$19,000,000 to upgrade the Margerie Treatment Plant and improvements to the transmission and distribution system. It also calls for improvements to the West Lake Treatment Plant and other water improvements. Improvements were completed in 1999.

Metered and non-metered rates provide funds for the operation, maintenance, and debt service of the water system. The Superintendent of Public Utilities submits to the Common Council a rate structure for their approval that is intended to provide sufficient funds for the Water System to be self-sustaining.

As an economic development incentive, in 1995, the Common Council approved a waiver of water use charge for a period of up to one year for major nonresidential improvements made to properties. Water rates for all customers were increased in the 2002-2003 fiscal year. Rates were not increased in fiscal year 2003-2004.

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Employee Relations and Collective Bargaining

Municipal Employees

<u>Fiscal Year Ended June 30</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Government	550	544	539	545	521
Board of Education	1,377	1,299	1,278	1,217	1,167
Total	1,927	1,843	1,817	1,762	1,688

Employee Bargaining Organizations

<u>Board of Education Groups</u>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
Non-Bargaining Employees	96	N/A
NEA Teachers	832	06/30/06
Local 677 Teamsters Custodians	75	06/30/05
CSEA Teachers Aides	198	06/30/03 ¹
School Nurses Association	24	06/30/05
Local 677 Teamsters School Lunch	76	06/30/03 ¹
Danbury Association of School Secretaries	82	06/30/04
	1,383	
Less: School Lunch Employees not BOE employees	(6)	
Total	1,377	
City Groups		
Local 891 Council 15 AFSCME Police ²	148	06/30/03 ¹
DMEA Municipal Employees	114	06/30/03 ¹
Local 677 Teamsters	102	06/30/05
Local 801 AFL-CIO Firefighters	107	06/30/03 ¹
Non-Bargaining Employees	79	N/A
Total	550	

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.

III. Economic And Demographic Information

Population and Density

Year	Actual Population¹	% Increase	Density²
1950	30,337	8.7	689
1960	39,382	29.8	895
1970	51,066	29.7	1,154
1980	60,470	18.4	1,374
1990	65,585	8.5	1,491
2000	74,848	14.1	1,701

¹ 1950-2000, U.S. Department of Commerce, Bureau of Census

² Per square mile: 44 square miles

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	100.0	3,405,565	100.0
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	100.0	885,747	100.0

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	5.9%	5.6%

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

Educational Attainment Population 25 years and over

	<u>City of Danbury</u>		<u>State of Connecticut</u>	
	Number	Percent	Number	Percent
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	100.0	2,295,617	100.0
Percent high school graduate or higher		77.0%		84.0%
Percent bachelor's degree or higher		27.1%		31.4%

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

Major Employers As of July, 2003

<u>Name</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
Danbury Hospital.....	Hospital (excluding affiliates)	2,591
Cendant Mobility.....	Relocation firm	1,388
Danbury School Systems.....	Education	1,377
G.E. Capital.....	Consumer/Commercial Credit	1,153
Western CT State University.....	Education	897
Pitney Bowes, Inc.	Mailing Machines	750
Boehringer-Ingelheim Pharmaceuticals.....	Pharmaceuticals	676
Scholastic.....	Reference Publications	618
Goodrich.....	Optical Instruments & Lenses	565
City of Danbury General Government	Municipality	550

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, 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 ¹
May 2003	36,743	1,607	4.2%	3.4%	5.0%
Annual Average					
2002.....	36,346	1,473	3.9	3.3	4.3
2001.....	34,711	1,086	3.0	2.5	3.3
2000.....	36,010	662	1.8	1.5	2.3
1999.....	34,738	1,034	2.9	2.3	3.2
1998.....	34,718	1,046	2.9	2.3	3.4
1997.....	34,508	1,589	4.4	3.4	5.1
1996.....	34,114	1,774	4.9	3.9	5.7
1995.....	33,830	1,683	4.7	3.7	5.5
1994.....	34,837	2,022	5.5	4.3	5.6
1993.....	36,318	2,391	6.2	4.8	6.2

¹Not seasonally adjusted.

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	City of Danbury		State of Connecticut	
	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 Ending 12/31	Residential		Commercial		Industrial		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
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
1996	111	10,362,330	49	25,346,500	2	2,533,000	162	38,241,380
1995	112	9,511,704	59	16,520,605	5	1,905,000	176	27,937,309
1994	129	10,268,557	30	8,858,654	4	707,000	163	19,834,211
1993	125	11,012,217	31	17,544,972	5	2,077,000	161	30,634,189

Source: Building Department, City of Danbury

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

Owner-Occupied Housing Values

Specified Owner-occupied Values	City of Danbury		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	43	0.4	5,996	0.8
\$ 50,000 to \$ 99,999.....	562	4.8	85,221	11.7
\$100,000 to \$149,999.....	2,347	19.9	212,010	29.1
\$150,000 to \$199,999.....	3,929	33.4	156,397	21.5
\$200,000 to \$299,999.....	3,625	30.8	137,499	18.9
\$300,000 to \$499,999.....	1,082	9.2	79,047	10.9
\$500,000 to \$999,999.....	171	1.5	38,168	5.2
\$1,000,000 or more	20	0.2	13,906	1.9
Total	11,779	100.0	728,244	100.0
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. The last revaluation took place for the 10/1/2002 Grand List. The City has elected to phase in those assessments over four years.

Public Act 95-283, an act concerning the improvement of the process and administration of the property tax, has made amendments to the State Statute 12-62 that requires municipalities to revalue all real property every ten years. As a result of this legislation, the decennial revaluation cycle in the State of Connecticut has been abolished. The amendment now requires towns to implement a revaluation by physical observation not later than 12 years following the date of the last revaluation with statistical updates of assessment effected in the fourth and eighth year.

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.

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, and 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. 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 Real Property (%)	Commercial/Industrial Real Property (%)	All Land (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Manufacturers' Exemptions¹, Veterans Relief, and Elderly	Net Taxable Grand List
2002 ²	59.4	26.7	(A)	6.9	7.0	\$5,871,260,940	\$122,770,090	\$4,892,216,450
2001	52.4	28.7	(A)	8.6	8.5	4,661,646,250	99,622,880	4,562,023,370
2000	52.5	31.0	(A)	8.3	8.3	4,551,743,810	83,431,520	4,468,312,290
1999 ³	52.1	30.7	(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
1996	54.9	29.5	1.4	7.9	6.3	4,630,249,220	72,054,500	4,558,194,720
1995	55.0	29.6	1.7	7.8	5.9	4,595,612,740	77,592,450	4,518,020,290
1994	55.6	29.8	1.6	7.7	5.3	4,523,613,100	79,355,500	4,444,257,600
1993	56.0	30.3	1.7	7.6	4.4	4,450,551,640	60,558,230	4,389,993,410

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 10/1/02

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

	<u>Assessed Value</u>
U.S. Government	\$ 35,670,650
State of Connecticut	150,154,460
Miscellaneous	202,520,490
City of Danbury	325,494,970
Total Exempt Property	\$713,840,570
Percent Compared to Net Taxable Grand List ¹	14.6%

¹ Based on a Net Taxable Grand List 10/1/02 of \$4,892,216,450

Source: City of Danbury, Assessor's Office

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	Uncollected	
						Percent of Annual Levy Uncollected at end of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/03
2001	2003 ¹	\$4,562,023,370	25.24	\$115,150,456	97.8	2.2	2.20
2000	2002	4,468,312,290	24.30	108,588,084	98.7	1.3	0.99
1999	2001	4,394,762,120	23.19	101,895,249	98.0	2.0	0.70
1998	2000	4,667,049,310	20.78	96,977,466	98.6	1.4	0.50
1997	1999	4,588,090,240	19.13	87,748,032	98.7	1.3	0.36
1996	1998	4,558,194,720	19.13	87,189,876	97.6	2.4	0.36
1995	1997	4,518,020,290	19.13	86,429,728	97.3	2.7	0.36
1994	1996	4,444,257,600	19.13	85,030,892	96.5	3.5	0.29
1993	1995	4,389,993,410	19.54	85,795,552	96.4	3.6	0.19

¹ Estimate for June 30, 2003 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
2003 ¹	\$5,411,481	\$2,456,706
2002	6,455,904	2,146,262
2001	5,576,494	2,514,634
2000	4,988,229	2,519,291
1999	3,431,666	1,505,235

¹ Subject to Audit.

Source: Annual Audit Reports, City of Danbury, 1999-2002.

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Danbury Mall Associations.....	Shopping Mall	\$118,862,700	2.42%
Danbury Buildings, Inc.	Real Estate Investor	81,429,720	1.66
Boehringer-Ingelheim.....	Research Center	45,951,090	0.94
BF Goodrich Aerospace.....	Electronics	32,890,900	0.70
Connecticut Light & Power	Public Utilities	31,429,170	0.64
Avalonbay Communities, Inc.	Land Developer	27,983,710	0.57
Melvyn, Mary & Seymour Powers & Danbury Industrial Corp.....	Industrial Park Developer	25,615,030	0.52
Ervie S. Hawley, Germantown Plaza Assoc. & Germantown Medical Center	Shopping Center & Land Developer	24,253,830	0.50
Ethan Allen Inn/Lake Ave Association	Hotel	23,868,890	0.49
Urstadt & Biddle Properties.....	Shopping Center	21,129,310	0.43
Total		\$433,414,350	8.86%

¹ Based on a Net taxable grand list 10/1/02 \$4,892,216,450.

Source: Assessor's Office, City of Danbury

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V. Debt Summary
Principal Amount of Bonded Indebtedness
As of August 7, 2003
(Pro Forma)

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Date of Fiscal Year Maturity</u>
09/15/85	Public Improvement.....	8.100 - 8.300	\$ 4,800,000	\$ 720,000	2006
08/01/86	Public Improvement.....	6.800 - 7.000	13,290,000	960,000	2006
02/01/88	School.....	6.200 - 6.700	6,350,000	1,325,000	2007
02/01/88	Public Improvement.....	6.200 - 6.700	1,500,000	240,000	2007
05/15/90	Sewer - Clean Water Fund Loan ² ...	2.000	2,296,859	689,058	2009
08/15/92	School.....	4.125 - 6.125	16,000,000	8,000,000	2013
08/15/92	Public Improvement.....	4.125 - 6.125	350,000	150,000	2013
02/01/94	School.....	3.200 - 5.100	17,740,000	9,730,000	2014
02/01/94	Public Improvement.....	3.200 - 5.100	2,705,000	955,000	2014
02/01/94	Sewer ²	3.200 - 5.100	2,100,000	1,155,000	2014
02/01/94	Water - Sewer Treatment Plant ²	3.200 - 5.100	1,000,000	550,000	2014
02/01/94	Sewer - Lateral ³	3.200 - 5.100	1,310,000	715,000	2014
02/01/94	Water - Dams ¹	3.200 - 5.100	2,000,000	1,100,000	2014
07/29/94	Sewers - Clean Water Fund Loan ²	2.000	47,373,853	24,824,727	2014
01/31/95	Sewers - CWF Loan - Lateral ³	2.000	441,322	242,728	2015
03/15/95	Sewer - Lateral ³	5.000 - 7.000	1,500,000	900,000	2015
03/15/95	Water - Dams ¹	5.000 - 7.000	2,100,000	1,260,000	2015
03/15/95	Public Improvement.....	5.000 - 7.000	1,695,000	895,000	2015
08/01/97	Public Improvement.....	4.100 - 5.750	4,100,000	2,720,000	2018
08/01/97	Water System Improvements ¹	4.100 - 5.750	6,000,000	4,320,000	2018
08/01/98	Water System Improvements ¹	4.100 - 5.500	11,000,000	8,250,000	2019
08/01/98	Water Service Extensions ¹	4.100 - 5.500	1,395,000	1,050,000	2019
08/01/98	Public Improvement.....	4.100 - 5.500	10,100,000	7,575,000	2019
08/01/99	Public Improvement.....	4.150 - 6.000	3,500,000	2,800,000	2020
08/01/99	Water System Improvements ¹	4.150 - 6.000	1,000,000	800,000	2020
08/01/99	Sewer Extension ³	4.150 - 6.000	1,600,000	1,280,000	2020
05/15/02	Public Improvement.....	3.500 - 5.000	7,292,000	6,864,650	2022
05/15/02	Water Service Extensions ¹	3.500 - 5.000	573,000	544,350	2022
05/15/02	Schools.....	3.500 - 5.000	4,500,000	4,275,000	2022
05/15/02	Sewer Lateral ³	3.500 - 5.000	380,000	361,000	2022
05/01/03	Refunding Bonds.....	2.000 - 4.000	1,190,000	1,190,000	2010
Total Outstanding Long Term Debt.....			\$177,182,034	\$ 96,441,513	
<u>This Issue</u>					
08/01/03	Public Improvement.....	N/A	7,575,000	7,575,000	2023
08/01/03	Schools.....	N/A	5,350,000	5,350,000	2023
Total This Issue.....			12,925,000	12,925,000	
Grand Total.....			\$190,107,034	\$109,366,513	

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.

Note: Does not include State of Connecticut Local Bridge Loans in the amount of \$161,335.

Short Term Debt
As of August 7, 2003
(Pro Forma)

The City of Danbury has short-term debt outstanding in the amount of \$11,200,000, which matures August 6, 2004.

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 7, 2003
(Pro Forma)

Fiscal Year	Principal	Interest	Total	This Issue: Public Improv.	This Issue: Schools	Cumulative % Prin. Retired
2004 ¹	\$ 3,377,350	\$ 1,614,702	\$ 4,992,052	\$ --	\$ --	5.5%
2005	4,972,350	2,085,856	7,058,206	465,000	295,000	14.9
2006	4,527,350	1,848,884	6,376,234	465,000	295,000	23.5
2007	3,917,350	1,643,120	5,560,470	465,000	295,000	31.1
2008	3,592,350	1,460,286	5,052,636	465,000	295,000	38.2
2009	3,527,350	1,295,287	4,822,637	465,000	295,000	45.2
2010	3,522,350	1,128,985	4,651,335	460,000	295,000	52.2
2011	3,362,350	963,460	4,325,810	460,000	295,000	58.9
2012	3,362,350	804,172	4,166,522	460,000	295,000	65.6
2013	3,237,350	644,202	3,881,552	460,000	295,000	72.1
2014	2,422,350	509,281	2,931,631	455,000	295,000	77.3
2015	1,457,350	396,255	1,853,605	300,000	240,000	80.5
2016	1,387,350	326,475	1,713,825	295,000	240,000	83.7
2017	1,387,350	259,744	1,647,094	295,000	240,000	86.8
2018	1,387,350	192,486	1,579,836	295,000	240,000	89.9
2019	1,207,350	128,965	1,336,315	295,000	240,000	92.8
2020	702,350	81,909	784,259	295,000	240,000	94.8
2021	527,350	52,485	579,835	295,000	240,000	96.5
2022	522,350	26,118	548,468	295,000	240,000	98.3
2023	--	--	--	295,000	240,000	99.1
2024	--	--	--	295,000	240,000	100.0%
Total	\$48,399,650	\$15,462,670	\$63,862,320	\$7,575,000	\$5,350,000	

¹Excludes \$1,610,000 in principal payments and \$703,098 in interest payments from July 1, 2003 through August 7, 2003.

