

Final Official Statement Dated July 17, 2013

New Issue: Book-Entry Only

Ratings: Standard & Poor's Corporation "SP-1+"

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 the Internal Revenue Code of 1986, as amended (the "Code"), 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 may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, based on 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. See "Tax Matters" herein.



City of Danbury, Connecticut

\$40,000,000

General Obligation Bond Anticipation Notes

Dated: July 26, 2013
Rate: 1.50%
Yield: 0.17%

Due: July 25, 2014
CUSIP: 2358655H1

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

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as specified by the successful bidder or bidders, in accordance with the Notice of Sale dated July 8, 2013. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for The Depository Trust Company "DTC", New York. See "Book-Entry-Only Transfer System" herein.

The notes are not subject to redemption prior to maturity. See "Redemption Provisions" 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 Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Notes in book-entry-only form will be made to DTC on or about July 26, 2013.

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 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 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 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.

The Notes were purchased by J.P. Morgan Securities through a competitive bid process.

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Note Issue Summary

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

- Date of Sale:** Wednesday, July 17, 2013, 11:30 A.M. (Eastern Time).
- 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:** \$40,000,000 General Obligation Bond Anticipation Notes (the "Notes").
- Dated Date:** July 26, 2013.
- Interest Due:** At maturity: July 25, 2014.
- Principal Due:** At maturity: July 25, 2014.
- Purpose and Authority:** Proceeds of the Notes are being issued to refund a portion of bond anticipation notes maturing on July 26, 2013 and the balance of the Note proceeds will finance various general purpose and school 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:** The Notes have been rated "SP-1+" from Standard & Poor's Corporation.
- 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 provide or cause to be to provide timely notice of the occurrence of certain events within 10 business days of the occurrence of such events 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:** Phoenix Advisors, LLC, of Milford, Connecticut. Telephone (203) 878-4945.
- 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 July 26, 2013 against payment in federal funds.
- Issuer Official:** Questions concerning the City and the Official Statement should be addressed to David W. St. Hilaire, Director of Finance, City of Danbury, 155 Deer Hill Avenue, Danbury, Connecticut 06810. Telephone (203) 797-4652.

I. 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 \$40,000,000 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 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.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

The City deems this Official Statement to be "final" for purposes of Securities and Exchange Commission rule 15c-12(b)(1), but is subject to revision or amendment.

The Notes are being offered for sale at public bidding. A Notice of Sale dated July 8, 2013, a copy of which is included as Appendix D herein; has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

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 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.

Financial Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the City with respect to the issuance of the Notes (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Notes

The Notes will be dated July 26, 2013 and will be due and payable as to both principal and interest at maturity, July 25, 2014. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 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 Only Transfer System".

Redemption Provisions

The Notes are not subject to redemption prior to maturity.

Authorization and Purpose

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

Proceeds of the Issue

Proceeds of the Notes will be used to refund the \$2,500,000 bond anticipation notes maturing on July 26, 2013 and to provide a new money borrowing for the projects listed below:

<i>Project</i>	<i>Authorized</i>	<i>Notes Due:</i>		<i>(Reductions)</i>	<i>This Issue</i>
		<i>7/26/13</i>	<i>or New Money</i>	<i>Notes Due:</i>	<i>Notes Due:</i>
					<i>7/25/14</i>
Gen. Public Imp. 13-14	\$ 3,000,000	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Vision 2020 Bond-Public Imps.....	2,475,000	-	500,000	500,000	500,000
Head Start	5,600,000	2,500,000	-	-	2,500,000
Vision 2020 Bond-Public Imps.	44,000,000	-	34,500,000	34,500,000	34,500,000
Vision 2020 - Sewer upgrade.....	7,975,000	-	500,000	500,000	500,000
Grand Total.....	\$ 63,050,000	\$ 2,500,000	\$37,500,000	\$ 40,000,000	

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. The City currently receives approximately 50% of eligible costs in State funding for ongoing school projects.

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Notes”). The Notes will be issued as fully-registered securities 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. For the Notes, one fully-registered Note certificate will be issued for each interest rate of the Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings,

from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or 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, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Security and Remedies

The Notes will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and interest on the Notes when due. Unless paid from other sources, 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 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 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 Notes or judgments thereon, in priority to other claims.

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

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the federal bankruptcy code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9 Title 11 of the Code, or by state law or a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

Qualification for Financial Institutions

The 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 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 provide or cause to be provided (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain events within 10 business days of the occurrence of such events; and (iii) timely notice of its failure to provide such annual financial information with respect to the Notes, and provided timely notice of the occurrence of certain events within 10 days of the occurrence of such events, with respect to the Notes, pursuant to Continuing Disclosure Agreements to be executed by the City substantially in the forms attached as Appendix C to this Official Statement.

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

Ratings

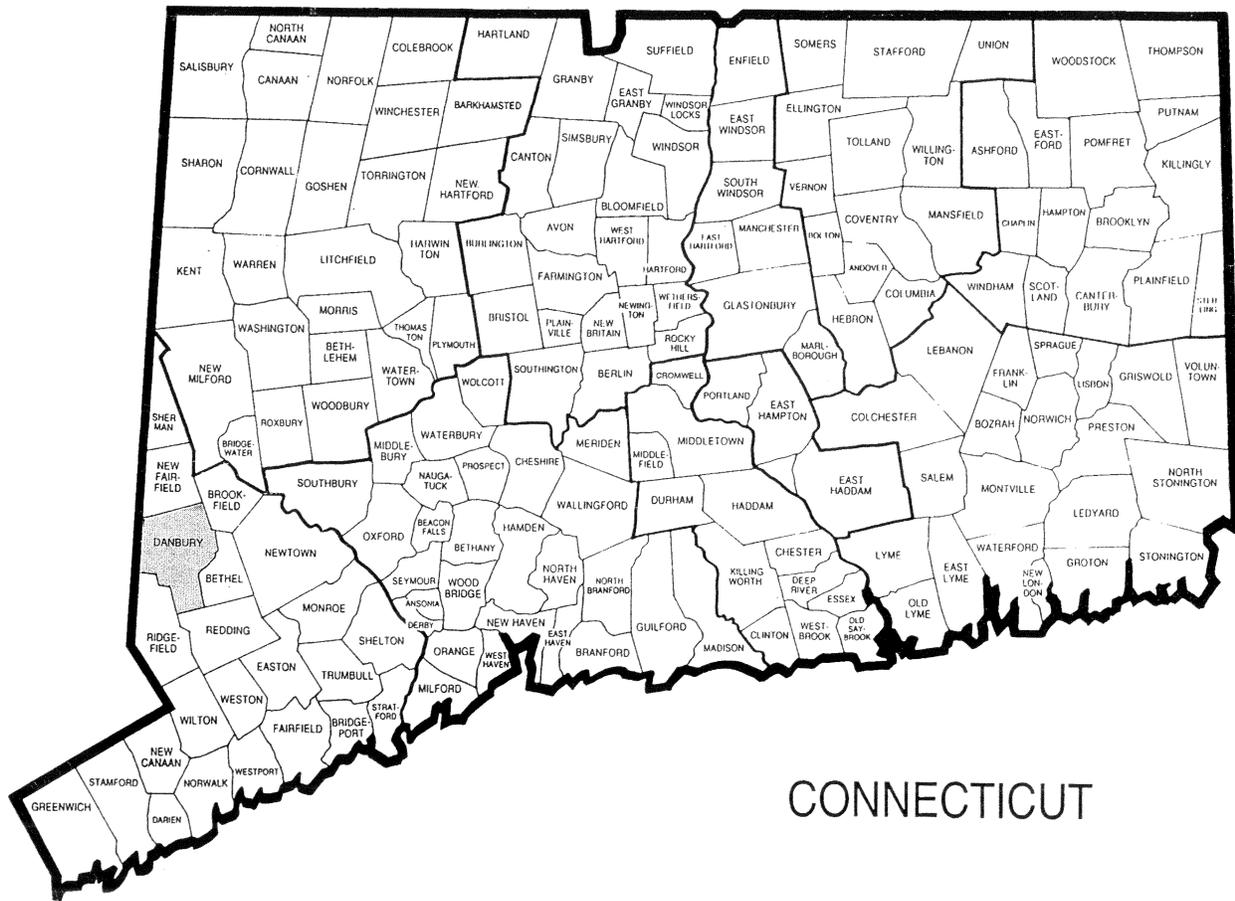
The Notes received a ratings "SP-1+" from Standard & Poor's Corporation.

The City furnished to S&P information and materials that they requested. However, the City may issue short-term or other debt for which a rating is not required. The City's Financial Advisor, Phoenix Advisors, LLC, recommends that all bonded debt be submitted for a credit rating.

Note Insurance

The City does not expect to direct purchase a credit enhancement facility.

II. The Issuer



Description of the Municipality

City of Danbury, Connecticut (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 2010 U.S. Census, Danbury has a median household income of \$83,366. With a population of approximately 80,893, Danbury is diversely populated. Residents represent more than 60 different nationalities and students entering Danbury public schools speak over 45 different languages. Danbury is a hub for retail shopping. The Danbury Fair Mall remains the largest mall in New England and new shopping centers have attracted tenants such as Bob's Stores, Home Depot, Best Buy, Lowes, P.C. Richards 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 operates under a Charter, which was last revised in November, 2009. The City is governed by a Mayor and a twenty-one member City Council. The Mayor is the City's chief executive and the City 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	12/11-11/13	11	Mayor
Treasurer.....	Daniel P. Jowdy	Elected	12/11-11/13	9	Funeral Director
Council.....	21 members	Elected	12/11-11/13	Various	Various
Director of Finance.....	David W. St. Hilaire	Appointed ¹ Civil Service	Indefinite	6 ³	Deputy Chief Fiscal Officer
Tax Collector.....	Scott Ferguson	Appointed ¹ Civil Service	Indefinite	6	Manager, Taxes
Assessor.....	Colleen LaHood	Civil Service	Indefinite	26	Assessor
Superintendent of Schools....	Dr. Sal Pascarella	Appointed ²	Contract	6	Superintendent
Corporation Counsel.....	Robert J. Yamin	Appointed ¹	Indefinite	11	Attorney

¹ *Appointed by the Mayor.*

² *Appointed by the Board of Education.*

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

Municipal Services

Police Department

The Danbury Police Department's mission is to provide an environment for the people of Danbury, free from the fear of crime, where people can enjoy a high quality of life, and the community can prosper.

The Danbury Police Department currently has 145 sworn officers, with an authorized strength of 155 officers. Four civilian support personnel are also assigned to the Police Department. The Danbury Police Department is a Community Policing orientated department.

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

In 2012, the Danbury police began a system of random drug testing for all sworn employees.

Currently, the Danbury Police Department has started implementing a new Computer Aided Dispatch/Records Management System as part of the City's new Constituent Relations Management (CRM) system and a new automated scheduling system is also being implemented.

With a population of 80,893, Danbury continues to be one of New England's safest midsize cities, and in March 2013 was recognized as the safest city in Connecticut for the fourth consecutive year.

Fire Department

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

The programs of the Community Risk Reduction division of the Department include all facets of the efforts to reduce fire risks in the City. Based in City Hall adjacent to the Permit Center, this Division is led by the Fire Marshal and staffed by a cadre of 6 Deputy Fire Marshals. The Community Risk Reduction programs include pre-construction plan reviews, prescribed inspections of occupancies, complaint response and public education. The public education activities include programs developed and delivered to students in City schools, target populations such as senior citizen groups as well as business and social organizations.

The missions involving emergency response are carried out by a Career Division comprising administrative and response staff in 5 locations, operating with 12 fire trucks of various configurations, 17 sedans and SUVs and various equipment trailers. Volunteer companies combined with volunteer Fire Police continue to support the Department in emergency situations including fire response, flood remediation and traffic control. The Volunteers operate with approximately 110 volunteers from 12 stations with fire response apparatus and rescue equipment.

With fire suppression as our core mission, the Department continues to face the challenges of potential terrorism and hazardous material spills. The Department is part of a regional Hazardous Material response team with trained Hazardous Material technicians assigned to each shift. As a member of this regional effort, our response region extends from Ridgefield to the Massachusetts border. In addition, Danbury Fire is a member of the state-wide response network staffing other state response apparatus. These regional resources include a Hazardous Material response vehicle, foam trailer, a Mass DECON trailer and Mass Casualty trailer.

Additional specialized training in various technical rescue modalities is also ongoing. This training, utilizing the instructors of the Connecticut Fire Academy, has included basic rescue training or C.O.R.E., below grade, trench and confined space certifications and most recently heavy equipment rescue. The Department will continue these training initiatives. Future programs will include advanced rescue programs and other such classes as the demands on the Department continue to evolve.

All firefighters are cross-trained to an advanced life support first responder level. The Fire Department operates six engine companies with one special response vehicle and one truck company. Each company is equipped with automatic defibrillators and other advanced life support equipment. With rapid response times due to geographic distribution of fire stations, this complement of equipment and professionally trained personnel helps make Danbury a safe community in which to work and live. The deployment schedule for ambulances coupled with our first responder engine companies has improved response time throughout the City. This response model has benefited residents in all areas of the City with timely lifesaving emergency medical care.

The Emergency Medical Services Division is an integral component of the Danbury Fire Department. The City, under the auspices of the Fire Department, maintains the required State permits to operate an emergency medical response and transport entity. This division operates a number of paramedic-staffed ambulances and one lead medic vehicle. These units are staffed and operated by WCHN, a contract affiliate of Danbury Hospital. The Emergency Medical Division is headed by an EMS Coordinator and comprises 74 Emergency Medical Technicians ("EMT"), 44 AEMT (intermediates), 40 EMT Paramedics, and 12 EMS-I (instructors). These employees include Fire and WCHN personnel.

The 9-1-1 Fire Department Dispatch Center received a total of 44,000 calls in calendar year 2012. These calls resulted in 4,084 Fire and service responses and 5,170 Emergency Medical Service responses. The other received calls were routed to the police or were informational types of calls. The Fire Department Dispatch Center is currently the Public Service Answering Point for the City of Danbury. It has the responsibility of answering all 9-1-1 calls in a professional and expedient manner. The center is manned by uniformed firefighters 24 hours a day.

Training programs for both Career and Volunteer members are continuous and have expanded to meet recent challenges and demands of the fire and emergency services. Hundreds of continuing classroom and practical hours keep firefighters abreast of current risks, equipment use, standards, regulations and safety practices. All Career recruits attend an initial 15 week session at the Connecticut State Fire Academy. This basic training, at one of the premier fire training institutions in the country, prepares recruits for the challenges they will face. Many members continue their education through the National Fire Academy, State Fire Academy and other institutions of higher learning including Naugatuck Valley Technical College and the University of New Haven.

The Department continues Public Education activities throughout the community with mock crash simulations in local high schools, Juvenile Fire Setter Intervention programs, and File of Life senior citizen programs (sponsored by the Danbury Professional Firefighters Local 801). An initiative of the Department has placed automatic defibrillators in municipal buildings and City schools. A federal grant recently awarded will facilitate distribution of smoke detectors throughout our community. These programs, response and mitigation and fire suppression actions, each contribute to making the quality of life in the City among the best in the nation.

Parks and Recreation

Excluding school facilities, the City of Danbury has 1,607 acres designated for park and recreational use distributed as follows: 186 acres of City parks, 256 acres of natural resource areas, and 1054 acres of special use parks. The Parks & Recreation Department uses 15 schools for playgrounds/ball fields, 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 State boat launch on Lake Candlewood. Privately owned recreational facilities include such diverse

organizations as the Swampfield Land Trust, the Portuguese Cultural Center, the Ridgewood Country Club, private and parochial schools and the Western Connecticut State University.

- *Bear Mountain Park* (140 acres): mostly undeveloped, passive recreation with a conservational outlook, Ranger Cottage and parking with many diverse hiking trails.
- *Blind Brook Playground* (.5 acres) playground.
- *Danbury Green* (1 acre): benches, walkway and band shell.
- *Elmwood Park* (2 acres): park benches for passive recreation, fountain.
- *Farrington Property* (192 acres) hiking trails
- *Hatter's Community Park* (32 acres): bowling alley, Park & Recreation Office, picnic pavilion, 3 softball fields, banquet hall and playground.
- *Highland Playground* (8 acres): playground and spray-park.
- *John Perry Field*: All purpose Field Turf surface used for football, soccer, lacrosse (boys & girls) and field hockey field, located in Rogers Park (3 acres)
- *Joseph Sauer Memorial Park* (2 acres): park for the elderly, basketball court.
- *Kennedy Park* (1 acre): park benches for passive recreation.
- *Lake Candlewood Park* (11 acres): swimming, picnicking, motorized boating and boat ramp.
- *Lake Kenosia Park* (25 acres): picnicking, non-motorized boating, four soccer fields and playground.
- *Mill Plain Swamp* (34 acres): no facilities.
- *Old Quarry Nature Center* (40 acres): trails, bird watching, natural setting.
- *Richter Park* (230 acres): 18 hole golf course, pro shop, restaurant, playhouse, basketball court, fishing, hiking trail, two tennis courts, winter recreation. (Richter Park Drive).
- *Rogers Park* (56 acres): 8 tennis courts, handball/paddleball court, 4 softball fields, 6 baseball fields, 1 all purpose turf field, and 6 volleyball courts. *Rogers Park Playground* (1 acre) and spray-park.
- *Rogers Park Pond* (7 acres): interpretative trails and footbridge.
- *Rowan Street Playground* (3 acres): playground.
- *Stephen A. Kaplanis Field* (5 ½ acres): All purpose Field Turf surface used for football, soccer, lacrosse (boys & girls) and field hockey field.
- *Still River Greenway* (35 acres): hiking trails, education station, boat launch, bird sanctuary and footbridge.
- *Tom West Park* (.5 acre): playground.

Tarrywile Park is a passive recreational area. It is 722 acres split into two distinct sections by Brushy Hill Road. It has several buildings on the property of which the following are most noteworthy:

- *Mansion* - Three stories, built in late 1897 - 18 rooms - renovated for Community Center.
- *Castle* - 3 stories, built 1897 from natural quarry stone - use undetermined - large renovation project.
- *Carriage House* - park residence.
- *Farm House* - park residence.
- *Dairy Barns* - Red barn is an environmental education center with renovated Silo. The milking parlor was recently renovated.
- *Gate House* - park residence.
- *Greenhouse* - used by Danbury High School "Green Room Program" for students at risk.
- *School building* - use to remain as a pre-school.
- *Pavilion* - to be built at a future date.

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 51 hours per week, Monday – Sunday, from September through May, and 44 hours per week, Monday – Saturday, during the summer.
- *E-books*: The library provides access, with a valid Danbury Library card, to a growing collection of e-books that can be downloaded to an e-reader, smart phone, tablet or personal computer.
- *Audio-Video Department*: A 4,200 square foot area holds more than 20,000 non-print items: DVDs, compact discs, books on CD, Playaways (books on MP3), and Blu-ray discs.
- *Personal computers for the public use*: Access to word processing, spreadsheet programs, the Internet and a variety of on-line databases is available on 78 computers for the public. Free high-speed wireless Internet access is available in the library, as well as on the library plaza.
- *Library Technology Center*: A 4,300 square foot computer lab with 23 workstations can be used by the public for Internet access, word processing, on-line access to the library catalog, resume and typing programs and multilingual access to the Internet. Library staff members offer introductory as well as specialized Internet and computer classes to the public on a regular basis in English or Spanish.
- *Language Center*: The 12 computers in the Language Center Computer Lab are installed with state-of-the-art interactive ELLIS English Learning software, and a bi-lingual instructor is available at various times during the week to assist new students. Various print and non-print materials that teach reading comprehension, pronunciation and vocabulary are available for self-study. The Language Center also carries materials on learning languages other than English. Access to an online language learning database is available in the library or remotely from a home computer.
- *Program Rooms*: The Farioly Program Room, which seats up to 70, has kitchen facilities, and the Lower Level Meeting Room, which seats up to 30, can be reserved by the public for programs and workshops. A third conference room in the Technology Center can be reserved for smaller gatherings and seats 12.
- *Danbury Library Homepage*: danburylibrary.org: Connecting to the library's home page allows off-site customers to view the library's catalog, reserve books, subscribe to an on-line newsletter, visit selected web sites of current interest, and retrieve full-text magazine articles 24 hours a day, seven days a week.

Approximately 26,000 Danbury residents (33%) have active library cards. Over 450,000 visited the library during the last year and more than 2,000 kids and teens, a record number, participated in the 2012 summer reading program.

A Board of Directors, appointed by the Mayor, governs the Danbury Public Library. The Mayor also appoints a Library Director to promote library services, supervise a staff of 46, and manage an operating budget of \$1.9 million.

Urban Revitalization

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

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

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

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

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

The new \$10,000,000 Bardo Parking Garage on Library Place was financed by City bonds and completed in the Fall of 2007. A \$1,200,000 streetscape project on White Street from Main Street to Fifth Avenue was financed by a combination of City bonds and state LoCIP funding. Also completed in 2009 was the New Police Station at the intersection of Main Street and E. Franklin Avenue. The 75,000 square foot facility was constructed with a City bond issue of \$30,200,000. Using available CDBG funding, in 2008 the City assisted with the acquisition of Veterans' House I on New Street, a transitional facility for homeless veterans. In 2009, the City's CDBG program funded the acquisition of Veterans' House II at 20 New Street, as permanent housing for homeless veterans.

In 2008, the Mayor appointed the Main Street Renaissance Task Force to study issues and make recommendations for the revitalization of downtown Danbury. The Task Force issued its final report, entitled "Downtown Danbury: Issues & Recommendations," in 2010. It included a vision statement, objectives, and planning principles to guide development, and sections on economic development, urban design and historic preservation, public improvements, and implementation strategies. To date, a number of development incentives have been adopted to encourage private investment. The Main Street Partnership and an Economic Development Director were appointed in 2012.