Self-Supporting Debt Annual Bonded Maturity Schedule
As of August 7, 2003
(Pro Forma)

Fiscal Year	Principal	Interest	Total	Cumulative % Prin. Retired
2004 ¹	\$ 2,958,320	\$ 998,999	\$ 3,957,319	6.2%
2005	4,197,032	1,449,703	5,646,735	14.9
2006	4,197,032	1,329,578	5,526,609	23.6
2007	4,197,032	1,208,012	5,405,044	32.4
2008	4,197,032	1,085,139	5,282,171	41.1
2009	4,237,032	959,455	5,196,487	49.9
2010	4,122,189	831,366	4,953,555	58.5
2011	4,122,189	705,604	4,827,793	67.1
2012	4,122,189	579,290	4,701,479	75.7
2013	4,122,189	452,131	4,574,320	84.2
2014	1,846,589	341,647	2,188,236	88.1
2015	1,299,490	260,682	1,560,172	90.8
2016	1,117,650	195,132	1,312,782	93.1
2017	1,117,650	139,487	1,257,137	95.4
2018	1,117,650	83,796	1,201,446	97.8
2019	797,650	35,317	832,967	99.4
2020	177,650	10,278	187,928	99.8
2021	47,650	4,765	52,415	99.9
2022	47,650	2,383	50,033	100.0%
Total	\$48,041,865	\$10,672,764	\$58,714,626	

¹Excludes \$1,238,712 in principal payments and \$570,342 in interest payments from July 1, 2003 through August 7, 2003.

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 7, 2003
(Pro Forma)**

Due Fiscal Year Ending 6/30	Principal Payments	Interest Payments	Total Payments	Pro- Forma			
				This Issue			Cumulative % Principal Retired
				Public Improvement Bonds	School Bonds	Total This Issue	
2004 ¹	\$ 6,335,670	\$ 2,613,700	\$ 8,949,371	\$ --	\$ --	\$ --	5.8%
2005	9,169,382	3,535,559	12,704,940	465,000	295,000	760,000	14.9
2006	8,724,382	3,178,462	11,902,843	465,000	295,000	760,000	23.5
2007	8,114,382	2,851,133	10,965,514	465,000	295,000	760,000	31.7
2008	7,789,382	2,545,426	10,334,807	465,000	295,000	760,000	39.5
2009	7,764,382	2,254,742	10,019,123	465,000	295,000	760,000	47.3
2010	7,644,539	1,960,352	9,604,890	460,000	295,000	755,000	55.0
2011	7,484,539	1,669,064	9,153,603	460,000	295,000	755,000	62.5
2012	7,484,539	1,383,462	8,868,001	460,000	295,000	755,000	70.0
2013	7,359,539	1,096,333	8,455,871	460,000	295,000	755,000	77.4
2014	4,268,939	850,928	5,119,867	455,000	295,000	750,000	82.0
2015	2,756,840	656,937	3,413,777	300,000	240,000	540,000	85.0
2016	2,505,000	521,606	3,026,606	295,000	240,000	535,000	87.8
2017	2,505,000	399,231	2,904,231	295,000	240,000	535,000	90.6
2018	2,505,000	276,281	2,781,281	295,000	240,000	535,000	93.4
2019	2,005,000	164,281	2,169,281	295,000	240,000	535,000	95.7
2020	880,000	92,188	972,188	295,000	240,000	535,000	97.0
2021	575,000	57,250	632,250	295,000	240,000	535,000	98.0
2022	570,000	28,500	598,500	295,000	240,000	535,000	99.0
2023	--	--	--	295,000	240,000	535,000	99.5
2024	--	--	--	295,000	240,000	535,000	100.0%
Total	\$96,441,515	\$26,135,433	\$122,576,946	\$7,575,000	\$5,350,000	\$12,925,000	

¹ Excludes \$2,848,712 in principal payments and \$1,273,439 in interest payments from July 1, 2003 to August 7, 2003.
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.**

Debt Statement
As of August 7, 2003
(Pro Forma)

Long-Term Debt:

Public Improvement (Includes \$7,575,000 of This Issue)	\$ 32,644,650
Sewers	30,167,515
Schools (Includes \$5,350,000 of This Issue)	28,680,000
Water	17,874,350
Total Long-Term Debt ¹	\$109,366,515

Short-Term Debt:

Bond Anticipation Notes (This Issue)	11,200,000
Total Direct Debt	120,566,515

Less: Amount to be provided by State for school construction (As of 6/30/03)	(6,878,938)	
Self-Supporting Sewer Debt ² (Includes \$1,300,000 of this BAN Issue) ...	(31,467,513)	
Self-Supporting Water Debt	(17,874,350)	(56,220,801)

Total Net Direct Debt		64,345,714
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Plus: Overlapping/Underlying Debt		--
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TOTAL OVERALL NET DEBT		\$ 64,345,714
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¹ Long-term debt does not include an estimated \$331,066 accrued employee benefits, \$14,564,351 of landfill closure and post-closure costs, \$3,417,069 in capital leases, and \$161,335 in State Local Bridge Loans.

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 7, 2003
(Pro Forma)

Population ¹	74,848
Net Taxable Grand List (10/1/02)	\$4,892,216,450
Estimated Full Value	\$6,615,119,940
Equalized Net Taxable Grand List (10/1/00) ²	\$7,357,096,958
Income per Capita (1990) ³	\$19,300
Income per Capita (2000) ³	\$24,500

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
Per Capita	\$1,610.82	\$859.69	\$859.69
Ratio to Net Taxable Grand List	2.46%	1.32%	1.32%
Ratio to Estimated Full Value	1.82%	0.97%	0.97%
Ratio to Equalized Net Taxable Grand List	1.64%	0.87%	0.87%
Debt per Capita to Income per Capita (1990)	8.35%	4.45%	4.45%
Debt per Capita to Income per Capita (2000)	6.57%	3.51%	3.51%

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

² Office of Policy and Management, State of Connecticut.

³ 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, \$7,888,296 was received by the State in the form of a grant.

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 7, 2003
(Pro Forma)

Total Tax Collections (including interest and lien fees):
For the year ended June 30, 2002 \$110,146,162

Reimbursement For Revenue Loss On:
Tax Relief for Elderly 417,650

BASE \$110,563,812

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base	\$276,409,530	--	--	--	--
4 1/2 times base	--	\$497,537,159	--	--	--
3 3/4 times base	--	--	\$414,614,295	--	--
3 1/4 times base	--	--	--	\$359,332,389	--
3 times base	--	--	--	--	\$331,691,436
Total Debt Limitation	<u>\$276,409,530</u>	<u>\$497,537,159</u>	<u>\$414,614,295</u>	<u>\$359,332,389</u>	<u>\$331,691,436</u>

Indebtedness:					
Outstanding Debt:					
Bonds Payable (This Issue) ^{1,2}	32,644,650	28,680,000	27,383,785	--	--
Bonds Authorized But Unissued ^{1,2} ..	10,123,000	810,000	--	--	--
Short-Term Notes Payable.....	10,200,000	1,000,000	--	--	--
Total Indebtedness ³	<u>52,967,650</u>	<u>30,490,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Less School Construction Grants ⁴	<u>--</u>	<u>(6,878,938)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Net Indebtedness For Debt Limitation Calculation	<u>52,967,650</u>	<u>23,611,062</u>	<u>27,383,785</u>	<u>--</u>	<u>--</u>

DEBT LIMITATION IN EXCESS OF INDEBTEDNESS \$223,441,880 \$473,926,097 \$387,230,510 \$359,332,389 \$331,691,436

¹ Water debt is excludable from the calculation of debt limitation as allowed by Connecticut General Statutes. Excluded from above is \$17,874,350 of outstanding water bonds and \$505,000 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 \$2,783,728 of outstanding sewer assessment bonds and \$9,090 of authorized and unissued sewer assessment debt.

³ Excludes State Bridge Loan amount of \$161,335 and \$3,417,069 in capital lease.

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 \$773,946,684.

Debt Authorized but Unissued ¹

As of August 7, 2003

(Pro Forma)

Project	Authorized	Debt Authorized but Unissued						
		Debt Previously Issued	The Bonds	Notes Outstanding	General Purpose	Schools	Sewers	Water
Gen. Public Imp. 00-01	\$ 500,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Gen. Public Imp. 01-02	500,000	--	--	250,000	--	--	--	--
Gen. Public Imp. 02-03	500,000	--	--	500,000	--	--	--	--
Gen. Public Imp. 03-04	500,000	--	--	250,000	250,000	--	--	--
Water Service Ext. I	2,500,000	1,968,000	--	--	--	--	--	505,000
Sewer Service Ext. I	2,500,000	1,190,910	--	1,300,000	--	--	9,090	--
Cityworks 2000	14,900,000	14,662,000	--	--	238,000	--	--	--
Vision 21 Program	21,000,000	10,730,000	5,375,000	--	4,895,000	--	--	--
Vision 21/2 Prog. Schools ...	5,360,000	--	3,550,000	1,000,000	--	810,000	--	--
Vision 21/2 Prog. Pub Imp ..	16,640,000	--	4,000,000	7,900,000	4,740,000	--	--	--
Total	\$64,900,000	\$28,550,910	\$12,925,000	\$11,200,000	\$10,123,000	\$810,000	\$9,090	\$505,000

¹ Total Authorized but Unissued does not include amounts paid down from the General Fund on outstanding notes.

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

Fiscal Year Ended 6/30	Net Assessed Value	Net 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	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³ (%)
2002	\$4,468,312,290	\$6,383,303,271	\$55,007,000	1.23	0.86	74,848	\$734.92	3.00
2001	4,394,762,120	6,278,231,600	47,600,000	1.08	0.76	74,848	635.96	2.60
2000	4,667,049,310	6,667,213,300	52,320,000	1.12	0.78	74,848	794.79	3.24
1999	4,588,090,240	6,554,414,629	53,410,000	1.16	0.81	65,506	815.35	3.33
1998	4,558,194,720	6,511,706,743	47,550,000	1.04	0.73	65,506	725.89	2.96

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

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

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

Ratio of Annual Debt Service to Total General Fund Expenditures and Other Financing Uses

Fiscal Year Ended 6/30	Principal	Interest	Total	Total General Fund Expenditures	Ratio of General Fund Debt Service To Total General Fund Expenditures %
2002	\$4,472,112	\$2,445,012	\$6,917,124	\$147,091,125	4.70%
2001	4,807,112	2,757,677	7,564,789	156,883,079	4.82
2000	4,677,112	2,947,090	7,624,202	145,968,651	5.22
1999	4,327,112	2,904,787	7,231,899	145,628,245	4.97
1998	4,099,201	2,835,607	6,934,628	138,067,753	5.02
1997	4,099,200	2,956,003	7,055,203	127,422,293	5.54
1996	4,252,088	3,154,541	7,406,629	124,890,102	5.93
1995	4,157,089	3,293,867	7,450,956	119,021,150	6.26
1994	2,997,088	2,570,678	5,567,766	119,015,959	4.68
1993	2,477,088	2,315,377	4,692,465	113,760,078	4.12

Source: City of Danbury Audit Reports 1993-2002.

Capital Improvement Program
Fiscal Year 2003 through Fiscal Year 2007

Proposed Projects	Fiscal Year					Total
	2003-04	2004-05	2005-06	2006-07	2007-08	
Airport	\$ 3,793,320	\$ --	\$ --	\$ --	\$ --	\$ 3,793,320
Engineering	11,252,500	530,000	5,380,000	530,000	2,480,000	20,172,500
Equipment Maintenance ...	183,000	--	425,000	--	405,000	1,013,000
Fire	855,000	50,000	2,160,000	--	1,050,000	4,115,000
Highway	819,904	1,575,880	1,785,000	798,380	845,000	5,824,164
Library	--	--	39,915	--	--	39,915
Parks & Recreation	200,000	--	800,000	50,000	4,100,000	5,150,000
Planning	1,500,000	--	900,000	--	1,800,000	4,200,000
Public Buildings	43,379,700	728,000	3,954,500	52,150	2,206,383	50,320,733
Tarrywile Park	74,000	--	2,750,000	--	--	2,824,000
Recycling/Solid Waste	--	--	300,000	122,000	1,065,000	1,487,000
Sewer	2,696,950	7,987,250	17,815,250	1,020,000	108,000	29,627,450
Water	4,420,015	5,973,015	3,849,100	3,600,320	2,990,600	20,833,050
TOTAL	\$69,174,389	\$16,844,145	\$40,158,765	\$6,172,850	\$17,049,983	\$149,400,132

Proposed Funding Sources	Fiscal Year					Total
	2003-04	2004-05	2005-06	2006-07	2007-08	
General City Revenue or Use Charges	\$ --	\$ 503,880	\$ 1,754,415	\$ 662,530	\$ 461,383	\$ 3,382,208
Notes/Bonds/Leases	29,422,207	3,194,500	14,040,000	110,000	11,900,000	58,666,707
St./Fed. Grants/Other	39,752,182	13,145,765	24,364,350	5,400,320	4,688,600	87,351,217
TOTAL	\$69,174,389	\$16,844,145	\$40,158,765	\$6,172,850	\$17,049,983	\$149,400,132

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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.

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400 and 7-402. Please refer to the Notes to the Financial Statements, Note 4 regarding the City's cash and cash equivalent investments at June 30, 2002.

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, 2003, the financial statements of the City are being audited by McGladrey & Pullen, LLP.

For fifteen 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 a 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
Five Year Summary of Audited Revenues and Expenditures (GAAP Basis)
with Estimated Actuals (Budgetary Basis)**

	Est. Actual ¹ 6/30/03	Actual 6/30/02	Actual 6/30/01	Actual 6/30/00	Actual 6/30/99	Actual 6/30/98
Revenues						
Property Taxes	\$115,975,113	\$109,011,992	\$101,866,512	\$96,821,385	\$88,430,049	\$86,647,032
Intergovernmental Revenues.....	25,864,861	29,838,060	41,774,779	38,171,295	38,311,527	33,164,126
Investment Income	247,446	428,060	854,047	791,710	1,067,565	1,046,733
Other	7,401,161	10,781,372	8,580,899	6,587,750	6,492,706	6,992,186
Total Revenues	\$149,488,581	\$150,059,484	\$153,076,237	\$142,372,140	\$134,301,847	\$127,850,077
Other Financing Sources						
Bond Proceeds.....	--	--	--	--	4,100,000	--
Capital Lease Acquisition	--	1,123,620	796,523	663,886	3,201,500	2,360,004
Operating Transfers In	--	--	848,000	--	--	87,973
Total Revenues and Other Financing Sources	\$149,598,127	\$151,183,104	\$154,720,760	\$143,036,026	\$141,603,347	\$130,298,054
Expenditures						
General Government	8,274,350	8,515,909	7,642,311	6,835,882	6,401,498	6,492,001
Public Safety	21,271,231	19,992,935	19,370,790	18,859,142	17,400,465	16,593,395
Public Works	6,291,304	5,778,129	5,624,435	5,303,773	5,197,813	4,716,930
Health and Welfare.....	1,444,260	1,418,757	1,320,489	1,316,862	1,269,738	1,251,948
Culture and Recreation.....	3,918,174	3,776,041	3,581,145	3,307,005	3,178,604	3,188,300
State and Federal Programs.....	--	--	12,338,361	9,946,061	10,453,101	6,831,217
Education	81,942,158	81,035,751	77,787,259	75,958,907	72,715,181	66,288,283
Pension and Other Employee Benefits.	15,418,714	14,184,620	13,341,314	12,345,950	12,945,985	12,640,728
Other	2,302,862	2,146,876	2,301,176	2,653,518	2,786,403	2,156,938
Capital Outlay	200,180	2,433,692	5,139,515	1,072,480	5,216,190	10,371,021
Debt Service	8,293,456	6,917,124	7,564,789	7,624,202	7,231,899	6,934,808
Total Expenditures	\$149,356,689	\$146,199,834	\$156,011,584	\$145,223,782	\$144,796,877	\$137,465,569
Other Financing Uses						
Operating Transfers Out.....	--	891,291	871,495	744,869	831,368	602,184
Total Expenditures and Other Financing Uses	\$149,356,689	\$147,091,125	\$156,883,079	\$145,968,651	\$145,628,245	\$138,067,753
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....						
	N/A	3,859,650	(2,162,319)	(2,932,625)	(4,024,898)	(7,769,699)
Decrease (Increase) in Reserve for Encumbrances and Other Reservations.....	N/A	1,249,707	1,091,394	214,625	385,480	1,978,391
Net Change In Unreserved Fund Balance.....						
	N/A	5,341,686	(1,070,925)	(2,718,000)	(3,639,418)	2,308,692
Residual Equity Transfer In	N/A	--	--	--	--	8,100,000
Beginning Fund Balance - Unreserved	N/A	6,064,400	7,135,325	9,853,325	13,492,743	11,184,051
Ending Fund Balance - Unreserved	N/A	\$ 11,406,086	\$ 6,064,400	\$ 7,135,325	\$ 9,853,325	\$ 13,492,743

Analysis of General Fund Equity

	Est. Actual ¹ 6/30/03	Actual 6/30/02	Actual 6/30/01	Actual 6/30/00	Actual 6/30/99	Actual 6/30/98
Reserved for Encumbrances	N/A	\$ 637,611	\$1,516,740	\$ 2,633,934	\$ 2,600,131	\$ 2,775,320
Reserved for Airport Improvements	N/A	--	--	--	--	--
Reserved for Continued Appropriations.....	N/A	150,523	521,101	495,301	743,729	954,020
Unreserved						
Designated for Medical Benefits.....	N/A	--	--	--	--	--
Designated for Future Budgets	--	--	--	1,077,877	3,200,000	7,000,000
Undesignated	N/A	11,406,086	6,064,400	6,057,448	6,653,325	6,492,743
Total Fund Balance	N/A	\$12,194,220	\$8,102,241	\$10,264,560	\$13,197,185	\$17,222,083

¹ Budgetary Basis; 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 case:

Accashian Et. Al. Vs. City of Danbury

A claim dated September 24, 1997 was brought against the City by 450 plaintiffs claiming damages as a result of alleged intolerable odor, groundwater pollution and air quality problems at the municipal landfill. Counsel has performed substantial discovery, but given the large number of plaintiffs and scope of the complaint, it is too early to make an assessment of the potential exposure or the likelihood of any loss.

Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds and the Notes in order that interest on the Bonds and the Notes remains 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 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 based in the case of individuals, trusts and the estates required to pay the federal alternative minimum tax. Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding the State and local tax consequences of ownership and disposition of the Bonds and the Notes.

Transcript and Closing Documents

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

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the Notes or the levy or collection of taxes to pay them.
2. Certificate on behalf of the City, signed by the Mayor, Treasurer, and 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, that at the time the bids were accepted on the Bonds and the Notes the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.

3. Receipts for the purchase price of the Bonds and the Notes.

4. The 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.

6. The City of Danbury has prepared an Official Statement for the Bonds and the Notes which is dated July 21, 2003. 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 purchaser 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 at the office of the City's Financial Advisor. If the City's Financial Advisor 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 are 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

MARK D. BOUGHTON, *Mayor*

THOMAS R. GREEN, *Treasurer*

DENA DIORIO, *Director of Finance*

Dated as of July 21, 2003

Appendix A

2002 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, 2002. 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, People's Bank, Assistant Vice President, 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, 2002, 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'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 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. 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.

As described in Note 15 to the basic financial statements, the City adopted a number of new governmental accounting and reporting pronouncements as of July 1, 2001.

In our opinion, based on our report 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danbury, Connecticut, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 the Governmental Accounting Standards Board. 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.

In accordance with "Government Auditing Standards," we have also issued our report dated December 27, 2002 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 grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

McGladrey & Pullen, LLP

New Haven, Connecticut
December 27, 2002

City of Danbury, Connecticut
Management's Discussion and Analysis
June 30, 2002

As management of the City of Danbury, Connecticut (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. 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 exceeded its liabilities resulting in net assets at the close of the fiscal year of \$148 million. Total net assets for Governmental Activities at fiscal year-end were \$55.7 million and total net assets for Business-Type Activities were \$92.3 million. Of the City's total net assets at June 30, 2002, \$7.9 million or 5.3% is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$13.3 million or 9.9%, from \$134.7 million to \$148 million. Net assets increased by \$7.6 million for Governmental Activities and \$5.7 million for Business-Type Activities. Government-wide expenses were \$178 million, while revenues were \$191.2 million.
- ◆ At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$8.9 million, an increase of \$7,255,385 from the prior fiscal year. Of the total fund balance as of June 30, 2002, the (\$5.5) million fund deficit in the Vision 21 and Vision 21² Bond Fund will be reduced through future debt issuance.
- ◆ At the end of the current fiscal year, total fund balance for the general fund alone was \$12.2 million, an increase of \$4.1 from the prior fiscal year. Of the total general fund fund balance, \$11.4 million represents unreserved general fund balance. Unreserved general fund fund balance at year-end represents 7.8% of total general fund expenditures of \$146.2 million.
- ◆ The City's total debt decreased by \$331,494 or .3%. The key factor in this decrease was a reduction in Bond Anticipation Notes payable at year-end of \$4,430,000 million compared to the prior fiscal year. Over the course of the year, the City issued Bond Anticipation Notes totaling \$50,556,000 at true interest costs averaging 1.3%, and repaid \$54,996,000. The net effect of these transactions is that at fiscal year-end, the City had Bond Anticipation Notes outstanding of \$8,670,000, compared to \$13.1 million at June 30, 2001. The City also issued \$12,745,000 in new bonds with a true interest cost of 4.3388%. The tax-exempt bonds, which will mature incrementally over the next twenty-years, will be used to permanently finance public improvements, including City and school facilities and infrastructure.

Overview of the Financial Statements

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

It is important to note that the City implemented the new reporting requirements outlined in GASB 34 effective July 1, 2001. The financial statements, therefore, contained within this report as of June 30, 2002, are the City's first report using the new reporting model. In addition, the City is among one of the first municipalities in the State of Connecticut required to report under the new model for the fiscal year ended June 30, 2002. As allowed under GASB 34, the City elected not to present all required comparative data for this year of implementation. Therefore, many prior year comparisons of the City and comparisons with other similar municipalities are not available to aid the reader in comparative analysis. The report for fiscal year ending June 30, 2003 will contain more comparative information both with similar governments and with the City itself.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. 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'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 of these types of items.

Both of the government-wide financial statements distinguish functions of the City 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 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 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 operations.
- ◆ The government-wide financial statements include not only the City 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, 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 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 70 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Vision 21 and Vision 21² Bond Issues Fund, both of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation as other governmental funds. Non-major governmental funds for the City of Danbury include School Lunch Program; Community Development Block Grant; Safe Summer Youth Recreation Grant; WIC Grant; Safe Neighborhoods Grant; State Forfeiture Account; AIDS Prevention Grant; AIDS Fees; Federal Forfeiture Account; Targeted Capacity Enhancement; Elderly Van Purchase;

Traffic Enforcement Equipment; Wooster Street Noise Abatement; School Rental; Continuing Education; Housing Partnership Program; Animal Control; FEMA Fire Equipment; TNT/Drug Education/Crime Prevention; Per Capita Grant; Homeless Shelter Grant; School-Based Health Center Grant; Revitalize Still River Grant; Meserve Memorial; Ambulance Fund; Preventive Health Block Grant; Library Donations; Thorpe Street Extension Bridge; Library Reader's Digest Grant; Modernization of Traffic Signals; Railyard Parking Lease; Local Law Enforcement Block Grant; School-Based Health Fees; Brownfield Pilot; FEMA Homeless Fund; North Main Streetscape; Open Space and Watershed Land; Seniornet Fund; Seniornet Fees; Rogers Park Trail; Millennium Project; GE Environmental Still River; Still River Trail Fund; Still River Flood Warning; Tarrywile Lake Dam; Bullet Proof Vest Grant; DUI Fund; Needle Exchange Program; Housing Trust Fund; LOCIP Fund; Quadracentennial Fund; Anti-Arson Fair Plan; Airport Projects; America the Beautiful; Children in Poverty; Historic Document; EMS Equipment; Library Board; Magnet School Project; Non-English Speaking; Occupant Protection Outreach; State and Federal School Projects; Sewer & Water Assessment; Stormwater Management; City Projects Fund; Library Reconstruction Fund; City Works 2000; and the Farioly Permanent Fund. 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 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 and 21 of this report.

Proprietary funds The City 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. Internal service funds are an accounting device used to accumulate and allocate certain costs internally among the City's various functions. The City closed its only internal service fund on June 30, 2001.

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 to 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 and 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's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Danbury, assets exceeded liabilities by \$148 million at the close of the most recent fiscal year.

CITY OF DANBURY, CONNECTICUT
NET ASSETS, (\$000's)
JUNE 30, 2002

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Current and other assets	\$ 37,161	\$ 5,990	\$ 43,151
Non-current	7,824	3,600	11,424
Capital assets	110,682	145,702	256,384
Total Assets	155,667	155,292	310,959
Current liabilities	25,138	9,472	34,610
Long-term liabilities outstanding	74,818	53,503	128,321
Total Liabilities	99,956	62,975	162,931
Net assets:			
Invested in capital assets, net of related debt	46,438	92,199	138,637
Restricted	1,477	-	1,477
Unrestricted	7,796	118	7,914
Total Net Assets	\$ 55,711	\$ 92,317	\$ 148,028

At the end of the current fiscal year, the City 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 proprietary activities.

By far the largest portion of the City's net assets (93.7%) reflects its investment in capital assets (e.g., land, buildings machinery, infrastructure additions from July 1, 2001, 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.

**CITY OF DANBURY, CONNECTICUT
CHANGES IN NET ASSETS, (\$000's)
JUNE 30, 2002**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Revenues:			
Program Revenues:			
Charges for services	\$ 16,271	\$ 12,547	\$ 28,818
Operating grants and contributions	37,143	166	37,309
Capital grants and contributions	1,163	3,924	5,087
General Revenues:			
Property taxes	109,623	-	109,623
Grants not restricted to specific programs	8,850	732	9,582
Unrestricted investment earnings	445	428	873
Total revenues	173,495	17,797	191,292
Expenses:			
General government	13,377	-	13,377
Public safety	32,215	-	32,215
Public works	7,758	12,101	19,859
Health and welfare	3,982	-	3,982
Culture and recreation	3,553	-	3,553
Education	101,072	-	101,072
Other	1,702	-	1,702
Interest on long-term debt	2,194	-	2,194
Total expenses	165,853	12,101	177,954
Change in net assets	7,642	5,696	13,338
Net assets, beginning	48,069	86,621	134,690
Net assets, ending	\$ 55,711	\$ 92,317	\$ 148,028

Danbury's net assets increased by \$13.3 million during the fiscal year, with net assets of Governmental Activities increasing by \$7.6 million, and net assets of Business-Type Activities increasing by \$5.7 million. The increase in net assets within Business-Type Activities is due to the degree to which increases in on-going revenues have outstripped increases in expenses.

Governmental Activities

More than 57.3% of the revenues were derived from property taxes, followed by 37.2% from program revenues, then 5% from unrestricted grants, and, finally, about .5% 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 2002 reflect an increase in the City's tax rate of 4.8% and growth in the total assessed value of property of 1.7%
- ◆ Investment earnings fell from almost \$855,000 in the prior fiscal year to \$428,000 for the fiscal year ending June 30, 2002. The reduction in interest and dividend earnings was the result of a slowing economy and the subsequent reduction to interest rates.

For Governmental Activities, more than 60.9% of the City's expenditures relate to education, 19.4% relate to public safety, 8.1% for general government, 4.7% for public works, 2.4% for health and welfare, 2.1% for cultural and recreation, 1.3% for interest on long-term debt and, finally, 1.1% for other activities.

Major expenditure factors included:

- ◆ Overall expenditures were lower than in the last fiscal year due to the transfer of state and federal programs to the special revenue fund. Expenditures for these programs totaled \$12 million in the fiscal year ended June 30, 2001.
- ◆ Employee benefit costs rose more than 10% due to rising health insurance costs.
- ◆ Costs associated with other types of insurance including worker's compensation, automobile, public liability, fire, and uninsured losses increased 27.7% over the prior year going from \$1,508,024 to \$1,925,576.
- ◆ Expenditures in the Corporation Counsel's office increased 91.3% over the prior year or \$862,442. The additional costs were associated with expenses related to ongoing litigation.

Business-Type Activities

Business-Type activities increased the City's net assets by \$5.7 million accounting for 42.7% of the total growth in the government's net assets. Key elements of this increase are as follows:

- ◆ The Sewer Fund recorded special assessments and connection charges totaling \$1,102,958.
- ◆ The Water and Sewer Funds recorded contributed capital of \$3,923,770, an increase of \$2,965,366 over the prior year.

Financial Analysis of the Fund Financial Statements

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

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City 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's governmental funds reported combined ending fund balances of \$8.9 million. This includes a negative fund balance of \$5.5 million in the Vision 21 Bond Fund that will be eliminated through future debt issuance. The General Fund and Other Governmental Funds reported fund balances of \$12.2 million and \$2.2 million respectively. Approximately \$11.4 million of total general fund fund balance constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of the general fund fund balance, \$788,134, 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 \$11,406,086 while total fund balance reached \$12,194,220. 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 7.8% of total general fund expenditures, while total fund balance represents 8.3% of that same amount.