Solid Waste - Recycling

The City is a member of the Housatonic Resources Recovery Authority (HRRA) which has legal authority to site and contract for long-term garbage disposal services. The HRRA has ruled out consideration of construction of a waste to energy incineration facility in the region. They have signed a contract with the owner of such a facility located in Bridgeport, Connecticut. The City executed a parallel contract with HRRA, which commits its solid waste to this regional solution, which began July 1, 1993. Funding of the proposal will be through tipping fees and garbage rate charges by the haulers to their customers. The tipping fee for the 2013 calendar year is \$84.45 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.

Although the landfill closure has been completed, the project generated serious disputes regarding the quality of the work done by the City's contractor and its subcontractors. The contractor and the subcontractors denied responsibility for failures in the planning and execution of the work and then submitted claims for costs in excess of the contract amount. The City settled all claims for \$1.8 million which has been bonded.

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

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

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

Enterprise Funds

Sewer Fund

On October 1, 1997, the City of Danbury, Connecticut entered into a 20-year contract with Veolia Water North America (d.b.a. U.S. Filter Operating Services, Inc.) for the management, operation and maintenance of the City's 15.5 MGD wastewater treatment facility and its 13 pump stations. The contract has been amended to increase the number of pump stations to 19 and address changes in operational requirements. Danbury will continue to exercise control over its rate setting and inter-municipal agreements. The City retains full legal title and ownership of the facility. Veolia Water North America operates and maintains the facility in accordance with the terms and conditions of the City's NPDES permit (# CT0100145). The contract with Veolia contains additional performance standards, such as Veolia implementing a program to provide year round nitrification process to ensure the quality of effluent, which are above the requirements of the City's current NPDES permit. A laboratory is maintained on site by Veolia Water North America to insure proper operation of the plant process, and to comply with Connecticut Department of Environmental Protection requirements.

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

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

Sewer rates will not increase for fiscal year 2013-14. The historical rate increases for the last five years were:

<i>Fiscal Year Ending</i>	<i>Annual % Increase</i>
June 30, 2013	4.75%
June 30, 2012	0.00%
June 30, 2011	18.90%
June 30, 2010	0.00%
June 30, 2009	0.00%

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

Water Fund

The City's raw water supply has 9 reservoirs with a total capacity of 3.0 billion gallons of water. The safe yield of the City water system is 8.6 million gallons per day. In 2012, the Danbury Water Department produced and distributed an average of 6.5 million gallons per day.

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

The Water Department completed major programs directed at improving the purity, adequacy, and safety of the supply. It is the intent of the City of Danbury to develop a water supply system consistent with its plan of development. A Vulnerability Assessment for the water system was submitted to the United States Environmental Protection Agency in December 2003 as required by federal regulations.

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

Metered and non-metered rates provide funds for the operation, maintenance, and debt service of the water system. Water rates will not increase for fiscal year 2013-14. The historical rate increases for the last five years were:

<i>Fiscal Year Ending</i>	<i>Annual % Increase</i>
June 30, 2013	4.25%
June 30, 2012	0.00%
June 30, 2011	5.90%
June 30, 2010	0.00%
June 30, 2009	0.00%

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

To ensure better accuracy and efficiency of measuring metered water use, a \$1,500,000 water meter replacement program was started in 2005. This program included the replacement of all existing water meters older than 5 years and the installation of an automatic meter reading system. Although meter replacement project funding has been expended, routine replacement work on aging meters continues to be performed by Public Utilities personnel from the operating budget.

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Employee Relations and Collective Bargaining

Municipal Employees

Fiscal Year Ended June 30	2013	2012	2011	2010	2009
General Government.....	511	506	518	535	551
Board of Education.....	1,571	1,542	1,532	1,551	1,587
Total.....	2,082	2,048	2,050	2,086	2,138

Employee Bargaining Organizations

Board of Education Groups

Non-Bargaining Employees.....	40	N/A
DSAA - School Administrators.....	38	6/30/2014
NEA Teachers.....	812	6/30/2014
Local 677 Teamsters Custodians.....	70	6/30/2016
CSEA Paraprofessionals.....	438	6/30/2016
School Nurses Association.....	24	6/30/2013 ¹
Local 677 Teamsters School Lunch.....	68	6/30/2015
Danbury Association of School Secretaries.....	73	6/30/2015
Safety Advocates.....	8	6/30/2015
Total.....	1,571	

City Groups

Local 891 Council 15 AFSCME Police ²	146	6/30/2015
UPSEIU (formerly DMEA) Municipal Employees.....	86	6/30/2015
Local 677 Teamsters.....	102	6/30/2015
Local 801 AFL CIO Firefighters.....	104	6/30/2015
Non-Bargaining Employees.....	73	N/A
Total.....	511	

¹ In negotiation.

² Includes two canine control officers.

The Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a-10-153n 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 must 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. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipality, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Educational Services

The Board of Education of the City is comprised of eleven elected members each serving a four year term, as provided by the City Charter. The Mayor serves as an ex-officio member. The Board of Education is responsible for maintaining public elementary and secondary schools. There are fourteen (14) elementary schools, two (2) middle schools, one (1) high school and one (1) alternative high school providing educational programs to students in grades pre-kindergarten through twelve.

School Facilities

School	Grades	Date Opened (Add. or Ren.)	Type of Construction	Number of Classrooms	Enrollment 10/1/12	Rated Capacity
Great Plain.....	PK - 5	1963	Brick	21	327	379
Hayestown.....	PK - 5	1955	Brick	26	409	448
King Street Primary	PK - 2	1977	Brick	22	400	488
King Street Inter.	3 - 5	1964	Brick	31	364	322
Magnet.....	K - 4	2006	Brick	18	431	390
Mill Ridge Primary	PK - 2	1974	Brick	22	401	396
Mill Ridge Edu Center	3 - 5	1957	Brick	30	162	437
Morris Street.....	PK - 5	1892	Brick	24	419	379
		1963	(Addition)			
		1980	(Add. & Ren.)			
Park Avenue.....	PK - 5	1951	Brick	22	431	402
Pembroke.....	PK - 5	1970	Brick	23	364	425
Ellsworth Avenue	PK - 5	1952	Brick	19	407	356
Shelter Rock.....	PK - 5	1963	Brick	18	414	405
		1973	(Addition)			
South Street.....	PK - 5	1935	Brick	19	370	339
		1980	(Add. & Ren.)			
Stadley Rough.....	PK - 5	1971	Brick	21	449	494
Broadview M.S.	6 - 8	1967	Brick	39	1,084	1,012
Rogers Pk. M.S.	6 - 8	1972	Brick	42	1,188	1,012
Danbury H.S.	9 - 12	1964	Brick	117	2,865	2,442
Alternative Center.....	9 - 12	1977	Brick	11	79	100
Total.....				525	10,564¹	10,226

¹ Total Danbury school enrollment listed here does not include students categorized as "Other" in the amount of 354 as is listed below which is comprised of students enrolled in Headstart and other special programs. Total Danbury enrollment is 10,918 as is listed below under "School Enrollment".

Source: Danbury Board of Education

School Enrollment ¹ Historical

Year	Pre-K - 5	6-8	9-12	Other	Total
2003-2004	4,525	2,177	2,886	220	9,808
2004-2005	4,533	2,093	2,936	219	9,781
2005-2006	4,491	2,123	2,994	296	9,904
2006-2007	4,574	2,122	2,966	321	9,983
2007-2008	4,699	2,175	2,931	314	10,119
2008-2009	4,935	2,125	2,926	293	10,279
2009-2010	5,100	2,146	2,944	307	10,497
2010-2011	5,199	2,201	2,981	346	10,727
2011-2012	5,277	2,232	2,981	335	10,825
2012-2013	5,348	2,272	2,944	354	10,918
		Projected ²			
2013-2014	5,507	2,370	2,960	354	11,191
2014-2015	5,499	2,504	2,993	354	11,350
2015-2016	5,560	2,505	3,081	354	11,500
2016-2017	5,506	2,568	3,176	354	11,604
2017-2018	5,447	2,560	3,320	354	11,681

¹ Superintendent's Office

² Connecticut State Department of Education - Enrollment Projections

The Danbury Public Schools 2020 Task Force, launched in 2008, is charged with studying the Danbury Public Schools Five Year Plan and identifying strategies for both long and short term facility management, space utilization analysis, and capital improvement planning.

III. Economic and Demographic Information

Population and Density

Year	Actual Population ¹	% Increase	Density ²
1970	51,066	29.7%	1,161
1980	60,470	18.4%	1,374
1990	65,585	8.5%	1,491
2000	74,848	14.1%	1,701
2010	80,893	8.1%	1,838

¹ 1970 - 2010, 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	
	2010	Percent	2010	Percent
Under 5.....	5,409	6.7%	202,106	5.7%
5 – 9.....	4,618	5.7%	222,571	6.2%
10 – 14.....	4,311	5.3%	240,265	6.7%
15 – 19.....	5,175	6.4%	250,834	7.0%
20 – 24.....	6,131	7.6%	227,898	6.4%
25 – 34.....	13,301	16.4%	420,377	11.8%
35 – 44.....	12,432	15.4%	484,438	13.6%
45 – 54.....	11,789	14.6%	575,597	16.1%
55 – 59.....	4,867	6.0%	240,157	6.7%
60 – 64.....	3,882	4.8%	203,295	5.7%
65 – 74.....	4,594	5.7%	254,944	7.1%
75 – 84.....	2,908	3.6%	166,717	4.7%
85 years and over.....	1,476	1.8%	84,898	2.4%
Total.....	80,893	100.0%	3,574,097	100.0%
Median Age (years)		35.2		37.4

Source: U.S. Department of Commerce, Bureau of Census, 2010

Income Distribution

	City of Danbury		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	1,773	6.0	30,286	3.4
\$10,000 to 14,999.....	502	1.7	20,488	2.3
\$15,000 to 24,999.....	2,984	10.1	50,774	5.7
\$25,000 to 34,999.....	1,832	6.2	57,900	6.5
\$35,000 to 49,999.....	3,457	11.7	97,094	10.9
\$50,000 to 74,999.....	5,761	19.5	151,431	17.0
\$75,000 to 99,999.....	3,250	11.0	137,179	15.4
\$100,000 to 149,999.....	6,500	22.0	176,372	19.8
\$150,000 to 199,999.....	1,714	5.8	77,497	8.7
\$200,000 or more.....	1,773	6.0	91,749	10.3
Total.....	29,546	100.0	890,770	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2010

Income Levels

	City of Danbury	State of Connecticut
Per Capita Income, 2010.....	\$28,204	\$35,078
Per Capita Income, 2000.....	24,500	28,766
Median Family Income, 2010.....	\$83,366	\$108,218

Source: U.S. Department of Commerce, Bureau of Census, 2010 and 2000.

Educational Attainment Population 25 years and over

	City of Danbury		State of Connecticut	
	Number¹	Percent	Number¹	Percent
Less than 9th grade.....	5,605	10.2	111,982	4.6
9th to 12th grade, no diploma.....	5,000	9.1	165,538	6.8
High school graduate (includes equivalency).....	16,045	29.2	686,496	28.2
Some college, no degree.....	8,352	15.2	433,320	17.8
Associate's degree.....	3,242	5.9	172,841	7.1
Bachelor's degree.....	9,616	17.5	491,745	20.2
Graduate or professional degree.....	7,088	12.9	372,461	15.3
Total.....	54,947	100.0	2,434,383	100.0
Percent high school graduate or higher.....		80.7%		88.6%
Percent bachelor's degree or higher.....		30.2%		35.5%

¹Population 25 years and over.