The fund balance of the City's general fund increased by \$5.3 million during the current fiscal year. Key factors in this increase are as follows:

- ◆ Actual revenues exceeded budgeted revenues by \$5.2 million. Intergovernmental revenue exceeded budget by \$660,830 or 2.3%. This is attributed to increases in Education Equalization, the State Heart Program, and the telephone line access grants.
- ◆ Charges for Services exceeded budget by approximately \$2.8 million or 95.2%. This is due to revenue received from the sale of the ice rink, and the City's proceeds from the Anthem stock sale.
- ◆ Revenues from Licenses and Permits exceeded budget by \$1.3 million or 55.8% The additional revenues received were from conveyance taxes and Town Clerk fees as a result of the vibrant housing market in Danbury.

The Vision 21 Bond Issue Fund has a total fund balance of (\$5,505,822), down from (\$7,326,421) million in the prior year. The reduction in the deficit is due to an infusion of bond proceeds totaling \$10.7 million. As stated earlier, the remaining fund deficit will be eliminated through future debt issuance.

The Other Governmental Funds has a total fund balance of \$2.2 million, up from \$1.3 million in the prior year. The \$900,000 increase was primarily due to an infusion of bond proceeds totaling \$1.1 million.

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

Net assets of the Water Fund at the end of the year were \$47.4 million. The fund experienced a net operating loss during the year of \$45,248, however, \$2.8 million in capital contributions

resulted in the fund increasing its net assets by \$2.2 million. Unrestricted net assets at year-end totaled \$3.3 million

Net assets of the Sewer Fund at the end of the year were \$44.9 million. The fund experienced an operating gain of \$2.4 million which helped to increase the fund's overall net assets by \$3.5 million. Unrestricted net assets of the Sewer Fund were a deficit of \$3.2 million. This is due to a significant portion of the fund's net assets being invested in capital assets.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$2.7 million. The major additional appropriations approved during the year are summarized below:

- ◆ \$358,631 additional appropriation for the Board of Education to cover spending in excess of its authorized appropriation.
- ◆ \$624,759 additional appropriation to settle litigation related to the ice rink. The liability related to this litigation is reported as an "Other long-term liability" in the Notes to the Financial Statements.
- ◆ \$449,500 additional appropriation for litigation related expenses.
- ◆ \$373,511 additional appropriation to cover higher than anticipated insurance premiums.
- ◆ \$134,000 additional appropriation to clear trees near Runway 8 at the municipal airport.
- ◆ \$50,000 additional appropriation to repair a generator at Police Headquarters.

During the year, actual revenues on a budgetary basis were \$146.5 million, which exceeded budgetary estimates by \$5.2 million. Charges for services exceeded budgetary estimates by \$2.8 million due primarily to revenues received from the sale of the ice rink and the City's proceeds from the Anthem stock sale. Revenues derived from licenses and permits exceeded estimates by \$1.3 million due to higher than anticipated conveyance tax receipts and town clerk fees. Actual investment income was approximately \$428,000; far short of the \$848,000 that had been anticipated. The budget for investment income was predicated upon prevailing short-term interest rates in the spring of 2001, and did not anticipate the sharp decline in interest rates following September 11, 2001.

Actual expenditures on a budgetary basis totaled \$141.2 million, which were less than actual revenues on a budgetary basis by \$5.3 million.

Capital Assets and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2002 amount to \$256.4 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's investment in capital assets for the current fiscal year was \$8.2 million or 3.3%

**CITY OF DANBURY, CONNECTICUT
CAPITAL ASSETS (net of depreciation)
JUNE 30, 2002**

	Primary Government		
	Governmental	Business-	Total
	Activities	Type Activities	
Land	\$ 30,951,673	\$ 902,678	\$ 31,854,351
Land improvements	387,709	-	387,709
Buildings and improvements	66,821,523	76,896,286	143,717,809
Machinery and equipment	5,572,333	146,284	5,718,617
Infrastructure	998,611	-	998,611
Distribution and collection systems	-	67,018,406	67,018,406
Other	-	342,657	342,657
Construction in progress	5,950,327	334,325	6,284,652
Total	\$ 110,682,176	\$ 145,640,636	\$ 256,322,812

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

- ◆ School improvements and renovations at Danbury High School including a new science wing, renovations to the library/media center, and a new sports complex.
- ◆ Land acquisition and renovations to the City's parks.
- ◆ Infrastructure improvements including sidewalks, roads and bridges.

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

**CITY OF DANBURY, CONNECTICUT
OUTSTANDING DEBT
GENERAL OBLIGATION AND REVENUE BONDS
JUNE 30, 2002**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
General obligation bonds	\$ 55,007,000	\$ 24,918,000	\$ 79,925,000
Bond anticipation notes	8,670,000	-	8,670,000
Notes payable	248,446	28,584,605	28,833,051
Totals	\$ 63,925,446	\$ 53,502,605	\$ 117,428,051

Long-term debt At the end of the current fiscal year, the City of Danbury had total bonded debt outstanding of \$79,925,000. 100% of this debt is backed by the full faith and credit of the city government.

The City of Danbury's total debt decreased by \$331,494 or .3% during the current fiscal year.

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, AA from Standard and Poors, and AA+ from Fitch Ratings.

The overall statutory debt limit for the City of Danbury is equal to seven times annual receipts from taxation or \$773,946,684. As of June 30, 2002, the City recorded long-term debt of \$63.9 million related to Governmental Activities and \$53.5 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 Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The City has not been immune from the effects of the terrorist attacks of September 11, 2001 and the national economic downturn. As of June 2002, the unemployment rate for the Danbury Labor Market Area was 3.1%, up slightly from 2.8% in the prior year. The City of Danbury's unemployment rate was 3.7%, up from 3.4% at June 30, 2001. Connecticut's overall unemployment rate was 4.0% at June 30, 2002, up from 3.7% a year ago. Moreover, Connecticut state government is now reporting a serious revenue shortfall that may translate into reductions in State aid to the City and other municipalities in the State.

Nevertheless, the City is well positioned to deal with the present economic downturn. Since June 30, 2002, unemployment rates in the Danbury Labor Market Area and the City have dropped to 2.8% and 3.1% respectively. Development activity in both the residential and commercial sectors remains strong. The City continues to see growth in its housing market, in terms of the construction of new units and increased property values. In addition, a new Wal-Mart store recently opened and Home Depot is expected to expand its position in the City.

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

This 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 at 155 Deer Hill Avenue, Danbury, CT 06810.

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Basic Financial Statements

CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2002

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 20,921,508	\$ 2,153,846	\$ 23,075,354
Receivables (net of allowances for collection losses):			
Property taxes	3,505,879	-	3,505,879
Unbilled services	-	1,927,752	1,927,752
Special assessments	-	287,707	287,707
Accounts receivable	12,263,838	-	12,263,838
Federal and state governments	337,331	-	337,331
Other	-	1,316,618	1,316,618
Inventories	62,255	304,246	366,501
Other assets	69,897	-	69,897
Internal balances	1,000,000	-	-
Noncurrent assets:			
Capital assets, net of accumulated depreciation	110,682,176	145,701,953	256,384,129
Special assessments receivable	-	3,600,000	3,600,000
Deferred charges, net of accumulated amortization	84,419	-	84,419
Federal and state government receivables	6,739,385	-	6,739,385
Total assets	155,666,688	155,292,122	309,958,810
Liabilities			
Accounts payable	7,521,503	188,895	7,710,398
Accrued liabilities	3,673,984	658,019	4,332,003
Pension	3,249,000	-	3,249,000
Deferred revenues	1,915,520	7,624,981	9,540,501
Accrued interest payable	107,909	-	107,909
Bond anticipation notes payable	8,670,000	-	8,670,000
Internal balances	-	1,000,000	-
Noncurrent liabilities:			
Due within one year	7,812,117	2,619,382	10,431,499
Due in more than one year	67,005,815	50,883,223	117,889,038
Total liabilities	99,955,848	62,974,500	161,930,348
Net Assets			
Investment in capital assets, net of related debt	46,438,319	92,199,348	138,637,667
Restricted for library	1,477,174	-	1,477,174
Unrestricted	7,795,347	118,274	7,913,621
Total net assets	\$ 55,710,840	\$ 92,317,622	\$148,028,462

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

Component Units		
Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority
\$ 465,388	\$ 411,382	\$ 76,188
-	-	-
-	-	-
-	-	-
27,884	-	-
-	-	-
-	-	-
7,825	-	-
4,469	-	-
-	-	-
97,402	3,622,801	38,522
-	-	-
-	-	-
-	-	-
<u>602,968</u>	<u>4,034,183</u>	<u>114,710</u>
-	-	-
3,732	1,185	24,785
27,199	-	-
-	-	-
16,243	-	-
-	79,128	-
-	-	-
-	-	-
-	262,118	-
<u>47,174</u>	<u>342,431</u>	<u>24,785</u>
97,402	3,281,555	38,522
-	-	-
458,392	410,197	51,403
<u>\$ 555,794</u>	<u>\$ 3,691,752</u>	<u>\$ 89,925</u>

CITY OF DANBURY, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ (13,378,305)	\$ 5,948,658	\$ 2,422,881	\$ 232,326
Public safety	(32,214,639)	2,420,439	1,047,103	273,508
Public works	(7,758,508)	10,925	572,273	-
Health and welfare	(3,981,692)	1,453,299	1,149,550	-
Culture and recreation	(3,553,000)	360,183	354,328	24,301
Education	(101,072,076)	5,525,321	31,596,512	633,153
Other	(1,701,559)	552,047	-	-
Interest on long-term debt	(2,193,884)	-	-	-
Total governmental activities	(165,853,663)	16,270,872	37,142,647	1,163,288
Business-type activities:				
Sewer	(6,950,472)	8,491,215	66,884	1,139,145
Water	(5,150,904)	4,055,753	99,000	2,784,625
Total business-type activities	(12,101,376)	12,546,968	165,884	3,923,770
Total primary government	\$ (177,955,039)	\$ 28,817,840	\$ 37,308,531	\$ 5,087,058
Component Units:				
Danbury Parking Authority	\$ (635,137)	\$ 681,090	\$ 2,677	\$ -
Richter Park Authority	(1,597,025)	1,527,758	-	-
Tarywile Park Authority	(378,013)	-	361,101	-
Total component units	\$ (2,610,175)	\$ 2,208,848	\$ 363,778	\$ -

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, as restated (Note 15)
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
\$ (4,774,440)	\$ -	\$ (4,774,440)	\$ -	\$ -	\$ -
(28,473,589)	-	(28,473,589)	-	-	-
(7,175,310)	-	(7,175,310)	-	-	-
(1,378,843)	-	(1,378,843)	-	-	-
(2,814,188)	-	(2,814,188)	-	-	-
(63,317,090)	-	(63,317,090)	-	-	-
(1,149,512)	-	(1,149,512)	-	-	-
(2,193,884)	-	(2,193,884)	-	-	-
<u>(111,276,856)</u>	<u>-</u>	<u>(111,276,856)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	2,746,772	2,746,772	-	-	-
-	1,788,474	1,788,474	-	-	-
-	4,535,246	4,535,246	-	-	-
<u>\$ (111,276,856)</u>	<u>\$ 4,535,246</u>	<u>\$ (106,741,610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 48,630	\$ -	\$ -
-	-	-	-	(69,267)	-
-	-	-	-	-	(16,912)
-	-	-	48,630	(69,267)	(16,912)
109,623,334	-	109,623,334	-	-	-
8,850,406	732,427	9,582,833	-	-	-
445,257	427,492	872,749	12,664	25,326	1,198
<u>118,918,997</u>	<u>1,159,919</u>	<u>120,078,916</u>	<u>12,664</u>	<u>25,326</u>	<u>1,198</u>
7,642,141	5,695,165	13,337,306	61,294	43,941	(15,714)
48,068,699	86,622,457	134,691,156	494,500	3,647,811	105,639
<u>\$ 55,710,840</u>	<u>\$ 92,317,622</u>	<u>\$ 148,028,462</u>	<u>\$ 555,794</u>	<u>\$ 3,691,752</u>	<u>\$ 89,925</u>

CITY OF DANBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2002

	General	Vision 21 and Vision 21 ²	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 12,098,085	\$ 4,240,638	\$ 4,582,785	\$ 20,921,508
Receivables (net of allowances for collection losses):				
Property taxes	3,505,879	-	-	3,505,879
Accounts receivable	-	-	1,083,051	1,083,051
State and federal governments	4,890,104	183,422	1,460,798	6,534,324
Other	2,681,213	-	49,254	2,730,467
Inventories	-	-	62,255	62,255
Other assets	69,897	-	-	69,897
Due from other funds	1,947,652	108,000	3,751	2,059,403
Total assets	25,192,830	4,532,060	7,241,894	36,966,784
Liabilities				
Accounts payable	3,897,558	2,267,882	1,838,623	8,004,063
Accrued wages	2,159,123	-	-	2,159,123
Pension contribution	3,249,000	-	-	3,249,000
Due to other funds	2,969	-	1,056,434	1,059,403
Deferred revenues	3,689,960	-	1,218,963	4,908,923
Bond anticipation notes payable	-	7,770,000	900,000	8,670,000
Total liabilities	12,998,610	10,037,882	5,014,020	28,050,512
Fund Balances (Deficits)				
Reserved for:				
Inventories	-	-	62,255	62,255
Encumbrances	637,611	7,022,078	241,938	7,901,627
Continuing appropriations	150,523	-	-	150,523
Permanent fund	-	-	1,477,174	1,477,174
Unreserved, reported in:				
General fund	11,406,086	-	-	11,406,086
Special revenue funds	-	-	1,437,016	1,437,016
Capital projects funds	-	(12,527,900)	(1,047,571)	(13,575,471)
Permanent fund	-	-	57,062	57,062
Total fund balances (deficits)	12,194,220	(5,505,822)	2,227,874	8,916,272
Total liabilities and fund balances (deficits)	\$ 25,192,830	\$ 4,532,060	\$ 7,241,894	

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

Capital assets, net of accumulated depreciation of \$46,472,175, 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.	110,682,176
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized.	8,990,082
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(72,877,690)

Net assets of governmental activities \$ 55,710,840

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, 2002

	General	Vision 21 and Vision 21 ²	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 109,011,992	\$ -	\$ -	\$ 109,011,992
State and federal governments	29,838,060	633,153	19,753,971	50,225,184
Licenses and permits	3,740,356	-	42,611	3,782,967
Charges for services	5,721,232	-	3,211,151	8,932,383
Fines and penalties	1,194,685	-	-	1,194,685
Investment income	428,060	7,863	38,225	474,148
Other	125,099	-	408,521	533,620
Total revenues	150,059,484	641,016	23,454,479	174,154,979
EXPENDITURES				
Current:				
General government	8,515,909	-	3,461,660	11,977,569
Public safety	19,992,935	-	1,900,273	21,893,208
Public works	5,778,129	-	-	5,778,129
Health and welfare	1,418,757	-	-	1,418,757
Culture and recreation	3,776,041	-	-	3,776,041
Education	81,035,751	-	532,855	81,568,606
State and federal programs	-	-	18,170,175	18,170,175
Pension and other employee benefits	14,184,620	-	-	14,184,620
Other	2,146,876	-	-	2,146,876
Debt service:				
Principal retirements	4,472,112	-	-	4,472,112
Interest and other changes	2,445,012	-	-	2,445,012
Capital outlay	2,433,692	9,550,417	-	11,984,109
Total expenditures	146,199,834	9,550,417	24,064,963	179,815,214
Revenues over (under) expenditures	3,859,650	(8,909,401)	(610,484)	(5,660,235)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	891,291	891,291
Transfers out	(891,291)	-	-	(891,291)
Bond proceeds	-	10,730,000	1,062,000	11,792,000
Lease proceeds	1,123,620	-	-	1,123,620
Total other financing sources (uses)	232,329	10,730,000	1,953,291	12,915,620
Revenues and other financing sources over expenditures and other financing uses	4,091,979	1,820,599	1,342,807	7,255,385
FUND BALANCES (DEFICITS), beginning	8,102,241	(7,326,421)	885,067	1,660,887
FUND BALANCES (DEFICITS), ending	\$ 12,194,220	\$ (5,505,822)	\$ 2,227,874	\$ 8,916,272