Source: U.S. Department of Commerce, Bureau of Census, 2010

Major Employers As of July 2013

Name	Business	Approximate Number of Employees¹
Western CT Health Network (Danbury Hospital)....	Hospital (excluding affiliates)	2,292
Boehringer-Ingelheim Pharmaceuticals .. ²	Pharmaceuticals	1,800
Danbury School Systems.....	Education	1,570
Cartus (formerly Cendant Mobility).....	Relocation firm	1,398
GE Commerical Finance.....	Financial Services	700
Pitney Bowes.....	Mailing Machines	650
UTC (formerly Goodrich).....	Optical Instruments & Lenses	634
Western CT State University.....	Education	598
City of Danbury General Government.....	Municipality	511
Praxair, Inc.....	Industrial Gases	441

¹ Does not include part-time employees

² The facility is on the Danbury/Ridgefield border. The number shown includes all employees at the facility.

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.....	285	0.7	7,443	0.4
Construction.....	3,345	8.0	95,217	5.5
Manufacturing.....	5,329	12.8	188,493	10.9
Wholesale trade.....	459	1.1	43,580	2.5
Retail trade.....	4,642	11.1	187,540	10.8
Transportation and warehousing, and utilities.....	1,262	3.0	64,696	3.7
Information.....	1,064	2.5	43,094	2.5
Finance, insurance, real estate, and rental and leasing.....	2,770	6.6	156,695	9.0
Professional, scientific, management, administrative, and waste management services.....	6,353	15.2	193,794	11.2
Educational, health and social services.....	8,901	21.3	454,976	26.2
Arts, entertainment, recreation, accommodation and food services.....	3,250	7.8	150,893	8.7
Other services (except public administration).....	3,053	7.3	82,017	4.7
Public Administration.....	1,035	2.5	68,008	3.9
Total Labor Force, Employed.....	41,748	100.0	1,736,446	100.0

Source: U.S. Department of Commerce, Bureau of the Census, 2010

Employment Data By Place of Residence

Period	City of Danbury		Percentage Unemployed		
	Employed	Unemployed	City of Danbury	Danbury Labor Market	State of Connecticut
May 2012.....	42,663	2,894	6.4	6.4	8.1
Annual Average					
2012.....	43,255	3,169	6.8	6.7	8.3
2011.....	41,519	3,323	7.4	7.2	8.8
2010.....	41,394	3,495	7.8	7.6	9.0
2009.....	41,496	3,350	7.5	7.3	8.2
2008.....	42,856	2,120	4.7	4.5	5.7
2007.....	43,113	1,640	3.7	3.6	4.6
2006.....	42,478	1,499	3.4	3.3	4.3
2005.....	41,629	1,704	3.9	3.8	4.9
2004.....	39,193	1,447	3.6	3.1	4.7
2003.....	38,553	1,782	4.4	3.8	5.5

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	City of Danbury		State of Connecticut	
	Units	Percent	Units	Percent
2005 or later.....	1,439	4.3	44,364	3.0
2000 to 2004.....	2,491	7.5	66,775	4.5
1990 to 1999.....	2,650	8.0	106,593	7.2
1980 to 1989.....	4,016	12.1	190,703	12.8
1970 to 1979.....	5,161	15.5	205,924	13.8
1960 to 1969.....	5,165	15.5	196,651	13.2
1950 to 1959.....	3,998	12.0	227,649	15.3
1940 to 1949.....	1,500	4.5	99,164	6.7
1939 or earlier.....	6,832	20.5	350,392	23.5
Total housing units, 2010.....	33,252	100.0	1,488,215	100.0
Percent Owner Occupied, 2010.....		60.5		68.0

Source: U.S. Department of Commerce, Bureau of Census, 2010

Housing Inventory

Type	Units	Percent
1-unit, detached.....	14,896	44.8
1-unit, attached.....	3,188	9.6
2 units.....	3,061	9.2
3 or 4 units.....	2,693	8.1
5 to 9 units.....	1,642	4.9
10 to 19 units.....	3,062	9.2
20 or more units.....	4,237	12.7
Mobile home.....	473	1.4
Boat, RV, van, etc.	-	-
Total Inventory	33,252	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2010

Building Permits

Calendar Year Ending 12/31	Residential		Commercial		Industrial		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2012	872	\$ 92,841,102	273	\$72,099,494	4	\$ 5,422,450	1,149	\$170,363,046
2011	829	30,801,215	235	45,597,554	11	4,619,000	1,075	81,017,769
2010	823	29,438,911	225	44,204,745	7	10,037,000	1,055	83,680,656
2009	949	59,205,660	165	25,269,316	11	1,450,559	1,125	85,925,535
2008	808	34,115,571	226	20,464,467	10	51,439,000	1,044	106,019,038
2007	1,220	68,757,868	209	73,443,295	17	45,231,176	1,446	187,432,339
2006	1,368	57,171,613	203	69,518,464	12	28,725,755	1,583	155,415,832
2005	1,441	96,350,821	177	44,660,170	4	25,324,000	1,622	166,334,991
2004	1,420	85,958,812	195	37,860,444	5	8,225,886	1,620	132,045,142
2003	1,127	40,166,000	181	24,635,638	9	3,051,936	1,317	67,853,574

Source: Building Department, City of Danbury

Owner-Occupied Housing Values

Specified Owner-Occupied Values	City of Danbury		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	173	0.97	15,235	1.65
\$ 50,000 to \$ 99,999.....	505	2.83	20,429	2.21
\$100,000 to \$149,999.....	200	1.12	55,321	5.99
\$150,000 to \$199,999.....	1,419	7.94	122,528	13.27
\$200,000 to \$299,999.....	5,745	32.15	278,420	30.14
\$300,000 to \$499,999.....	7,623	42.66	268,859	29.11
\$500,000 to \$999,999.....	2,154	12.06	120,976	13.10
\$1,000,000 or more.....	49	0.27	41,849	4.53
Total.....	17,868	100.00	923,617	100.00
Median Value.....	\$319,700		\$288,000	

Source: U.S. Department of Commerce, Bureau of Census, 2010

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IV. Tax Base Data

Property Tax

Assessments

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion on the Grand List is the responsibility of the Assessor. The Grand List represents the total of assessed value for all taxable real and personal property located within the City as of October 1. A Board of Assessment Appeal determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last revaluation which was effective for the October 1, 2012 Grand List.

Under Section 12-62 of the General Statutes, the City must do a revaluation every five years and the assessor must fully inspect each parcel once every ten years. The next revaluation will be for the October 1, 2017 Grand List.

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

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

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

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

In accordance with CGS 12-65b, the City 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, manufacturers, warehouses or storage areas.

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

Levy

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. At the discretion of the City and for the convenience of the taxpayer, tax bills are payable in four installments: July 1, October 1, January 1, and April 1. Payments not received by August 1, November 1, February 1 or May 1, respectively, become delinquent. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. A modest estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least three times a year, with interest charged at the rate of one and one-half percent per month in accordance with CGS, with a minimum charge of \$2.00. Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Real estate accounts and other accounts are transferred to suspense 15 years after the due date in accordance with CGS.

Comparative Assessed Valuation

Grand List as of 10/1	Residential Real Property (%)	Commercial/Industrial Real Property (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Manufacturers' Exemptions,¹ Veterans Relief, and Elderly	Net Taxable Grand List	Annual Change
2012 ²	55.9	31.6	5.5	7.0	\$7,059,377,127	\$232,270,525	\$6,827,106,602	-13.47%
2011	59.6	29.4	4.9	6.1	8,777,328,518	887,067,631	7,890,260,887	0.58%
2010 ²	59.7	29.7	4.8	5.8	8,717,670,101	872,588,119	7,845,081,982	-0.20%
2009 ²	60.5	29.0	5.0	5.5	8,749,742,349	888,997,101	7,860,745,248	10.13%
2008 ²	62.1	28.0	4.5	5.4	8,670,308,350	1,532,328,737	7,137,979,613	-1.12%
2007 ²	61.8	28.4	4.4	5.4	7,376,104,210	157,066,247	7,219,037,963	15.44%
2006	60.6	26.6	5.9	7.2	6,359,947,800	106,380,770	6,253,567,030	2.46%
2005	60.8	25.9	5.9	7.4	6,210,479,700	107,256,230	6,103,223,470	8.29%
2004 ²	59.2	26.9	6.1	7.8	6,055,386,825	419,582,530	5,635,804,295	8.37%
2003 ²	59.9	24.6	6.7	6.8	5,902,781,490	702,324,150	5,200,457,340	--

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

² Revaluation. The column entitled "Exemptions" includes exemptions due to phase in of revaluation.

Source: City of Danbury, City Assessor's Office

Exempt Property

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

	Assessed Value
U.S. Government.....	\$ 58,383,600
State of Connecticut.....	367,166,000
Miscellaneous.....	335,310,300
City of Danbury.....	495,346,300
Total Exempt Property.....	\$ 1,256,206,200
Percent Compared to Gross Grand List ¹	17.79%

¹ Based on a Gross Grand List October 1, 2012 of \$7,059,377,127.

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	Percent of Annual Levy Uncollected at end of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/13
2011	2013 ¹	\$7,890,260,887	22.45	\$175,439,500	98.6	1.4	1.4
2010	2012	7,845,081,982	21.69	168,403,918	98.8	1.2	0.3
2009	2011	7,860,745,248	20.96	164,232,064	97.7	2.3	0.3
2008	2010	7,137,979,613	21.66	154,604,081	98.4	1.6	0.4
2007	2009	7,219,037,963	21.35	154,126,461	98.7	1.3	0.3
2006	2008	6,253,567,030	22.20	138,859,007	99.3	0.7	0.3
2005	2007	6,103,223,470	22.05	134,604,812	98.5	1.5	0.3
2004	2006	5,635,804,295	23.03	129,801,428	98.5	1.5	0.4
2003	2005	5,200,457,340	24.86	129,296,048	98.5	1.5	0.1
2002	2004	4,892,216,450	24.29	118,824,972	99.3	0.7	0.1

¹ 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
2013 ¹	\$6,607,687	\$2,225,549
2012	4,683,195	2,168,012
2011	6,087,661	2,023,921
2010	5,760,498	2,052,476
2009	6,466,518	2,753,582

¹ Subject to audit

Source: Comprehensive Annual Financial Reports, City of Danbury, 2009 - 2012.

City of Danbury, Tax Collector's Office, 2013.