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, 2002**

Amounts reported for governmental activities in the statement of activities (pages 18-19) are different because:

Net change in fund balances – total governmental funds (page 21)	\$ 7,255,385
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.	6,733,306
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(145,480)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,459,255)
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.	(5,670,821)
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.	2,092,646
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(163,640)</u>
Change in net assets of governmental activities (page 19)	<u>\$ 7,642,141</u>

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, 2002**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 108,588,084	\$ 108,588,084	\$ 109,011,992	\$ 423,908
Federal and state governments	24,617,270	25,619,230	26,280,060	660,830
Licenses and permits	2,353,710	2,400,710	3,740,355	1,339,645
Charges for services	1,957,952	2,931,177	5,721,232	2,790,055
Fines and penalties	799,000	899,000	1,194,685	295,685
Investment income	848,000	848,000	428,060	(419,940)
Other	-	-	139,176	139,176
Total revenues	139,164,016	141,286,201	146,515,560	5,229,359
EXPENDITURES				
Current:				
General government	7,349,268	8,615,060	8,457,923	157,137
Public safety	19,800,145	20,469,425	20,312,417	157,008
Public works	5,630,581	5,603,362	5,512,852	90,510
Health and welfare	1,451,989	1,478,729	1,425,594	53,135
Culture and recreation	3,715,898	3,793,953	3,748,309	45,644
Education	77,036,234	77,544,865	77,489,070	55,795
Pension and other employee benefits	13,860,983	14,324,200	14,203,116	121,084
Other	2,170,707	2,326,319	2,152,002	174,317
Capital outlay	490,000	455,467	455,467	-
Debt service:				
Principal retirements	4,972,112	4,972,112	4,972,112	-
Interest	2,686,099	2,686,099	2,445,012	241,087
Total expenditures	139,164,016	142,269,591	141,173,874	1,095,717
Revenues over (under) expenditures	\$ -	\$ (983,390)	5,341,686	\$ 6,325,076
UNRESERVED FUND BALANCE, beginning			6,064,400	
UNRESERVED FUND BALANCE, ending			\$ 11,406,086	

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, 2002

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,209,057	\$ 944,789	\$ 2,153,846	\$ -
Receivables (net of allowances for collection losses):				
Unbilled services	815,528	1,112,224	1,927,752	-
Special assessments receivable	86,600	201,107	287,707	-
Other	560,367	756,251	1,316,618	-
Inventories	304,246	-	304,246	-
Total current assets	2,975,798	3,014,371	5,990,169	-
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	64,168,205	81,533,748	145,701,953	-
Special assessments receivable	979,254	2,620,746	3,600,000	-
Total noncurrent assets	65,147,459	84,154,494	149,301,953	-
Total assets	68,123,257	87,168,865	155,292,122	-
LIABILITIES				
Current liabilities:				
Accrued liabilities	559,240	98,779	658,019	-
Accounts payable	79,352	109,543	188,895	-
Due to other funds	-	1,000,000	1,000,000	-
Deferred revenues	-	7,624,981	7,624,981	-
Notes payable - current	-	2,619,382	2,619,382	-
Total current liabilities	638,592	11,452,685	12,091,277	-
Noncurrent liabilities:				
Notes payable (net of unamortized discount)	-	25,965,223	25,965,223	-
Bonds payable (net of unamortized discount)	20,058,000	4,860,000	24,918,000	-
Total noncurrent liabilities	20,058,000	30,825,223	50,883,223	-
Total liabilities	20,696,592	42,277,908	62,974,500	-
NET ASSETS				
Invested in capital assets (net of related debt)	44,110,205	48,089,143	92,199,348	-
Unrestricted (deficit)	3,316,460	(3,198,186)	118,274	-
Total net assets	\$ 47,426,665	\$ 44,890,957	\$ 92,317,622	\$ -

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, 2002

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 4,055,753	\$ 7,388,257	\$ 11,444,010	\$ -
Septic and connection fees	-	1,102,958	1,102,958	-
Miscellaneous	99,000	66,884	165,884	-
Total operating revenues	4,154,753	8,558,099	12,712,852	-
OPERATING EXPENSES				
Salaries, benefits and claims	1,886,131	-	1,886,131	172,974
Materials and supplies	215,347	-	215,347	-
Depreciation	1,186,526	2,581,580	3,768,106	-
Utilities	262,325	-	262,325	-
Administration and operation	649,672	3,536,688	4,186,360	-
Total operating expenses	4,200,001	6,118,268	10,318,269	172,974
Operating income (loss)	(45,248)	2,439,831	2,394,583	(172,974)
NONOPERATING REVENUES (EXPENSES)				
Interest income	198,548	228,944	427,492	9,334
Other income	217,295	515,132	732,427	-
Interest expense	(950,903)	(832,204)	(1,783,107)	-
Total nonoperating revenues (expenses)	(535,060)	(88,128)	(623,188)	9,334
Net income (loss) before capital contributions	(580,308)	2,351,703	1,771,395	(163,640)
CAPITAL CONTRIBUTIONS	2,784,625	1,139,145	3,923,770	-
Change in net assets	2,204,317	3,490,848	5,695,165	(163,640)
FUND NET ASSETS, beginning	45,222,348	41,400,109	86,622,457	163,640
FUND NET ASSETS, ending	\$47,426,665	\$ 44,890,957	\$ 92,317,622	\$ -

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, 2002

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	4,386,928	7,399,794	11,786,722	\$ -
Payments to suppliers and personnel	(3,003,530)	(4,055,281)	(7,058,811)	(1,972,974)
Net cash provided by (used in) operating activities	1,383,398	3,344,513	4,727,911	(1,972,974)
Cash Flows From Capital and Related Financing Activities				
Principal payments on debt	(1,805,000)	(3,349,382)	(5,154,382)	-
Interest paid on debt	(950,903)	(832,204)	(1,783,107)	-
Proceeds from notes and bonds	573,000	380,000	953,000	-
Capital contributions	2,672,035	1,139,145	3,811,180	-
Purchase of property and equipment	(2,873,518)	(1,280,623)	(4,154,141)	-
Net cash used in capital and related financing activities	(2,384,386)	(3,943,064)	(6,327,450)	-
Cash Flows From Investing Activities				
Interest received on investments	198,548	228,944	427,492	9,334
Net cash provided by investing activities	198,548	228,944	427,492	9,334
Net decrease in cash and cash equivalents	(802,440)	(369,607)	(1,172,047)	(1,963,640)
Cash and Cash Equivalents				
Beginning	2,011,497	1,314,396	3,325,893	1,963,640
Ending	\$ 1,209,057	\$ 944,789	\$ 2,153,846	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (45,248)	\$ 2,439,831	\$ 2,394,583	\$ (172,974)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,186,526	2,581,580	3,768,106	-
Other income	217,295	515,132	732,427	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	403,308	(1,333,722)	(930,414)	-
(Increase) decrease in other receivables	(388,428)	160,289	(228,139)	-
Increase in inventories	(9,141)	-	(9,141)	-
Increase in other assets	(1,501)	-	(1,501)	-
Increase (decrease) in accrued expenses	20,587	81,407	101,994	(1,800,000)
Decrease in due to other funds	-	(600,000)	(600,000)	-
Decrease in deferred revenue	-	(500,004)	(500,004)	-
Net cash provided by (used in) operating activities	\$ 1,383,398	\$ 3,344,513	\$ 4,727,911	\$ (1,972,974)

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, 2002

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 12,948,941	\$ 1,293	\$ 1,818,880
Investments, at fair value			
U.S. government obligations	41,199,185	-	-
Corporate bonds	33,137,307	-	-
Corporate stocks	99,100,641	-	-
Mutual funds	7,060,484	-	-
Total investments	180,497,617	-	-
Contribution receivable	3,249,000	-	-
Accrued interest and dividends	903,226	-	-
Pending sales	5,193,605	-	-
Total assets	202,792,389	1,293	1,818,880
LIABILITIES			
Pending purchases	9,263,952	-	-
Amounts held as agent	-	-	1,818,880
	9,263,952	-	1,818,880
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 193,528,437	\$ 1,293	\$ -

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, 2002

	Pension Trust Funds	Private Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 3,249,000	\$ -
Plan members	602,386	-
Total contributions	<u>3,851,386</u>	<u>-</u>
Investment Income		
Net depreciation in fair value of investments	(15,318,539)	-
Interest and dividends	6,846,116	53
	<u>(8,472,423)</u>	<u>53</u>
Less investment expenses:		
Investment management fees	1,025,597	-
	<u>1,025,597</u>	<u>-</u>
Net investment income (loss)	<u>(9,498,020)</u>	<u>53</u>
Total additions (reductions)	<u>(5,646,634)</u>	<u>53</u>
Deductions		
Benefits paid	9,166,771	-
	<u>9,166,771</u>	<u>-</u>
Change in net assets	<u>(14,813,405)</u>	<u>53</u>
Net Assets		
Beginning of year	208,341,842	1,240
	<u>208,341,842</u>	<u>1,240</u>
End of year	<u>\$ 193,528,437</u>	<u>\$ 1,293</u>

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

Reporting entity

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

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

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

Discretely Presented Component Units

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

The Tarrywile Park Authority ("Tarrywile") is responsible for administering, operating and maintaining Tarrywile Park, including all structures and land. The land and original buildings are owned by the City. Tarrywile is governed by members that are appointed by the Mayor and confirmed by the Common Council on a rotating basis. The City is potentially liable for any operating deficits and provides substantial funding to Tarrywile to support its operations. Tarrywile is presented as a governmental fund type. The information presented for Tarrywile is for the year ended June 30, 2002.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2002

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, 2002.

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, 2001.

Complete financial statements for each of the individual component units may be obtained at the entity’s 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 (i.e., the statement of net assets and the statement of changes in net assets) 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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2002

reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate 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. 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 government 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.

Property taxes, when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

The government 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 *Vision 21 and Vision 21² Bond Fund* accounts for the proceeds of specific general obligation bonds for various projects to further develop the City.

The government 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 U.S. Filter Operating Services, Inc. ("U.S. Filter"), operates its own sewage treatment plant, sewage pumping stations, and collection system. It is independent in terms of its relationship to other City functions. U.S. Filter finances all aspects of the sewage system operations and recovers such costs through direct charges to the users of the service.

Additionally, the government reports the following fund types:

The *Internal Service Fund* accounts for employee health insurance provided to other departments of the City, primarily the Board of Education. As of June 30, 2002, the fund was closed.

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 five defined benefit pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held as a custodian for outside groups and agencies.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2002**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and 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 the fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government'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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures 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, 2002

Cash equivalents

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

Investments

Investments, all of which are held in the pension trust funds, are recorded at fair value based on quoted market prices. The City's investments are in its Pension Trust Funds.

Inventories

Inventories of governmental fund types are stated at cost 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. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

As permitted under GASB 34 prospective reporting of general infrastructure assets in the statement of net assets is required beginning July 1, 2001. Retroactive reporting of all major general infrastructure assets is required for the fiscal year beginning July 1, 2005. The City has only recorded infrastructure as of July 1, 2001.

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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

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

Assets	Years
Buildings	40-50
Building improvements	20
Distribution and collection systems	50-100
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

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 amounts expected to be paid with available resources, for example, as a result of employee resignations and retirements.

Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

Pension accounting:

Pension Trust Funds

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

Governmental Funds

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

Funding policy

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

Encumbrances

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

Fund Equity and Net Assets

In the Government-Wide Financial Statements, 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 presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The three 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.

Undesignated and Unreserved Fund Balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

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 \$72,877,690 difference are as follows:

Bonds payable	\$ 55,007,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(81,410)
Add: Issuance premium (to be amortized over life of debt)	107,909
Accrued expenses	(1,966,761)
Capital leases payable	3,417,069
Notes payable	248,466
Compensated absences	331,066
Landfill closure	14,564,351
Other liabilities	<u>1,250,000</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 72,877,690</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

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 \$6,733,306 difference are as follows:

Capital outlay	\$ 9,909,214
Depreciation expense	<u>(3,175,908)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,733,306</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this \$145,480 difference are as follows:

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	<u>\$ 145,480</u>
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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 \$5,670,821 difference are as follows:

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 11,792,000
Plus premiums	107,909
Less bond issuance costs	(84,410)
Principal repayments:	
General obligation debt	(4,385,000)
Down payment of capital lease	(1,672,566)
Notes	<u>(87,112)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	
	<u>\$ 5,670,821</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$2,092,646 difference are as follows:

Compensated absences	\$ (33,696)
Other liability	2,200,000
Landfill closure	(303,351)
Accrued interest	<u>229,693</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	
	<u>\$ 2,092,646</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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

3. No later than May 15, the budgets are legally enacted through Common Council resolution.
4. The legal level of budgetary control is at the department level. The Mayor is authorized to transfer budget amounts within departments and the Common Council is authorized to transfer budget amounts between departments within any fund as well as any supplemental appropriations that amend the total expenditures of any budgeted fund. During the year, several supplemental appropriations were necessary; the effect of the amendments increased budgeted expenditures by approximately \$2,747,000 and also increased budgeted revenues approximately \$2,122,000.
5. Formal budgetary accounting is employed as a management control within the City for the General Fund and certain special revenue funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting, except that encumbrances and continued appropriations are treated as budgeted expenditures in the year of incurrence of the commitment to purchase and certain employee benefits are budgeted on the cash basis of accounting (non-GAAP basis). Budgetary comparisons in the financial statements are presented pursuant to the applicable budgetary basis referred to above.
6. Except for purposes which are to be financed by the issuance of bonds or by special assessment, no money can be disbursed without an authorized appropriation in any fiscal year. A contingency fund may be used for emergency appropriations, however, expenditures may not be charged directly to this fund. An appropriation and transfer to the expending fund must be approved by the Common Council.
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, 2002, the continued appropriations include various public improvement projects.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

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

	General Fund	
	Revenues and Other Financing Sources	Expenditures, Encumbrances and Other Financing Uses
Balance, budgetary basis	\$ 146,515,560	\$ 141,173,874
Encumbrances		
June 30, 2001	-	1,516,740
June 30, 2002	-	(637,611)
Continued appropriations		
June 30, 2001	-	521,101
June 30, 2002	-	(150,523)
State Teachers’ Retirement on-behalf payments, not recognized for budgetary purposes	3,558,000	3,558,000
Purchases of equipment under capital lease obligations, not recognized for budgetary purposes	1,123,620	1,123,620
Cancellation of prior year continued appropriations	(14,076)	(14,076)
Balance, GAAP basis	\$ 151,183,104	\$ 147,091,125

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

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, Cash Equivalents and Investments

Cash and cash equivalents consist of the following types of accounts at June 30, 2002:

	Primary Government	Component Units
Deposits	\$ 21,884,875	\$ 731,253
MBIA*	65,466	-
Union Savings Bank Money Market*	3,289,127	-
Fleet Cash Management Fund*	12,605,000	-
Total cash and cash equivalents	\$ 37,844,468	\$ 731,253

* These amounts are not subject to risk categorization since the City does not own identifiable securities.