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Danbury Mall Associates.....	Shopping Mall	\$ 208,901,300	3.06%
Boehringer-Ingelheim.....	Research Center	64,566,130	0.95%
Connecticut Light & Power.....	Public Utility	58,242,590	0.85%
Avalonbay Communities, Inc.	Land Developer	52,640,840	0.77%
Gera Danbury LLC.....	Real Estate Investor	47,981,600	0.70%
Melvyn, Mary & Seymour Powers Danbury Industrial Corp & MMP Realty.....	Industrial Park	40,388,100	0.59%
Hawley, Ervie, Germantown Plaza Assoc. & Germantown Medical Center.....	Shopping Center & Land Developer	34,178,690	0.50%
Urstadt Biddle Properties, Inc.....	Retail	29,347,800	0.43%
Building 45 Eagle LLC.....	Retail	29,008,800	0.42%
WR XXIII LLC.....	Land Developer	24,523,400	0.36%
Total.....		\$ 589,779,250	8.64%

¹ Based on a Net Grand List October 1, 2012 of \$6,827,106,602.

Source: Assessor's Office, City of Danbury

V. Debt Summary
Principal Amount of Bonded Indebtedness
As of July 26, 2013
(Pro Forma)

Date	Purpose	Rate %	Amount of Original Issue	Amount Outstanding	Fiscal Year of Maturity
02/01/94	Public Improvement.....	3.200 - 5.100	\$ 2,705,000	\$ 80,000	2014
02/01/94	Schools.....	3.200 - 5.100	17,740,000	880,000	2014
02/01/94	Sewer ²	3.200 - 5.100	2,100,000	105,000	2014
02/01/94	Water - Sewer Treatment Plant ²	3.200 - 5.100	1,000,000	50,000	2014
02/01/94	Sewer - Lateral ³	3.200 - 5.100	1,310,000	65,000	2014
02/01/94	Water - Dams ¹	3.200 - 5.100	2,000,000	100,000	2014
07/29/94	Sewers - Clean Water Fund Loan ²	2.000	47,373,853	206,872	2014
01/31/95	Sewers - CWF Loan - Lateral ³	2.000	441,322	23,905	2015
03/15/95	Sewer - Lateral ³	5.000 - 7.000	1,500,000	150,000	2015
03/15/95	Water - Dams ¹	5.000 - 7.000	2,100,000	210,000	2015
03/15/95	Public Improvement.....	5.000 - 7.000	1,695,000	145,000	2015
03/01/04	Public Improvement Refunding.....	2.000 - 5.000	11,770,000	7,928,000	2022
03/01/04	Schools Refunding.....	2.000 - 5.000	2,278,000	2,051,000	2022
03/01/04	Sewer - Lateral Refunding ⁵	2.000 - 5.000	998,000	735,000	2022
03/01/04	Water Refunding ¹	2.000 - 5.000	10,314,000	5,951,000	2022
08/01/06	Public Improvement.....	4.250 - 5.000	19,405,500	995,000	2027
08/01/06	Schools.....	4.250 - 5.000	4,952,000	250,000	2027
08/01/06	Sewer - Lateral ³	4.250 - 5.000	3,550,000	180,000	2027
08/01/06	Water ¹	4.250 - 5.000	3,712,500	185,000	2027
08/01/07	Public Improvement.....	4.000 - 5.000	23,146,000	2,480,000	2028
08/01/07	Schools.....	4.000 - 5.000	334,000	40,000	2028
08/01/07	Sewer ²	4.000 - 5.000	1,014,000	100,000	2028
08/01/07	Sewer - Lateral ³	4.000 - 5.000	2,697,000	280,000	2028
08/01/07	Water ¹	4.000 - 5.000	1,124,000	110,000	2028
08/01/08	Public Improvement.....	3.500 - 5.000	17,599,450	1,760,000	2029
08/01/08	Sewer ²	3.500 - 5.000	602,000	60,000	2029
08/01/08	Sewer - Lateral ⁵	3.500 - 5.000	1,241,050	126,000	2029
08/01/08	Water ¹	3.500 - 5.000	557,500	54,000	2029
07/15/09	Public Improvement.....	3.000 - 5.000	15,263,762	9,156,000	2030
07/15/09	Schools.....	3.000 - 5.000	3,821,238	2,292,000	2030
07/15/09	Water ¹	3.000 - 5.000	915,000	552,000	2030
03/18/10	Public Improvement Refunding.....	2.000 - 5.000	27,512,000	26,495,000	2025
03/18/10	Schools Refunding.....	2.000 - 5.000	5,172,000	4,849,000	2025
03/18/10	Sewer Refunding ²	2.000 - 5.000	2,319,000	2,262,000	2025
03/18/10	Sewer - Lateral Refunding ³	2.000 - 5.000	953,000	953,000	2025
03/18/10	Water Refunding ¹	2.000 - 5.000	2,014,000	1,996,000	2025
07/15/10	Public Improvement.....	2.000 - 4.000	21,625,000	18,291,931	2031
07/15/10	Schools.....	2.000 - 4.000	80,000	67,668	2031
07/15/10	Sewer ²	2.000 - 4.000	900,000	761,281	2031
07/15/10	Water ¹	2.000 - 4.000	395,000	334,120	2031
09/30/10	Sewers - Clean Water Fund Loan ²	2.000	2,549,994	2,126,163	2030
07/15/11	Public Improvement.....	3.000 - 5.000	14,944,042	12,988,000	2031
07/15/11	Schools.....	3.000 - 5.000	2,608,278	2,235,000	2031
07/15/11	Sewer ²	3.000 - 5.000	325,000	245,000	2030
07/15/11	Sewer - Lateral ³	3.000 - 5.000	122,680	112,000	2030
10/27/11	Public Improvement Refunding.....	3.000 - 5.000	11,701,000	11,701,000	2026
10/27/11	Schools Refunding.....	3.000 - 5.000	1,563,000	1,563,000	2026
10/27/11	Sewer Refunding ²	3.000 - 5.000	228,000	228,000	2026
10/27/11	Sewer - Lateral Refunding ³	3.000 - 5.000	1,450,000	1,450,000	2026
10/27/11	Water Refunding ¹	3.000 - 5.000	1,283,000	1,283,000	2026

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07/27/12	Public Improvement.....	2.000 - 4.000	8,984,956	8,349,000	2031
07/27/12	Schools	2.000 - 4.000	1,976,890	1,859,000	2031
07/27/12	Sewer ²	2.000 - 4.000	147,232	138,000	2031
07/27/12	Sewer - Lateral ³	2.000 - 4.000	186,803	143,000	2031
07/27/12	Water ¹	2.000 - 4.000	704,119	661,000	2031
08/21/12	Public Improvement Refunding.....	2.000 - 4.000	12,383,000	12,314,000	2029
08/21/12	Schools Refunding	2.000 - 4.000	329,000	327,000	2028
08/21/12	Sewer Refunding ²	2.000 - 4.000	449,000	1,225,000	2029
08/21/12	Sewer - Lateral Refunding ³	2.000 - 4.000	1,232,000	446,000	2029
08/21/12	Water Refunding ¹	2.000 - 4.000	662,000	658,000	2029
01/31/13	Sewers - Clean Water Fund Loan ²	2.000	3,663,600	3,663,600	2033
Total Long Term Debt.....			\$ 333,723,769	\$ 157,025,540	

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 City 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 from such extension projects. Assessments of benefits for those whose property benefits by such extension projects are established by standards contained in an ordinance enacted by the City Council and in conformity with Chapter 103 of the General Statutes, as amended. Debt service is paid from the Sewer Assessment Fund.

Short Term Debt As of July 26, 2013 (Pro Forma)

Project	Authorized	Notes Due: 7/25/14
Gen. Public Imp. 13-14	\$ 3,000,000	\$ 2,000,000
Vision 2020 Bond-Public Imps.....	2,475,000	500,000
Head Start	5,600,000	2,500,000
Vision 2020 Bond-Public Imps.	44,000,000	34,500,000
Vision 2020 - Sewer upgrade.....	7,975,000	500,000
Totals	\$ 63,050,000	\$ 40,000,000

Other Obligations

The City of Danbury leases certain capital equipment. As of June 30, 2013, the outstanding amount owed under such capital leases obligations was \$18,745,314 (including \$12.7 million in principal and interest payments for a Qualified Energy Conservation Bond lease). 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 July 26, 2013
(Pro Forma)

Fiscal Year	Principal	Interest	Total	Cummulative % Principal Retired
2014 ¹	\$ 5,921,000	\$ 3,150,075	\$ 9,071,075	4.66%
2015	9,449,250	4,875,214	14,324,464	12.09%
2016	10,256,095	4,444,407	14,700,502	20.15%
2017	9,698,376	4,002,329	13,700,705	27.78%
2018	9,648,376	3,581,001	13,229,377	35.36%
2019	9,305,376	3,159,073	12,464,449	42.68%
2020	8,815,376	2,744,955	11,560,331	49.61%
2021	8,669,250	2,358,211	11,027,461	56.43%
2022	8,487,250	2,023,822	10,511,072	63.10%
2023	7,642,250	1,720,708	9,362,958	69.11%
2024	7,361,250	1,420,105	8,781,355	74.90%
2025	6,813,250	1,158,640	7,971,890	80.25%
2026	6,643,250	907,643	7,550,893	85.48%
2027	6,279,250	655,293	6,934,543	90.41%
2028	5,078,250	440,438	5,518,688	94.41%
2029	3,998,250	269,112	4,267,362	97.55%
2030	3,115,250	133,711	3,248,961	100.00%
2031	1,915,250	36,905	1,952,155	100.00%
Total.....	\$129,096,599	\$ 37,081,639	\$ 166,178,238	

¹ Excludes \$5,270,096 in principal payments and \$2,162,755 interest payments from July 1, 2013 through July 26, 2013.

Self-Supporting Debt Annual Bonded Maturity Schedule
As of July 26, 2013
(Pro Forma)

Fiscal Year	Principal	Interest	Total	Cummulative % Principal Retired
2014 ¹	\$ 2,955,989	\$ 744,281	\$ 3,700,271	10.58%
2015	2,585,093	907,175	3,492,268	19.84%
2016	2,526,807	787,181	3,313,988	28.89%
2017	2,375,035	678,174	3,053,209	37.39%
2018	2,370,654	579,682	2,950,337	45.88%
2019	2,054,387	491,978	2,546,365	53.23%
2020	1,455,236	420,686	1,875,922	58.45%
2021	1,332,328	364,624	1,696,952	63.22%
2022	1,340,416	318,421	1,658,837	68.02%
2023	1,291,626	273,245	1,564,871	72.64%
2024	1,298,961	224,014	1,522,976	77.29%
2025	1,303,425	179,108	1,482,533	81.96%
2026	1,250,018	135,073	1,385,091	86.43%
2027	1,235,745	91,115	1,326,861	90.86%
2028	873,608	56,684	930,292	93.99%
2029	645,609	34,114	679,723	96.30%
2030	414,961	19,162	434,124	97.78%
2031	275,927	10,450	286,377	98.77%
2032	215,439	4,894	220,333	99.54%
2033	127,676	853	128,528	100.00%
Total.....	\$27,928,941	\$ 6,320,916	\$34,249,857	

¹ Excludes \$319,904 in principal payments and \$252,538 interest payments from July 1, 2013 through July 26, 2013.