As of June 30, 2002, the carrying amount of the City's deposits totaled \$21,884,875 with a bank balance of \$24,488,702. The carrying amount of the component units' deposits totaled \$731,253 with bank balances totaling \$732,097.

The insured and collateral status of the year-end bank balance was as follows:

	Primary Government	Component Units
Covered by federal depository insurance or by collateral held by the City's agent in the City's name	\$ 800,000	\$ 629,478
Uninsured and uncollateralized, except as described below	23,688,702	102,619
	<u>\$ 24,488,702</u>	<u>\$ 732,097</u>

The uninsured and uncollateralized balance is partially protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of deposit insurance through assessment against segregated collateral required to be maintained by all

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

qualified public depositories in the amount of 10% to 120% of their outstanding public deposits depending on the bank's financial strength as shown by its risk-based capital ratio. At June 30, 2002, approximately \$2,449,000 of uninsured deposits were collateralized under these statutes. It is unclear whether the collateral required for public deposits would stand if challenged by the FDIC since there is no perfected security agreement between the depository and the depositor as required by federal laws.

The level of the City's deposits varies significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were significantly higher than at year-end.

The City's investments as of June 30, 2002 consisted of the following:

	Carrying and Fair Value	Risk Category
Pension Funds:		
Equities Portfolio:		
Corporate stocks	\$ 99,100,641	3
Debt Portfolio:		
U.S. Government obligations	41,199,185	3
Corporate bonds	33,137,307	3
Total	<u>74,336,492</u>	
Investments Not Subject to Categorization:		
Mutual Funds	<u>7,060,484</u>	*
Total Pension Trust Fund Investments	<u>\$ 180,497,617</u>	

* These investments are excluded from risk classification because specific securities related to the City cannot be identified.

The preceding risk category 3 is defined as uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

Investment securities are separately held by the City's pension trust funds. All of the pension plan assets are being held in trust by Fleet National Bank ("Fleet"), as custodian. All pension fund investment activity is being handled by two investment management firms.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

State statutes allow the City to invest in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two ratings categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The pension and other trust funds may also be invested in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

Note 5. Receivables

Receivables at June 30, 2002, including the applicable allowances for collection losses, are as follows:

	General	Vision 21 Bond Issue	Water	Sewer	Nonmajor and Other Funds	Totals
Property taxes	\$ 5,005,879	\$ -	\$ -	\$ -	\$ -	\$ 5,005,879
Accounts receivable	-	-	-	-	1,083,832	1,083,832
Unbilled services	-	-	815,528	1,112,224	-	1,927,752
Special assessments	-	-	1,222,351	2,907,804	-	4,130,155
Federal and state governments	4,890,104	183,422	-	-	1,394,004	6,467,530
Other	2,681,213	-	560,367	756,251	119,018	4,116,849
Total gross receivables	12,577,196	183,422	2,598,246	4,776,279	2,596,854	22,731,997
Allowance for collection losses	(1,500,000)	-	(156,497)	(85,951)	-	(1,742,448)
Total net receivables	\$ 11,077,196	\$ 183,422	\$ 2,754,743	\$ 4,690,328	\$ 2,596,854	\$ 21,302,543

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

Note 6. Interfund Receivables, Payables and Transfers

As of June 30, 2002, interfund receivables and payables that resulted from various interfund transactions were as follows:

	General	Sewer	Nonmajor and Other Funds	Totals
Due to:				
General Fund	\$ -	\$ 1,000,000	\$ 947,652	\$ 1,947,652
Vision 21 Bond Issue Fund	-	-	108,000	108,000
Nonmajor and Other Funds	2,969	-	782	3,751
Total	<u>\$ 2,969</u>	<u>\$ 1,000,000</u>	<u>\$ 1,056,434</u>	<u>\$ 2,059,403</u>

The balance of \$1,000,000 due to the General Fund is a result of a short-term advance. All remaining balances resulted from the time lag between the dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2002 were as follows:

	<u>Transfers In:</u>		
	Nonmajor Governmental	Internal Service Funds	Total
Transfers out:			
General fund	<u>\$ 391,291</u>	<u>\$ -</u>	<u>\$ 391,291</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, 2002

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

	Beginning Balance, As Restated Note 15	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,735,268	\$ 341,405	\$ (125,000)	\$ 30,951,673
Construction in progress	4,177,373	7,011,474	(5,238,520)	5,950,327
Total capital assets, not being depreciated	34,912,641	7,352,879	(5,363,520)	36,902,000
Capital assets, being depreciated:				
Land improvements	308,584	250,439	-	559,023
Buildings and improvements	98,352,845	5,540,767	-	103,893,612
Machinery and equipment	12,877,247	2,076,967	(204,800)	14,749,414
Infrastructure	-	1,050,302	-	1,050,302
Total capital assets being depreciated	111,538,676	8,918,475	(204,800)	120,252,351
Less accumulated depreciation for:				
Land improvements	155,143	16,171	-	171,314
Buildings and improvements	35,139,190	1,932,899	-	37,072,089
Machinery and equipment	8,186,254	1,175,147	(184,320)	9,177,081
Infrastructure	-	51,691	-	51,691
Total accumulated depreciation	43,480,587	3,175,908	(184,320)	46,472,175
Total capital assets, being depreciated, net	68,058,089	5,742,567	(20,480)	73,780,176
Governmental activities capital assets, net	\$ 102,970,730	\$ 13,095,446	\$ (5,384,000)	\$ 110,682,176

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 902,678	\$ -	\$ -	\$ 902,678
Construction in progress	613,565	51,866	(331,106)	334,325
Total capital assets, not being depreciated	<u>1,516,243</u>	<u>51,866</u>	<u>(331,106)</u>	<u>1,237,003</u>
Capital assets, being depreciated:				
Buildings and improvements	100,103,001	36,799	-	100,139,800
Machinery and equipment	729,555	39,219	-	768,774
Distribution and collection systems	76,629,242	4,345,489	-	80,974,731
Vehicles	734,177	-	-	734,177
Other	767,499	62,202	-	829,701
Furniture and fixtures	287,704	-	-	287,704
Total capital assets, being depreciated	<u>179,251,178</u>	<u>4,483,709</u>	<u>-</u>	<u>183,734,887</u>
Less accumulated depreciation for:				
Buildings and improvements	20,835,171	2,408,343	-	23,243,514
Machinery and equipment	594,636	27,854	-	622,490
Distribution and collection systems	12,702,079	1,254,246	-	13,956,325
Vehicles	732,017	2,160	-	734,177
Other	532,545	55,913	-	588,458
Furniture and fixtures	167,645	18,623	-	186,268
Total accumulated depreciation	<u>35,564,093</u>	<u>3,767,139</u>	<u>-</u>	<u>39,331,232</u>
Total capital assets, being depreciated, net	<u>143,687,085</u>	<u>716,570</u>	<u>-</u>	<u>144,403,655</u>
Business-type capital assets, net	<u>\$ 145,203,328</u>	<u>\$ 768,436</u>	<u>\$ (331,106)</u>	<u>\$ 145,640,658</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

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

Governmental activities:	
General government	\$ 367,984
Public safety	451,432
Public works, including depreciation of general infrastructure assets	390,156
Health and welfare	10,428
Culture and recreation	357,397
Education	1,579,797
Other	<u>18,714</u>
Total depreciation expense – governmental activities	<u>\$ 3,175,908</u>
 Business-type activities:	
Sewer	\$ 2,581,580
Water	<u>1,186,526</u>
Total depreciation expense – business-type activities	<u>\$ 3,768,106</u>

Discretely presented component units

Activity for the Danbury Parking Authority for the year ended June 30, 2002, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 62,907	\$ -	\$ -	\$ 62,907
Machinery and equipment	315,841	37,228	(3,450)	349,619
Computer equipment	20,670	-	-	20,670
Total capital assets, being depreciated	<u>399,418</u>	<u>37,228</u>	<u>(3,450)</u>	<u>433,196</u>
Less accumulated depreciation for:				
Buildings and improvements	(53,477)	(1,353)	-	(54,830)
Machinery and equipment	(247,574)	(18,685)	-	(266,259)
Computer equipment	(12,347)	(2,358)	-	(14,705)
Total accumulated depreciation	<u>(313,398)</u>	<u>(22,396)</u>	<u>-</u>	<u>(335,794)</u>
Total capital assets, being depreciated, net	<u>\$ 86,020</u>	<u>\$ 14,832</u>	<u>\$ (3,450)</u>	<u>\$ 97,402</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

Activity for the Richter Park Authority for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 1,892,930	\$ 30,571	\$ -	\$ 1,923,501
Improvements	3,332,841	48,345	72,697	3,308,489
Machinery and equipment	833,911	91,853	327,588	598,176
Totals, capital assets being depreciated	<u>6,059,682</u>	<u>170,769</u>	<u>400,285</u>	<u>5,830,166</u>
Less accumulated depreciation for:				
Buildings	590,529	76,933	-	667,462
Improvements	1,063,408	99,618	72,697	1,090,329
Machinery and equipment	703,417	73,748	327,588	449,577
Total accumulated depreciation	<u>2,357,354</u>	<u>250,299</u>	<u>400,285</u>	<u>2,207,368</u>
Total capital assets, being depreciated, net	<u>\$ 3,702,328</u>	<u>\$ (79,530)</u>	<u>\$ -</u>	<u>\$ 3,622,798</u>

Activity for the Tarrywile Park Authority for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 84,985	\$ -	\$ -	\$ 84,985
Machinery and equipment	22,745	-	-	22,745
Furniture and fixtures	86,439	-	(3,397)	83,042
Computer equipment	9,325	-	(4,700)	4,625
Totals, capital assets being depreciated	<u>203,494</u>	<u>-</u>	<u>(8,097)</u>	<u>195,397</u>
Less accumulated depreciation for:				
Buildings	46,239	4,270	-	50,509
Machinery and equipment	17,488	1,673	-	19,161
Furniture and fixtures	86,439	-	(3,397)	83,042
Computer equipment	7,939	924	(4,700)	4,163
Total accumulated depreciation	<u>158,105</u>	<u>6,867</u>	<u>(8,097)</u>	<u>156,875</u>
Total capital assets, being depreciated, net	<u>\$ 45,389</u>	<u>\$ (6,867)</u>	<u>\$ -</u>	<u>\$ 38,522</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

Note 8. Bond Anticipation Notes Payable and Subsequent Event

The City has \$8,670,000 of bond anticipation notes outstanding as of June 30, 2002. The notes bear interest at 2.00% to 3.20%. These BANS were refinanced in August and November 2002 through the issuance of \$8,670,000 in general obligation bond anticipation notes bearing interest at 1.75% and due in February.

Bond anticipation note transactions for the year ended June 30, 2002 were as follows:

Outstanding, July 1, 2001	\$ 13,100,000
Borrowings	50,566,000
Repayments	<u>(54,996,000)</u>
Outstanding, June 30, 2002	<u>\$ 8,670,000</u>

Note 9. Long-Term Debt

Long-term liability activity for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$47,600,000	\$11,792,000	\$ (4,385,000)	\$55,007,000	\$ 5,036,108
Notes payable	335,558	-	(87,112)	248,446	87,112
Total bonds and notes payable	<u>47,935,558</u>	<u>11,792,000</u>	<u>(4,472,112)</u>	<u>55,255,446</u>	<u>5,123,220</u>
Capital leases	3,966,015	1,123,620	(1,672,566)	3,417,069	1,350,331
Landfill post-closure monitoring	14,261,000	303,351	-	14,564,351	485,478
Compensated absences	297,370	33,696	-	331,066	228,088
Other	3,450,000	-	(2,200,000)	1,250,000	625,000
Governmental activity long-term liabilities	<u>\$69,909,943</u>	<u>\$13,252,667</u>	<u>\$ (8,344,678)</u>	<u>\$74,817,932</u>	<u>\$ 7,812,117</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$25,520,000	\$ 953,000	\$ (1,555,000)	24,918,000	\$ 1,602,650
Notes payable	31,203,987	-	(2,619,382)	28,584,605	2,619,382
Total bonds and notes payable	<u>56,723,987</u>	<u>953,000</u>	<u>(4,174,382)</u>	<u>53,502,605</u>	<u>4,222,032</u>
Business-type activity long-term liabilities	<u>\$56,723,987</u>	<u>\$ 953,000</u>	<u>\$ (4,174,382)</u>	<u>\$53,502,605</u>	<u>\$ 4,222,032</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

Notes payable

The City's notes payable are as follows at June 30, 2002:

General obligation promissory note at an interest rate of 6% per annum, payable quarterly. The note financed the City's Cross Street Bridge Project. Equal principal payments are made in September of each year until 2003. \$ 100,000

General obligation promissory note, at an interest rate of 6% per annum, payable quarterly. The note financed the Triangle St. Bridge project. Equal principal payments are made in December of each year until 2005. 148,446
\$ 248,446

General obligation bonds

As of June 30, 2002, the outstanding general obligation bonded indebtedness of the City, payable from its governmental activities, was as follows:

	<u>Outstanding Amount</u>
\$4,800,000 C.D. Parks Property general obligation bonds issued September 15, 1985 due in annual installments of \$240,000; final maturity September 15, 2005; interest at 8.1% to 8.3%	\$ 960,000
\$13,290,000 Public Improvement general obligation bonds issued August 1, 1986 due in annual installments of \$700,000 (\$260,000 final installment); final maturity September 15, 2005; interest at 8.1% to 8.3%	2,360,000
\$8,250,000 School Code Compliance and Public Improvement general obligation bonds (\$400,000 used for special assessment projects) issued February 1, 1988 due in annual installments of \$425,000 to \$450,000; final maturity February 1, 2007; interest at 6.2% to 6.7%	1,980,000
\$3,360,000 Public Improvement general obligation bonds issued February 1, 1990 due in annual installments of \$160,000 to \$170,000; final maturity February 1, 2010; interest at 6.2% to 8.0%	1,320,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

	<u>Outstanding Amount</u>
\$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%	8,970,000
\$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%	1,120,000
\$17,470,000 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%	10,620,000
\$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%	970,000
\$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%	3,180,000
\$10,100,000 Public Improvement general obligation bonds issued August 1, 1998 due in annual installments of \$505,000; final maturity August 1, 2018; interest at 4.0% to 5.5%	8,585,000
\$3,500,000 Public Improvement general obligation bonds issued August 1, 1999 due in annual installments of \$175,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	3,150,000
\$12,120,000 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%	<u>11,792,000</u>
	<u>\$ 55,007,000</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

At June 30, 2002, the outstanding general obligation bonded indebtedness of the City, payable from its business-type activities, was as follows:

	<u>Outstanding Amount</u>
Sewer portion of the \$8,250,000 Public Improvement bond issued February 1, 1988 due in annual installments of \$25,000; final maturity February 1, 2003; interest at 6.2% to 6.7%; secured by liens on private property	\$ 25,000
\$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%	780,000
\$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%	1,860,000
\$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%	1,200,000
\$2,100,000 Water general obligation bonds issued February 1, 1995 due in annual installments of \$105,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	1,365,000
\$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%	975,000
\$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%	4,880,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

	<u>Outstanding Amount</u>
\$12,395,000 Water general obligation bonds issued August 1, 1998 due in annual installments of \$615,000 to \$620,000; final maturity August 1, 2019; interest at 4.1% to 5.5%	10,540,000
\$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%	900,000
\$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%	1,440,000
\$953,000 Water and Sewer general obligation bonds issued May 15, 2002, due in annual installments of \$47,650; final maturity May 15, 2022; interest at 3.5% to 5.0%	<u>953,000</u>
Total general obligation bonds	<u>24,918,000</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%	803,900
\$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, 2014; interest at 2.0%	27,514,072
\$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, 2015; interest at 2.0%	<u>266,633</u>
Total notes payable	<u>28,584,605</u>
	<u>\$ 53,502,605</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

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

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2003	\$ 5,123,212	\$ 2,658,343	\$ 7,781,555	\$ 4,101,316	\$ 1,691,906	\$ 5,793,222
2004	5,110,712	2,383,371	7,494,083	4,317,748	1,569,341	5,887,089
2005	4,984,462	2,119,347	7,103,809	4,197,032	1,449,703	5,646,735
2006	4,544,460	1,873,548	6,418,008	4,197,032	1,329,578	5,526,610
2007	3,902,350	1,660,395	5,562,745	4,197,032	1,208,012	5,405,044
2008	3,582,350	1,472,886	5,055,236	4,197,032	1,085,139	5,282,171
2009	3,522,350	1,303,887	4,826,237	4,237,032	959,452	5,196,484
2010	3,522,350	1,133,385	4,655,735	4,122,189	831,366	4,953,555
2011	3,362,350	963,460	4,325,810	4,122,189	705,604	4,827,793
2012	3,362,350	804,172	4,166,522	4,122,189	579,291	4,701,480
2013	3,237,350	644,202	3,881,552	4,122,189	452,131	4,574,320
2014	2,422,350	509,281	2,931,631	1,846,585	341,647	2,188,232
2015	1,457,350	396,256	1,853,606	1,299,490	260,681	1,560,171
2016	1,387,350	326,475	1,713,825	1,117,650	195,132	1,312,782
2017	1,387,350	259,744	1,647,094	1,117,650	139,487	1,257,137
2018	1,387,350	192,486	1,579,836	1,117,650	83,796	1,201,446
2019	1,207,350	128,965	1,336,315	797,650	35,317	832,967
2020	702,350	81,909	784,259	177,650	10,278	187,928
2021	527,350	52,485	579,835	47,650	4,765	52,415
2022	522,350	26,118	548,468	47,650	2,383	50,033
Total	\$55,255,446	\$18,990,715	\$ 74,246,161	\$53,502,605	\$12,935,009	\$ 66,437,614

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, 2002 was approximately \$1,235,000. Additional payments aggregating approximately \$9,564,000 are expected to be received through the bonds' maturity dates.

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 \$14,564,351, 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, 2002. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

Capital lease obligations

Property and equipment carried at approximately \$10,000,000 is being acquired under capital lease arrangements.

Future minimum lease payments under capital leases are as follows:

2003	\$ 1,350,331
2004	812,950
2005	548,024
2006	470,927
2007 and thereafter	830,282
	<u>4,012,514</u>
Less amount representing interest	595,444
	<u>\$ 3,417,069</u>

Other long-term liability

During the year ended June 30, 2000, the City took title to a partially completed ice rink due to default of the developer. The property secured a mortgage (in default) with a balance of \$4,700,000. Under a forbearance agreement, the lender agreed not to exercise its rights under its mortgage agreement, including foreclosure. In August of 2001, the City's construction was completed and the property was sold for \$4,700,000. Under a consent to sell the property, the mortgagor agreed to pay \$3,450,000 for settlement in full. At June 30, 2002, the amount outstanding was \$1,250,000 and is recorded as a liability of the City.

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, 2001:

Beginning balance	\$ 420,374
Additions	-
Deductions	<u>(79,128)</u>
Ending balance	<u>\$ 341,246</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 \$21,666 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 2006.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

The Authority borrowed \$100,000 in November 1998 to finance the purchase of real estate adjacent to the Richter Park property. The note is payable in annual installments of \$20,000 in November of each year until 2003 with interest payable annually at 8.0%.

The future principal amortization is as follows:

Year ending December 31,	
2002	\$ 79,127
2003	79,127
2004	59,127
2005	58,868
Thereafter	64,997
	<u>\$ 341,246</u>

Authorized but unissued bonds

Bonds authorized but unissued at June 30, 2002 are as follows:

General Purpose	\$ 25,088,000
Sewer	1,309,090
Water	505,000
Total	<u>\$ 26,902,090</u>

Legal Debt Limit

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

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 250,083,833	\$ 63,185,000	\$ 186,898,833
Unfunded Pension Benefit Obligation	\$ 333,445,110	\$ -	\$ 333,445,110
Schools	\$ 500,167,665	\$ 17,897,062	\$ 466,904,727
Sewers	\$ 416,806,388	\$ 30,616,718	\$ 386,189,670
Urban renewal	\$ 361,232,203	\$ -	\$ 361,232,203

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$778,038,590.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

Note 10. Commitments and Contingencies

Lawsuits

There are several personal injury, negligence, personnel and other related lawsuits pending against the City. The outcome and eventual liability of the City, if any, in these cases is not known at this time. For certain cases, where there is a reasonable possibility that a loss has been incurred, the City estimated its possible exposure could be \$6.0 million. 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 case:

Accashian Et. Al. vs. City of Danbury

A claim dated September 24, 1997 was brought against the City by 350 plaintiffs claiming damages as a result of alleged intolerable odor, groundwater pollution and air quality problems at the municipal landfill. Given the large number of plaintiffs and scope of the complaint, the City is unable to make an assessment of the potential exposure or the likelihood of any loss and the ultimate effect on the City's financial position.

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 \$78 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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002

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 U.S. Filter Operating Services, Inc. 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, 2002 is \$7,624,981 and is recorded as deferred 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.

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, 2002, 18 retired employees received benefit payments. Payments totaled approximately \$418,000 during the year ended June 30, 2002.

Note 11. Fund Deficits

The City has the following fund deficits at June 30, 2002 and expects to eliminate the deficits in the future as follows:

Fund	Deficit June 30, 2002	Plan for Eliminating Deficit
Capital Projects:		
City Projects	\$ 862,309	Through future debt issuance
Vision 21 Bond	\$ 5,505,822	Through future debt issuance
Special Revenue:		
Thorpe Street Extension Bridge	\$ 1,987	Through future revenues
Airport Projects	\$ 54,476	Through future revenues

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

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.

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 January 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, 2002

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	402	45	40	56	37	2
Terminated employees Entitled to future benefits	147	-	-	-	-	-
Current employees	<u>609</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>108</u>	<u>93</u>
Total number of participants	<u>1,158</u>	<u>45</u>	<u>40</u>	<u>105</u>	<u>145</u>	<u>95</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, 2002

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983 Police
		Police	Fire	Police	Fire	
Obligation to contribute in accordance with funding policy:						
Employee	\$-0-	4% of earnings	5% of earnings	4% of earnings	5% of earnings	4% of earnings
Employer	\$-0-	\$820,000	\$761,000	\$765,000	\$560,000	\$341,000
Authority under which benefit provisions established	City code of ordinances					
<u>Funding Status and Progress</u>						
Date of actuarial valuation	1/1/02	1/1/02	1/1/02	1/1/01	1/1/01	1/1/01
Significant actuarial assumptions						
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Projected annual salary increases*	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Post retirement benefit increases*	5.0%, 15% every 5 years	5.0%	5.0%	5.0%	5.0%	5.0%
* including inflation of	4.0%-5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Mortality table	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females
Actuarial asset valuation method	Fair value smoothed					
Funding Policy	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial
Actuarial cost method	Projected unit credit cost					
Amortization method	Level Dollar Amount Open	Level Dollar Amount Closed				
Remaining amortizing period	10 years	15 years	15 years	17 years	17 years	17 years
Authority under which contributions are established	Common Council					

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2002

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Year Ended June 30,	Annual Required Contribution	Percentage Contributed
General Employees:	2002	\$ -	- %
	2001	-	-
	2000	235,000	100
	1999	282,000	100
	1998	559,000	100
	1997	1,154,000	100
Pre-1967 Police:	2002	\$ 820,000	100%
	2001	1,133,000	100
	2000	1,082,000	100
	1999	1,090,000	100
	1998	1,218,000	100
	1997	1,062,000	100
Pre-1967 Fire:	2002	\$ 761,000	100%
	2001	996,000	100
	2000	933,000	100
	1999	981,000	100
	1998	1,078,000	100
	1997	963,000	100
Post-1967 Police:	2002	\$ 765,000	100%
	2001	808,000	100
	2000	986,000	100
	1999	1,240,000	100
	1998	1,350,000	100
	1997	1,451,000	100
Post-1967 Fire:	2002	\$ 560,000	100%
	2001	472,000	100
	2000	821,000	100
	1999	992,000	100
	1998	1,031,000	100
	1997	1,064,000	100
Post-1983 Police:	2002	\$ 341,000	100%
	2001	291,000	100
	2000	263,000	100
	1999	256,000	100
	1998	193,000	100
	1997	230,000	100

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2002

SCHEDULE OF PLAN NET ASSETS
 JUNE 30, 2002

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
ASSETS							
Cash and cash equivalents	\$ 5,967,157	\$ 401,262	\$ 323,599	\$ 2,878,555	\$ 3,015,938	\$ 362,430	\$ 12,948,941
Investments, at fair value							
U.S. Government obligations	18,992,824	1,277,175	1,029,980	9,146,219	9,599,410	1,153,577	41,199,185
Corporate Bonds	15,276,298	1,027,257	828,433	7,356,482	7,720,992	927,845	33,137,307
Corporate Stocks	45,685,396	3,072,120	2,477,516	22,000,342	23,090,449	2,774,818	99,100,641
Mutual Funds - Equities	3,254,882	218,875	176,513	1,567,427	1,645,092	197,694	7,060,483
Total investments	83,209,400	5,595,427	4,512,442	40,070,470	42,055,943	5,053,934	180,497,616
Contributions receivable	-	822,000	761,000	765,000	560,000	341,000	3,249,000
Accrued interest and dividends	416,387	28,000	22,581	200,516	210,452	25,290	903,226
Pending Sales	2,394,252	161,002	129,840	1,152,980	1,210,110	145,421	5,193,605
Total Assets	91,987,196	7,007,691	5,749,462	45,067,521	47,052,443	5,928,075	202,792,388
LIABILITIES							
Pending Purchases	4,270,682	287,182	231,599	2,056,597	2,158,501	259,391	9,263,952
Net Assets Held in Trust for Pension Benefits	\$ 87,716,514	\$ 6,720,509	\$ 5,517,863	\$ 43,010,924	\$ 44,893,942	\$ 5,668,684	\$ 193,528,436

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

SCHEDULE OF CHANGES IN
PLAN NET ASSETS
YEAR ENDED JUNE 30, 2002

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
Additions							
Contributions							
Employer	\$ -	\$ 822,000	\$ 761,000	\$ 765,000	\$ 560,000	\$ 341,000	\$ 3,249,000
Plan members	-	-	-	104,238	291,296	206,852	602,386
Total contributions	-	822,000	761,000	869,238	851,296	547,852	3,851,386
Investment Income (Loss)							
Net appreciation in fair value of investments	(7,042,014)	(429,534)	(419,732)	(3,245,477)	(3,595,222)	(586,560)	(15,318,539)
Interest and dividends	3,252,269	222,897	183,866	1,471,721	1,531,389	183,974	6,846,116
	(3,789,745)	(206,637)	(235,866)	(1,773,756)	(2,063,833)	(402,586)	(8,472,423)
Less Investment Expenses:							
Investment management fees	582,037	25,835	25,884	179,936	187,562	24,343	1,025,597
Investment loss	(4,371,782)	(232,472)	(261,750)	(1,953,692)	(2,251,395)	(426,929)	(9,498,020)
Total additions (reductions)	(4,371,782)	589,528	499,250	(1,084,454)	(1,400,099)	120,923	(5,646,634)
Deductions							
Benefits paid	3,070,160	1,550,557	1,298,075	1,938,469	1,245,583	63,927	9,166,771
Total deductions	3,070,160	1,550,557	1,298,075	1,938,469	1,245,583	63,927	9,166,771
Net (decrease)	(7,441,942)	(961,029)	(798,825)	(3,022,923)	(2,645,682)	56,996	(14,813,405)
Net Assets Held in Trust for Pension Benefits							
Beginning of year	95,158,457	7,681,538	6,316,688	46,033,847	47,539,624	5,611,688	208,341,842
End of year	\$ 87,716,515	\$ 6,720,509	\$ 5,517,863	\$ 43,010,924	\$ 44,893,942	\$ 5,668,684	\$ 193,528,437

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

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:						
1/1/02	\$ 95,940,971	\$ 71,836,054	\$ (24,104,917)	133.6 %	\$ 21,547,768	(111.9) %
1/1/00	86,363,384	60,128,299	(26,235,085)	143.6 %	20,334,025	(129.0) %
1/1/98	69,607,623	57,592,398	(12,015,225)	120.9 %	20,024,974	(60.0) %
1/1/96	53,783,848	47,838,592	(5,945,256)	112.4 %	19,141,532	(31.1) %
1/1/94	47,244,021	44,662,512	(2,581,509)	105.8 %	19,288,723	(13.4) %
Pre-1967 Police:						
1/1/02	\$ 7,833,857	\$ 15,189,737	\$ 7,355,880	51.6 %	\$ -	N/A
1/1/00	7,720,242	15,955,616	8,235,374	48.4 %	48,330	17,039.9 %
1/1/98	6,509,190	17,026,404	10,517,214	38.2 %	102,700	10,240.7 %
1/1/96	5,664,099	16,837,404	11,173,305	33.6 %	428,958	2,604.8 %
1/1/94	5,099,454	16,518,397	11,418,943	30.9 %	429,055	2,661.4 %
Pre-1967 Fire:						
1/1/02	\$ 6,558,299	\$ 13,355,820	\$ 6,797,521	49.1 %	\$ -	N/A
1/1/00	6,421,763	13,844,291	7,422,528	46.4 %	-	N/A
1/1/98	5,475,666	14,739,221	9,263,555	37.2 %	120,025	7,718.0 %
1/1/96	4,730,352	14,561,842	9,831,490	32.5 %	161,406	6,091.2 %
1/1/94	4,179,621	14,402,324	10,222,703	29.0 %	386,730	2,643.4 %
Post-1967 Police:						
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 %
1/1/93	17,220,435	25,598,269	8,377,834	67.3 %	3,107,811	269.6 %
Post-1967 Fire:						
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 %
1/1/93	16,900,216	19,663,237	2,763,021	85.9 %	3,696,522	74.7 %
Post-1983 Police:						
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 %
1/1/93	1,054,844	893,449	(161,395)	118.1 %	1,873,506	(8.6) %

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2002

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% of their annual earnings to the plan. The City does not, and is not legally responsible to, contribute to the plan.