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 July 26, 2013
(Pro Forma)**

Fiscal Year	Principal	Interest	Total	Cumulative % Prin. Retired
2014 ¹	\$ 8,876,989	\$ 3,894,356	\$ 12,771,345	5.65%
2015	12,034,343	5,782,389	17,816,732	13.32%
2016	12,782,902	5,231,588	18,014,490	21.46%
2017	12,073,411	4,680,503	16,753,914	29.15%
2018	12,019,030	4,160,684	16,179,714	36.80%
2019	11,359,763	3,651,051	15,010,814	44.04%
2020	10,270,612	3,165,641	13,436,253	50.58%
2021	10,001,578	2,722,835	12,724,413	56.95%
2022	9,827,666	2,342,243	12,169,909	63.20%
2023	8,933,876	1,993,953	10,927,829	68.89%
2024	8,660,211	1,644,119	10,304,330	74.41%
2025	8,116,675	1,337,748	9,454,422	79.58%
2026	7,893,268	1,042,716	8,935,985	84.60%
2027	7,514,995	746,408	8,261,403	89.39%
2028	5,951,858	497,122	6,448,980	93.18%
2029	4,643,859	303,226	4,947,085	96.14%
2030	3,530,211	152,873	3,683,085	98.39%
2031	2,191,177	47,355	2,238,532	99.78%
2032	215,439	4,894	220,333	99.92%
2033	127,676	853	128,528	100.00%
Total	\$ 157,025,540	\$ 43,402,555	\$ 200,428,095	

¹ Excludes \$5,590,000 in principal payments and \$2,415,293 interest payments from July 1, 2013 through July 26, 2013.

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

Overlapping/Underlying Debt

The City of Danbury has neither overlapping nor underlying debt.

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

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Debt Statement
As of July 26, 2013
(Pro Forma)

Long-Term Debt :

Public Improvement	\$112,682,931
Schools	16,413,668
Sewers.....	15,784,821
Water.....	12,144,120
Total Long-Term Debt ¹	<u>157,025,540</u>

Short-Term Debt:

Bond Anticipation Notes (This Issue: Due July 25, 2014).....	40,000,000
Total Direct Debt	<u>197,025,540</u>

Less: Amount to be provided by the State for school construction (As of 6/30/13).....	(821,778)
Self-Supporting Sewer Debt	(16,284,821)
Self-Supporting Water Debt	(12,144,120)
	<u>(29,250,719)</u>

Total Net Direct Debt	167,774,821
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Plus: Overlapping/Underlying Debt.....	-
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TOTAL OVERALL NET DEBT	<u><u>\$167,774,821</u></u>
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¹ Long-term debt does not include \$18,745,314 in capital leases (including \$12.7 million in principal and interest payments for a Qualified Energy Conservation Bond lease), as of June 30, 2012.

Current Debt Ratios
As of July 26, 2013
(Pro Forma)

Population (2010) ¹	80,893
Net Taxable Grand List (10/1/12).....	\$ 6,827,106,602
Estimated Full Value.....	\$ 9,753,009,431
Equalized Net Taxable Grand List (10/1/10) ¹	\$ 9,696,064,958
Income per Capita (2000) ¹	\$24,500
Income per Capita (2010) ¹	\$28,204

	Total Direct Debt:	Total Net Direct Debt:	Total Overall Net Debt:
	\$197,025,540	\$167,774,821	\$167,774,821
Per Capita.....	\$2,435.63	\$2,074.03	\$2,074.03
Ratio to Net Taxable Grand List.....	2.89%	2.46%	2.46%
Ratio to Estimated Full Value.....	2.02%	1.72%	1.72%
Ratio to Equalized Net Taxable Grand List.....	2.03%	1.73%	1.73%
Debt per Capita to Income per Capita (2000).....	9.94%	8.47%	8.47%
Debt per Capita to Income per Capita (2010).....	8.64%	7.35%	7.35%

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

Bond Authorization Procedure

The issuance of bonds is authorized pursuant to an ordinance passed by the City 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 City Council votes to issue bonds in a principal amount in excess of \$3,000,000, 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 ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions 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 school and 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 school and sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date except for school and 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 1/15 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 (Connecticut 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 and denitrification projects which are funded by a 30% grant and a 70% loan).

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.

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.

The City authorized \$76,450,000 to undertake major renovations to the wastewater treatment plant, to be financed through the State of Connecticut Clean Water Fund Program (the "CWF Program"). The City has issued \$52,709,321 in debt and has received \$10,176,997 from the State in the form of grants for the project under the CWF Program.

In addition, the City authorized \$5,800,000 for improvements to the Water Pollution Control Plant and \$5,000,000 for the Construction of Sewer Lines and Pump Station Upgrades, to be financed by the CWF Program and local borrowings. The City has issued Permanent Loan Obligations (PLO) in the amount of \$6,213,594 and has received \$1,102,716 from the State in the form of grants under the CWF Program, and has issued general obligation bonds in the amount of \$354,000 for said projects.

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the annual receipts from taxation. Annual receipts from taxation (the "base") are defined as total tax collections (including interest and penalties) and state payments for revenue loss under the Connecticut General Statutes Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt to be paid from a funded sinking fund.

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Statement of Debt Limitation
As of July 26, 2013
(Pro Forma)

Total Tax Collections (including interest and lien fees):

For the year ended June 30, 2012..... \$ 169,266,131

Reimbursement For Revenue Loss On:

Tax Relief for Elderly..... 9,166

BASE..... \$ 169,275,297

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
Debt Limitation:					
2 1/4 times base.....	\$ 380,869,418	\$ -	\$ -	\$ -	\$ -
4 1/2 times base.....	-	761,738,837	-	-	-
3 3/4 times base.....	-	-	634,782,364	-	-
3 1/4 times base.....	-	-	-	550,144,715	-
3 times base.....	-	-	-	-	507,825,891
Total Debt Limitation	<u>\$ 380,869,418</u>	<u>\$ 761,738,837</u>	<u>\$ 634,782,364</u>	<u>\$ 550,144,715</u>	<u>\$ 507,825,891</u>
Indebtedness:					
Outstanding Debt: ^{1,2}					
Bonds Payable ³	\$ 112,682,931	\$ 16,413,668	\$ 11,120,916	\$ -	\$ -
Short-Term Notes (This Issue).....	1,825,000	37,675,000	500,000	-	-
Authorized But Unissued.....	25,361,631	14,665,740	9,328,739	-	-
Total Indebtedness ⁴	<u>139,869,562</u>	<u>68,754,408</u>	<u>20,949,655</u>	<u>-</u>	<u>-</u>
Less School Construction Grants ⁵	-	(821,778)	-	-	-
Total Net Indebtedness For Debt Limitation Calculation	<u>\$ 139,869,562</u>	<u>\$ 67,932,630</u>	<u>\$ 20,949,655</u>	<u>\$ -</u>	<u>\$ -</u>
DEBT LIMITATION IN EXCESS OF INDEBTEDNESS	<u>\$ 240,999,857</u>	<u>\$ 693,806,206</u>	<u>\$ 613,832,709</u>	<u>\$ 550,144,715</u>	<u>\$ 507,825,891</u>

¹ Water debt is excludable from the calculation of debt limitation as allowed by Connecticut General Statutes. Excluded from above is \$12,144,120 of outstanding water bonds and \$2,721,731 of water 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 \$4,663,906 of outstanding sewer assessment bonds and \$3,251,088 of authorized but unissued sewer assessment debt.

³ Includes Clean Water Fund Permanent Loan Obligations.

⁴ Excludes \$18,745,314 in capital leases (including \$12.7 million in principal and interest payments for a Qualified Energy Conservation Bond lease), as of June 30, 2012.

⁵ 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 \$1,184,927,079.

**Debt Authorized but Unissued
As of July 26, 2013
(Pro Forma)**

Project	Authorized	Debt Previously Issued	Grants ⁴	Notes Due: 7/26/13	Notes Due: 7/25/14	Debt Authorized but Unissued ³			
						General Purpose	Schools	Sewers	Water
GENERAL PURPOSE									
Gen. Public Imp. 13-14	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 1,325,000	\$ 1,000,000	\$ -	\$ -	\$ -
Open Space -Land	16,000,000	12,364,141	650,000	-	-	2,950,000	-	-	-
Public Safety Bond	45,485,565	45,220,044	115,521	-	-	115,521	-	-	-
21st Century Danbury Pub. Imp.	55,515,000	40,563,027	14,846,308	-	-	14,846,308	-	-	-
Vision 21 Public Improvement.....	21,000,000	16,525,198	4,474,802	-	-	4,474,802	-	-	-
Vision 2020 Bond-Public Imps.....	2,475,000	-	-	-	500,000	1,975,000	-	-	-
Sub-Total	143,475,565	114,672,410	20,086,631	-	1,825,000	25,361,631	-	-	-
SCHOOLS									
Gen. Public Imp. 10-11 school.....	1,700,000	950,000	750,000	-	-	-	750,000	-	-
Head Start	5,600,000	2,693,890	289,410	2,500,000	2,175,000	-	441,700	-	-
Vision 21/2 Program Schools	5,360,000	4,365,558	994,442	-	-	-	994,442	-	-
Danbury High School	2,900,000	1,180,000	750,000	-	-	-	1,699,000	-	-
Public Safety Bond	4,204,435	2,900,000	1,280,598	-	-	-	1,280,598	-	-
Vision 2020 Bond-Public Imps.	44,000,000	-	-	-	35,500,000	-	9,500,000	-	-
Sub-Total	63,764,435	12,089,448	4,064,450	2,500,000	37,675,000	-	14,665,740	-	-
SEWER									
21st Century Danbury Sewer	5,000,000	1,164,000	3,457,535	-	-	-	-	206,065	-
Safety Sewer Improvements	5,800,000	420,803	3,778,816	-	-	-	-	1,647,674	-
Sewer Service Extension III ¹	5,000,000	1,748,912	-	-	-	-	-	3,251,088	-
Vision 2020 - Sewer upgrade.....	7,975,000	-	-	-	500,000	-	-	7,475,000	-
Sub-Total	23,775,000	3,333,715	7,236,351	-	500,000	-	-	12,579,827	-
WATER									
Danbury Neighborhood Water ²	998,000	437,580	-	-	-	-	-	-	545,420
Water Service Extension II ²	3,000,000	1,373,689	-	-	-	-	-	-	1,626,311
Vision 2020 - Water System ²	550,000	-	-	-	-	-	-	-	550,000
Sub-Total	4,548,000	1,811,269	-	-	-	-	-	-	2,721,731
Grand Total	\$ 235,563,000	\$ 131,906,842	\$ 31,387,432	\$ 2,500,000	\$ 40,000,000	\$ 25,361,631	\$ 14,665,740	\$ 12,579,827	\$ 2,721,731

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 City Council and in conformity with Chapter 103 of the General Statutes, as amended. Debt service is paid from the Sewer Assessment Fund.

² Debt service is included in and paid from the operating budget of the Water Enterprise Fund.

³ Authorized but Unissued debt listed above is net of paydowns.

⁴ The amounts in the Grants column represent the total of actual and the estimated grant payments related to the authorization.

Note: Authorized but unissued debt in this table does not reflect principal reductions or statutory pay-downs made by the City which cannot or will not be financed with bonds.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Net Long- Term Debt ¹	Ratio of Net	Ratio of Net	Population ²	Net Long-	Ratio of Net
				Long-Term Debt to Assessed Value (%)	Long-Term Debt to Estimated Full Value (%)		Term Debt per Capita	Long-Term Debt per Capita Income ³
2012	\$7,845,081,982	\$11,207,259,974	\$134,136,419	1.71%	1.20%	80,893	1,658.20	5.88%
2011	7,860,745,248	11,229,636,069	127,439,350	1.62%	1.13%	80,893	1,575.41	5.59%
2010	7,137,979,613	10,197,113,733	114,147,700	1.60%	1.12%	80,893	1,411.09	5.00%
2009	7,219,037,963	10,312,911,376	107,487,500	1.49%	1.04%	79,743	1,347.92	4.78%
2008	6,253,567,030	8,933,667,186	97,770,400	1.56%	1.09%	79,256	1,233.60	4.37%

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

² State of Connecticut Department of Public Health, 2007-2009. U.S. Department of Commerce, Bureau of Census, 2010 (used for 2011-12).

³ U.S. Department of Commerce, Bureau of Census, 2010 data used for per capita income (\$24,500).

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

Fiscal Year Ended 6/30	Principal	Interest	Total	Total General Fund Expenditures	Ratio of General Fund Debt Service To Total General Fund Expenditures %
2012	\$10,581,600	\$5,465,397	\$16,046,997	\$227,721,209	7.05%
2011	8,413,350	5,011,121	13,424,471	216,313,085	6.21%
2010	8,671,800	5,159,630	13,831,430	210,153,438	6.58%
2009	7,810,350	4,497,286	12,307,636	209,087,407	5.89%
2008	6,599,850	3,855,922	10,455,772	204,004,121	5.13%

Source: City of Danbury Audit Reports 2008-2012.

**Six Year Capital Improvement Program
Fiscal Year 2014 through Fiscal Year 2019**

Proposed Projects	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Airport	\$ 2,950,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,950,000
Civil Preparedness.....	30,000	30,000	30,000	30,000	30,000	30,000	180,000
Engineering	3,130,340	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	14,380,340
Equipment Maintenance ...	-	-	-	-	-	-	-
Fire	1,654,000	6,750,000	6,750,000	750,000	750,000	750,000	17,404,000
Forestry.....	-	-	-	-	-	-	-
Highway	3,250,000	3,250,000	3,500,000	3,750,000	3,750,000	3,750,000	21,250,000
Information Technology....	725,000	200,000	200,000	200,000	200,000	200,000	1,725,000
Information Tech (BOE)...	750,000	2,250,000	350,000	350,000	400,000	400,000	4,500,000
Parks Maintenance	-	-	-	-	-	-	-
Planning.....	-	-	-	-	-	-	-
Police.....	465,000	500,000	800,000	500,000	500,000	500,000	3,265,000
Public Buildings	36,469,675	11,500,000	6,500,000	6,500,000	6,500,000	6,500,000	73,969,675
Recreation	100,000	100,000	100,000	100,000	70,000	-	470,000
Richter Park.....	-	-	-	-	-	-	-
Solid Waste/Recycle	-	77,000	100,000	56,000	-	-	233,000
Tarrywile Park	-	40,000	80,000	-	-	-	120,000
Sewer	1,750,000	2,000,000	2,250,000	2,500,000	17,500,000	17,500,000	43,500,000
Water	1,250,000	1,750,000	2,250,000	2,000,000	2,000,000	2,000,000	11,250,000
TOTAL	\$52,524,015	\$30,697,000	\$ 25,160,000	\$ 18,986,000	\$33,950,000	\$33,880,000	\$195,197,015

Proposed Funding	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
User Charges ¹	\$ 3,173,750	\$ 3,750,000	\$ 4,500,000	\$ 4,500,000	\$19,500,000	\$19,500,000	\$ 54,923,750
Notes/Bonds /Leases	27,873,015	17,919,500	15,692,500	11,998,500	11,962,500	11,892,500	97,338,515
St./Fed. Grants/Other	21,477,250	9,027,500	4,967,500	2,487,500	2,487,500	2,487,500	42,934,750
TOTAL	\$52,524,015	\$30,697,000	\$ 25,160,000	\$ 18,986,000	\$33,950,000	\$33,880,000	\$195,197,015

¹ Includes self-supporting sewer and water debt that will be paid by user fees.

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.....	December 20
Mayor presents budget to the City Council.....	April 7
City Council holds public hearings.....	Throughout April
City Council adopts budget.....	May 15

Investment Policy

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

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

The Connecticut General Statutes, Section 7-400 and 7-402 govern eligible investments for Connecticut municipalities. Please refer to the Notes to the Financial Statements, Note 4 regarding the City's cash and cash equivalent investments at June 30, 2012.

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 City 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, 2012, the financial statements of the City were audited by McGladrey & Pullen, LLP.

For twenty-three 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 is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the last three years. The City self-insures up to certain levels of risk based on an evaluation of the City's financial capability to assume risk and prevailing market conditions for commercial insurance. Presently, the City is self-insured for the first \$100,000 per claim for general, auto, property and public liability. The City also maintains a \$750,000 combined aggregate stop loss on these lines of coverage. The Risk Management Department also manages workers' compensation. The City is self-insured for the first \$500,000 per claim and maintains an aggregate stop loss on these worker's compensation

claims of \$3 million. For medical insurance, the City and BOE have worked together to switch from being fully insured to self-insured as of July 1, 2013. The City and BOE remain self-insured for dental and prescription programs.

In addition, the City maintains liability insurance coverage as listed below:

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

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

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

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

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

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

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

See Appendix A -- "FINANCIAL STATEMENTS, Note #12 - "Risk Management" to "General Purpose Financial Statements" herein.

Pension 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. City and employee contributions are made pursuant to City charter and Union contracts. Administrative fees are paid through the plans. The City's pension plans do not, however, issue stand-alone financial reports.

The City's plans' assets are consolidated and treated as one combined trust ("Master Trust") for all of 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.

There most significant factor contributing to the large increase in accrued liabilities and simultaneously decreasing the funded ratios was caused by the interest rate assumption being reduced from 8% to 7.25% for all plans. Such other factors included adjusting the disability assumption rates to reflect actual experience and changing the salary scale from 4% to a scale that is graded by age. The collective funding for all pensions plans is 84.2% based upon the most recent valuations. The individual funding status as of most recent valuations are as follows:

<i>Plan</i>	<i>Valuation Date</i>	<i>Value of Assets</i>	<i>Accrued Liability</i>	<i>Funded Ratio</i>
General Employees	July 2011	\$110,890,677	\$117,668,661	94.24%
Pre-1967 Police	July 2011	4,894,494	9,509,978	51.47%
Pre- 1967 Fire	July 2011	4,600,978	8,000,590	57.51%
Post-1967 Police	July 2012	50,877,985	61,246,119	83.07%
Post-1967 Fire	July 2012	67,213,044	80,065,555	83.95%
Post -1983 Police	July 2012	21,352,085	32,286,786	66.13%

See Appendix A -- "FINANCIAL STATEMENTS, Note #11 - "Employee Retirement Plans" to "General Purpose Financial Statements" herein.

Other Post Employment Benefits (OPEB)

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement #45 entitled "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". Retiree medical plans will be required to disclose information about asset and liability levels and disclose historical contribution information. Actuarial valuations will be required to determine liability levels and show historical contribution information.

The implementation schedule required the City to implement the provisions of this GASB Statement and recognize the liability on its financial statements in fiscal year ending 2010. In fiscal year ending June 30, 2008, the City adopted an ordinance for the establishment of an Other Postemployment Benefit (OPEB) Trust and Board and is in the process of appointing members to the Board. The City has set up a \$1.2 million fund balance reserve and will make additional contributions as funds become available. If the City continues to make OPEB contributions in accordance with this plan, the actuaries estimate the City's OPEB liability to be approximately \$124 million with an ARC of \$12.7 million. The net budget impact of the ARC is \$6 million, since the City is already contributing towards retiree health benefits.

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

	Budget ¹	Projected	Actual	Actual	Actual	Actual
	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009
Revenues						
Property taxes.....	\$ 182,136,413	\$ 175,924,866	\$ 168,088,383	\$ 162,068,724	\$ 154,994,853	\$ 152,551,430
State and federal governments.....	35,225,533	32,071,034	47,293,595	41,012,958	40,879,804	43,575,163
Licenses and permits.....	3,697,800	4,645,285	3,639,454	3,260,421	2,468,153	3,328,157
Charges for services.....	2,251,254	1,806,247	5,354,883	5,298,084	5,490,781	3,808,050
Fines and penalties.....	1,339,000	1,142,184	1,385,509	1,433,856	1,350,435	1,186,314
Investment income.....	350,000	70,882	139,318	191,553	381,557	1,916,231
Other.....	-	-	-	-	-	-
Contributions.....	-	-	-	-	-	-
Total Revenues.....	225,000,000	215,660,498	225,901,142	213,265,596	205,565,583	206,365,345
Other Financing Sources						
Refunding Bond Proceeds.....	-	-	13,264,000	-	32,684,000	-
Premium on Bonds Issued.....	-	811,084	3,510,677	831,290	6,656,563	1,120,847
Proceeds from Sale of Property.....	-	-	-	2,073,700	-	-
Capital Lease Financing.....	-	-	-	657,717	1,467,444	930,507
Operating Transfers In.....	-	100,000	245,814	450,000	570,000	-
Total Revenues and Other Financing Sources.....	225,000,000	216,571,582	242,921,633	217,278,303	246,943,590	208,416,699
Expenditures						
General Government.....	9,501,492	9,041,252	8,724,776	9,127,425	9,340,305	9,220,047
Public Safety.....	30,629,409	29,459,192	29,704,609	29,601,760	29,495,480	28,318,064
Public Works.....	9,608,434	9,083,791	8,765,595	9,043,532	9,093,883	9,054,873
Health and Welfare.....	2,106,296	1,981,313	3,645,443	3,473,010	3,513,152	4,318,069
Culture and Recreation.....	2,664,037	2,349,985	2,530,195	2,776,198	2,842,230	2,933,194
Education.....	118,503,866	116,003,886	129,949,781	121,036,352	117,631,730	121,411,300
Pension and Other Employee Benefits.....	33,013,356	30,497,827	26,447,785	25,755,047	22,541,813	19,822,162
Other.....	450,000	-	-	-	-	-
Debt Service.....	17,101,110	16,697,858	15,791,843	13,424,472	13,831,430	12,307,636
Capital Outlay.....	3,500,000	1,518,195	1,002,754	1,316,837	1,514,054	958,014
Total Expenditures.....	227,078,000	216,633,299	226,562,781	215,554,633	209,804,077	208,343,359
Other Financing Uses						
Payment to Refunding Agent.....	-	-	15,101,113	-	37,696,163	-
Operating Transfers Out.....	272,000	258,427	1,158,428	758,452	349,361	744,048
Total Expenditures and Other Financing Uses.....	227,350,000	216,891,726	242,822,322	216,313,085	247,849,601	209,087,407
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources.....						
	(2,350,000)	(320,144)	99,311	965,218	(906,011)	(670,708)
Beginning Fund Balance.....	N/A	28,292,856	28,193,545	27,228,327²	26,310,395	26,981,103
Ending Fund Balance.....	N/A	\$ 27,972,712	\$ 28,292,856	\$ 28,193,545	\$ 25,404,384	\$ 26,310,395

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

² As restated based on the change in fund type classification per implementation of GASB Statement No. 54.