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

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$3,558,000 for the year ended June 30, 2002.

Note 13. 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. From 1992 to 1997, the City operated under an administrative services only (self-insurance) plan for its basic health care, major medical and dental programs, excluding hospitalization. The plan covered substantially all City employees and retirees, except for Board of Education and certain union employees. During 1998, the City purchased commercial insurance to end its medical self-insurance program for active employees. Retirees are still covered by the City's medical self-insurance program. Dental benefits continued to be covered by the City's self-insurance program for both active and retired employees.

During the fiscal year ended June 30, 1994, the Board of Education established a minimum premium insurance plan for its basic health care, major medical and dental programs, including hospitalization, for Board of Education employees and retirees. These benefits are provided through insurance companies, and include deductibles, and other limitations, and may be amended or changed periodically. For the fiscal year ended June 30, 2001, the plan covered

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

approximately 200 Board of Education retirees, the cost of which is covered in full by the State of Connecticut Teachers' Retirement Board and/or individual retirees.

At June 30, 2001, the Board of Education reported its management activities in the Board of Education Risk Management Internal Service Fund. Claims expenses and liabilities were reported when it was probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses included an estimate of claims that have been incurred but not reported ("IBNR"). Effective July 1, 2001, the Board of Education was no longer self-insured for health care claims.

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
2002	\$ 2,068,343	\$ (516,792)	\$ 1,253,208	\$ 268,343
2001	1,777,539	7,728,976	7,438,172	2,068,343

Note 14. 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 \$45,140 to supplement Candlewood's operating revenues for the year ended June 30, 2002 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 \$631,600 to supplement HART's operating revenues for the year ended June 30, 2002 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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2002

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.

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 15. Implementation of New Accounting Pronouncements

As of July 1, 2001, the City implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*
- ◆ No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An amendment of GASB No. 33*
- ◆ No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City was required to implement the new requirements for the fiscal year ending June 30, 2002.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

The more significant of the changes affecting the City as required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental proprietary and fiduciary funds;
 - Schedules to reconcile certain fund financial statements to the government-wide financial statements; and
 - Notes to the basic financial statements.
 - The City elected to record infrastructure assets on a prospective method.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2002, the following restatements were made to beginning fund balance and net asset accounts:

Government-wide financial statements. Beginning net assets for governmental activities was determined as follows:

Fund balances of general, special revenue and capital project funds as of June 30, 2001	\$ 1,660,887
Add: governmental capital assets, including general fixed assets as of June 30, 2001	146,451,317
Deduct: accumulated depreciation as of June 30, 2001 on above governmental capital assets	(43,480,587)
Add: governmental internal service fund net assets as of June 30, 2001	163,640
Deduct: general obligation bonds and notes payable as of June 30, 2001	(47,935,558)
Deduct: accrued interest payable on general obligation bonds and other long-term liabilities as of June 30, 2001	(23,233,738)
Add: property tax receivable, deferred revenue and miscellaneous receivables	<u>14,442,738</u>
Governmental activities net assets, restated, as of July 1, 2001	<u>\$ 48,068,699</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2002

Enterprise Funds

The beginning net assets of the enterprise funds was derived by aggregating the previously reported retained earnings and contributed capital of those funds, as follows:

Retained earnings as of June 30, 2001	\$ 34,454,404
Contributed capital as of June 30, 2001	<u>52,168,053</u>
Net assets – July 1, 2001	<u>\$ 86,622,457</u>

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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 __, 2003

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 7, 2003, (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$12,925,000 City of Danbury, Connecticut General Obligation Bonds, Issue of 2003, dated August 1, 2003 (the "Bonds"), maturing on August 1 in each of the years in the principal amounts and bearing interest payable on August 1, 2004 and semiannually thereafter on August 1 and February 1 in each year until maturity, or earlier redemption, at the rates per annum as follows:

2004	\$ 760,000	___%
2005	760,000	___%
2006	760,000	___%
2007	760,000	___%
2008	760,000	___%
2009	755,000	___%
2010	755,000	___%
2011	755,000	___%
2012	755,000	___%
2013	750,000	___%
2014	540,000	___%
2015	535,000	___%
2016	535,000	___%
2017	535,000	___%
2018	535,000	___%
2019	535,000	___%
2020	535,000	___%
2021	535,000	___%
2022	535,000	___%
2023	535,000	___%

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 January and July 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,

August __, 2003

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 7, 2003 (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$11,200,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes, dated August 7, 2003, and maturing August 6, 2004, consisting of Note No. R-__ in the aggregate principal amount of \$_____, Note No. R-__ in the aggregate principal amount of \$_____, 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 7, 2003

**In Connection With The Issuance And Sale Of
\$12,925,000 City Of Danbury, Connecticut
General Obligation Bonds, Issue of 2003, Dated August 1, 2003**

WHEREAS, the City of Danbury, Connecticut (the "Issuer") has heretofore authorized the issuance of \$12,925,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2003 (the "Bonds"), to be dated August 1, 2003 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement dated July 21, 2003 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 August 21, 2003 (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 Public Act 95-270 enacted by the Connecticut General Assembly 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.

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 _____
Thomas R. Green
Treasurer

By _____
Dena Diorio
Director of Finance

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CONTINUING DISCLOSURE AGREEMENT
By The CITY OF DANBURY, CONNECTICUT
Dated As Of August 7, 2003
In Connection With The Issuance And Sale Of
\$11,200,000 City Of Danbury, Connecticut
General Obligation Bond Anticipation Notes, Dated August 7, 2003

WHEREAS, the City of Danbury, Connecticut (the "Issuer") has heretofore authorized the issuance of \$11,200,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") dated August 7, 2003, maturing August 6, 2004, said Notes as more fully described in the Issuer's Official Statement dated July 21, 2003 (the "Official Statement"); and

WHEREAS, the Issuer has offered the Notes for sale through competitive bid pursuant to its Notice of Sale dated July 21, 2003 (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 Public Act 95-270 enacted by the Connecticut General Assembly 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.

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 _____

Thomas R. Green

City Treasurer

By _____

Dena Diorio

Director of Finance

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Appendix D

Notices of Sale and Bid Forms

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NOTICE OF SALE

\$12,925,000
CITY OF DANBURY, CONNECTICUT
GENERAL OBLIGATION BONDS
ISSUE OF 2003

Sealed proposals and electronic bids (as described herein) will be received by the **CITY OF DANBURY, CONNECTICUT** (the "City"), until 11:00 o'clock (E.D.T.) Tuesday,

JULY 29, 2003

for the purchase of all, but not less than all, of \$12,925,000 City of Danbury General Obligation Bonds (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 ("PARITY") (See "Electronic Bidding Procedures").

The Bonds

The Bonds will be dated August 1, 2003, mature \$760,000 on August 1 in each of the years 2004-2008, both inclusive, \$755,000 on August 1 in each of the years 2009-2012, both inclusive, \$750,000 on August 1, 2013, \$540,000 on August 1, 2014, and \$535,000 on August 1 in each of the years 2015-2023, both inclusive, bear interest payable on August 1, 2004 and semiannually thereafter on August 1 and February 1 in each year until maturity, or earlier redemption (the "Bonds").

The Bonds maturing on and after August 1, 2013 are subject to redemption prior to maturity, at the election of the City, on and after August 1, 2012, 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, 2012 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, 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 Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Electronic Bidding Procedures

Any prospective bidder that intends 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, 40 West Street, 5th Floor, New York, NY 10010, Attention: Customer Service (212) 404-8102; e-mail notice: parity@i-deal.com.

For purposes of 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, as described under "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. Thomas R. Green, City Treasurer, City of Danbury.

Bid Specifications

Each bid must be for the entire \$12,925,000 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.

Basis of Award

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, 2003, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to August 7, 2003, 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 29, 2003. 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 issue will be passed upon by Robinson & Cole LLP, Bond Counsel, 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 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 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 delivered to DTC in New York City on or about August 7, 2003. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of 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 inability to deposit the Bonds with DTC due to 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 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 this bond issue 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 noon of the day after the bid opening, the copies of the 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.

Internet and Related Information

Bidders must use the form of Proposal for Bonds which together with the Preliminary Official Statement containing financial information and pertinent information relating to the issuance, sale and security of the Bonds, may be obtained from Matthew A. Spoerndle, People's Bank, 850 Main Street, Bridgeport, CT 06601 (203) 338-4238.

MARK D. BOUGHTON
Mayor

THOMAS R. GREEN
Treasurer

DENA DIORIO
Director of Finance

July 21, 2003

(See attached for form of Proposal for Bonds)

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PROPOSAL FOR BONDS

July ___, 2003

MARK D. BOUGHTON, Mayor
 THOMAS R. GREEN, Treasurer
 DENA DIORIO, Director of Finance
 City of Danbury
 Danbury City Hall, Finance Department, Conference Room
 155 Deer Hill Avenue
 Danbury, CT 06810

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated July 21, 2003, which Notice is made a part of this proposal, we offer to purchase all \$12,925,000 bonds of the City of Danbury 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, 2004	\$ 760,000	___%	August 1, 2014	\$ 540,000	___%
August 1, 2005	760,000	___%	August 1, 2015	535,000	___%
August 1, 2006	760,000	___%	August 1, 2016	535,000	___%
August 1, 2007	760,000	___%	August 1, 2017	535,000	___%
August 1, 2008	760,000	___%	August 1, 2018	535,000	___%
August 1, 2009	755,000	___%	August 1, 2019	535,000	___%
August 1, 2010	755,000	___%	August 1, 2020	535,000	___%
August 1, 2011	755,000	___%	August 1, 2021	535,000	___%
August 1, 2012	755,000	___%	August 1, 2022	535,000	___%
August 1, 2013	750,000	___%	August 1, 2023	535,000	___%

.....
 (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 \$12,925,000 bonds under the foregoing proposal:

Percent True Interest Cost %
 (Four Decimals)

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NOTICE OF SALE
\$11,200,000
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 11:30 o'clock A.M. (E.D.T.) Tuesday,

JULY 29, 2003

for the purchase of \$11,200,000 City of Danbury General Obligation Bond Anticipation Notes. 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 ("PARITY"). (See "Electronic Bidding Procedures").

The Notes

The Notes will be dated August 7, 2003 and will be payable to the registered owner on August 6, 2004. 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 1/100 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 successful bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, 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 participant 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 its bid electronically must do so 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 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, 40 West Street, 5th Floor, New York, NY 10010, Attention: Customer Service Department, telephone: (212) 404-8102; e-mail 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 “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 the 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 Thomas R. Green, 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, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid. Proposals for the purchase of the Notes must be in the form of the proposal for purchase attached hereto. 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.

Legal Opinion/Settlement

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, of Hartford, Connecticut, and the opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut, approving the legality of the Notes and setting forth that they are valid general obligations of the City will be furnished to the purchaser or purchasers without charge. Each 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 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 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.

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 delivered to DTC in New York City on or about August 7, 2003. The deposit of the Notes with DTC 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 inability to deposit the Notes with DTC due to 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.

For more information regarding this issue and the City, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated July 21, 2003, may be obtained from the

undersigned or from Matthew A. Spoerndle, People's Bank, 850 Main Street, Bridgeport, CT 06601 (203) 338-4238. The 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 Official Statement prepared for this issue at the City's expense. Additional copies may be obtained by a 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 noon of the day after the bid opening, the copies of the 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 Notes.

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.

MARK D. BOUGHTON.
Mayor

THOMAS R. GREEN
City Treasurer

DENA DIORIO
Director of Finance

July 21, 2003

(See attached for form of Proposal for Purchase)

PROPOSAL FOR PURCHASE

July __, 2003

MARK D. BOUGHTON, Mayor
THOMAS R. GREEN, City Treasurer
DENA DIORIO, Director of Finance
City of Danbury
City Hall
Finance Department Conference Room
155 Deer Hill Avenue
Danbury, CT 06810

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated July 21, 2003, which Notice is made a part of this proposal, we offer to purchase the principal amount of the \$11,200,000 City of Danbury 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 \$11,200,000) plus the premium specified below, if any, and to pay therefor par and accrued interest, 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	_____ % (Four Decimals)	Net Interest Cost	_____ % (Four Decimals)
Principal amount	_____	Principal amount	_____
Interest rate	_____	Interest rate	_____
Premium	_____	Premium	_____
Net Interest Cost	_____ % (Four Decimals)	Net Interest Cost	_____ % (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 City.

.....
(Name of Bidder)

.....
(Authorized Signature)

.....
(Mailing Address)

.....
(Telephone Number)

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Appendix E
Bond Insurance Policy

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STANDARD FORM FOR MBIA DISCLOSURE
[GENERAL AND S-1]

[The section entitled "The MBIA Insurance Corporation Insurance Policy" is for use in public finance transactions]

[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 for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer 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/Securities] 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 MBIA's 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); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the [Bonds/Securities] 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/Securities]. 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/Securities] 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/Securities] resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the [Bonds/Securities].

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/Security] 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/Securities] or presentment of such other proof of ownership of the [Bonds/Securities], together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the [Bonds/Securities] as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the [Bonds/Securities] in any legal proceeding related to payment of insured amounts on the [Bonds/Securities], 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/Securities], less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.]

MBIA

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 has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this [Prospectus/Private Placement Memorandum/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 [“ ”]. Additionally, MBIA makes no representation regarding the [Bonds/Securities] or the advisability of investing in the [Bonds/Securities].

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2002; and
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this [Prospectus/Private Placement Memorandum/Official Statement] and prior to the termination of the offering of the [Bonds/Securities] offered hereby shall be deemed to be incorporated by reference in this [Prospectus/Private Placement Memorandum/Official Statement] and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this [Prospectus/Private Placement Memorandum/Official Statement], shall be deemed to be modified or superseded for purposes of this [Prospectus/Private Placement Memorandum/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 [Prospectus/Private Placement Memorandum/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 SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003,, 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 Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003 MBIA had admitted assets of \$9.3 billion (unaudited), total liabilities of \$6.1 billion (unaudited), and total capital and surplus of \$3.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

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.

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

STD-CT

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); 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

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