Analysis of General Fund Equity

	Budget	Projected	Actual	Actual		Actual	Actual
	6/30/2014	6/30/2013 ¹	6/30/2012	6/30/2011 ²		6/30/2010	6/30/2009
Nonspendable.....	N/A	\$ 500,000	\$ 597,231	\$ 77,934	Reserved for Encumbrances.....	\$ 1,571,387	\$ 1,262,021
Restricted.....	N/A	-	-	-	Reserved for Cont. Approps.....	82,149	128,759
Committed.....	N/A	872,712	709,030	515,990	Unreserved		
Assigned.....	N/A	4,850,000	4,845,817	6,136,974	Designated for Future Budgets.....	2,500,000	4,000,000
Unassigned.....	N/A	21,750,000	22,140,748	21,462,647	Undesignated.....	21,250,848	20,919,615
Total Fund Balance.....	N/A	\$ 27,972,712	\$ 28,292,826	\$ 28,193,545		\$ 25,404,384	\$ 26,310,395

¹ Subject to audit.

² Starting with the year ending June 30, 2011, there was a change in fund type classification per implementation of GASB Statement No. 54.

Source: Annual Audit Report: 2008-2012. Finance Department 2013.

VII. Legal and Other Information

Litigation

The Corporation Counsel has advised that there are, at any given time, 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. The following matters however, could presently represent potential (non-material) payouts:

There are a handful of real estate tax appeals from the October 1, 2010 and October 1, 2011 citywide Grand Lists. The City is processing these appeals at the present time and assessing their proposed impact. At this time, and until said review is completed, City officials cannot say with certainty that there will or will not be a material financial impact in the event appellants are successful, but based on preliminary review, we do not expect it. Recent successful experience with the 2007 through 2009 appeals, consistent with past experience, permits us to expect many of these matters to settle, others to be tried successfully, and others resulting in some assessment adjustment(s). City officials cannot, therefore, at this time, quantify an impact.

Construction contract litigation pertaining to the Rose Hill Street Bridge reconstruction project is underway. This contractor lawsuit asserts a claim for up to \$900,000 for add-on costs and related expenditures for this project completed in 2009. The City is defending this case vigorously and expects a successful outcome substantially less than that claimed.

Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Notes in order that interest on the Notes be and remains excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. The Tax Regulatory Agreement, which will be executed and delivered by the City concurrently with the Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of 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 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 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 federal alternative minimum tax imposed on certain corporations.

Ownership of 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 Notes. Prospective purchasers of 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, or receipt of interest on, the Notes.

In the opinion of Bond Counsel, based on 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.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Notes or adversely affect the market price of the Notes.

The opinions of Bond Counsel are rendered as of their date and are based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Notes are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Notes.

Original Issue Discount

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

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

Original Issue Premium

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

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

Closing Documents

The original purchaser(s) will be furnished the following documents when 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 Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the City, signed by the Mayor, the Treasurer, and the Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, at the time bids were accepted on the Notes the description and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.

3. A receipt for the purchase price of the Notes.
4. The approving opinion of Robinson & Cole LLP, Bond Counsel.
5. An Executed continuing disclosure agreement for the Notes in substantially the form attached hereto as Appendix C.

The City of Danbury has prepared a Preliminary Official Statement for the Notes, which is dated July 8, 2013. 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 Notes twenty five (25) copies of the Official Statement at the City's expense. The copies of the Official Statement will be made available to the winning purchasers within seven business days of the bid opening. If the City's Financial Advisor, Phoenix Advisors, LLC, is provided with the necessary information from the winning purchaser by noon of the day following the day bids on 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. 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.

Concluding Statement

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

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

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

CITY OF DANBURY, CONNECTICUT

/S/ Mark D. Boughton

Mark D. Boughton, Mayor

/S/ Daniel P. Jowdy

Daniel P. Jowdy, Treasurer

/S/ David W. St. Hilaire

David W. St. Hilaire, Director of Finance

Dated as of July 17, 2013

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Appendix A

2012 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, 2012. 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, Managing Director, Phoenix Advisors, LLC, 53 River Street, Suite #1, Milford, Connecticut. Telephone (203) 878-4945.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City 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 (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Danbury, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority, the Tarrywile Park Authority, the Charles Ives Authority for the Performing Arts and the Danbury Museum and Historical Society Authority, component units of the City, which financial statements reflect 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority, the Tarrywile Park Authority, the Charles Ives Authority for the Performing Arts, and the Danbury Museum and Historical Society Authority, discretely presented component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority, the Tarrywile Park Authority, the Charles Ives Authority for the Performing Arts and the Danbury Museum and Historical Society Authority discretely presented component units of the City, were not audited in accordance with "Government Auditing Standards." An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danbury, Connecticut, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated January 30, 2013 on our consideration of the City of Danbury, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance and other matters. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danbury, Connecticut's basic financial statements. The introductory section, supplemental and combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental and combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental and combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McGladrey LLP

New Haven, Connecticut
January 30, 2013

**City of Danbury, Connecticut
Management's Discussion and Analysis, Unaudited
June 30, 2012**

As management of the City of Danbury, Connecticut, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Danbury for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal.

Financial Highlights

- Unassigned fund balance increased by \$.7 million to \$22.1 million for the general fund while the total fund balance amounted to \$28.3 million, an increase of \$0.1 million. At the end of the current fiscal year, revenues exceeded expenditures on an actual budgetary basis by approximately \$1.4 million. Unassigned general fund balance at year-end represents 10.1% of the ensuing year's total general fund expenditures of \$220.1 million.
- On a government-wide basis for the year-ended June 30, 2012, the City's net assets totaled \$285.8 million, an increase from last year's total of \$283.8 million. Government-wide expenses totaled \$261.8 million and revenues totaled \$260.4 million. Total net assets for Governmental Activities and Business-type Activities at fiscal year-end were \$142.7 million and \$143.1 million, respectively. Net assets for Governmental Activities decreased slightly by \$1.4 million while net assets increased for Business-Type Activities by \$3.5 million or 2.5%. Of the City's total net assets at June 30, 2012, \$13.8 million or 4.8% is unrestricted and may be used to meet the government's obligation to citizens and creditors.
- At the close of the year, the City of Danbury's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$34.5 million, a decrease of \$4.7 million from the prior fiscal year. The decrease in governmental funds fund balance was mostly due to the timing of FEMA reimbursements relating to Storm Irene and SuperStorm Alfred.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City of Danbury's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the city is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. However, substantial changes in Net Assets may occur from one year to the next simply as a result of the construction of capital assets and new accounting standards issued by GASB (Governmental Accounting Standards Board). For an example, the implementation of GASB 45 in 2008 requiring the City to account for the unfunded portion of "Other Post Employment Benefits" (OPEB), have resulted in a reduction of the

City's net assets by a total of \$28.7 million, \$7.9 million of which impacted the FY ending June 30, 2012. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

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

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

- Governmental activities of the City of Danbury encompass most of the City's basic services and include general government, public safety, public works, health and welfare, culture and recreation, education and other activities. Property taxes, charges for services and state and federal grants finance most of these activities.
- Business-type activities of the City of Danbury include the Water, Sewer, Ambulance, and Internal Service funds. The Water, Sewer and Ambulance Funds are reported here as the City charges fees to customers to help cover the cost of the operations. The Internal Service Fund is used to report the activity of providing employee benefits.
- The government-wide financial statements include not only the City of Danbury itself, but also five legally separate component units, the Danbury Parking Authority, the Richter Park Authority, the Tarrywile Park Authority, Charles Ives Authority for the Performing Arts and the Danbury Museum and Historical Society 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 14-17 of this report.

Fund Financial Statements

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

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

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

The City of Danbury maintains 26 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 which is considered to be a major fund. Other funds considered to be Major Funds are Miscellaneous Special Revenue, Sewer, Water, Ambulance and Internal Service. Non-major governmental funds are combined into a single, aggregated presentation as other governmental funds. Such funds include the School Lunch Program Fund, the Community Development Block Grant Fund, the WIC Grant Fund, the Animal Control Fund, the School-Based Health Center Grant Fund, the LOCIP Fund, Airport Projects Fund, State and Federal School Projects Fund, the Library Fund, the Railyard Parking Lease Fund, Open Space Bond, Magnet School Fund, the Vision 21 and Vision 21 - 2 Bond Issues Fund, BIIP, NSP Grant, ARRA, Public Safety Bond, SECP, Century 21 PI Fund, the City Projects Fund, the Danbury Neighborhood Bond Fund, the Head Start Bond Fund, CRM Project Fund, and the Farioly Permanent Fund. The Miscellaneous Special Revenue Fund is the consolidation of 51 small grant programs that have been combined for the purposes of financial reporting. This is considered a major 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 basic governmental fund financial statements can be found on pages 18-19 of this report.

The City of Danbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement on page 76 has been provided for the general fund to demonstrate compliance with the authorized budget.

Proprietary funds. The City of Danbury maintains four 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, Sewer, Ambulance and Internal Service operations.

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

The basic proprietary fund financial statements can be found on pages 21-23 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 seven 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 24-25 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 26-72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-retirement benefits to its employees.

The City of Danbury adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Required supplementary information can be found on pages 73-79.

Government-wide Financial Analysis

As noted earlier, the statement of net assets presents information on all of the City of Danbury's assets and liabilities, with the difference reported as net assets. In the case of the City of Danbury, assets exceeded liabilities by \$285.8 million at June 30, 2012, an increase of \$2.1 million in Net Assets from the previous fiscal year.

SUMMARY STATEMENT OF NET ASSETS

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 68,060	\$ 22,683	\$ 90,743	\$ 70,150	\$ 23,099	\$ 93,249
Non-current	3,989	556	4,545	3,194	387	3,581
Capital assets	303,929	157,229	461,158	299,520	158,905	458,425
Total Assets	375,978	180,468	556,446	372,864	182,391	555,255
Current liabilities	26,418	4,494	30,912	26,625	8,538	35,163
Long-term liabilities outstanding	206,837	32,865	239,702	202,123	34,202	236,325
Total Liabilities	233,255	37,359	270,614	228,748	42,740	271,488
Net assets:						
Invested in capital assets, net of related debt	147,295	123,939	271,234	145,411	121,771	267,182
Restricted	791	-	791	1,346	-	1,346
Unrestricted	(5,363)	19,171	13,808	(2,641)	17,880	15,239
Total Net Assets	\$ 142,723	\$ 143,110	\$ 285,833	\$ 144,116	\$ 139,651	\$ 283,767

At the end of the current fiscal year, the City of Danbury is able to report positive growth of \$2.1 million in total net assets over last year. In comparison to last year, net assets invested in capital assets (net of related debt) increased for both Governmental and Business-type activities by \$1.9 million and \$2.2 million, respectively; restricted net assets decreased for governmental activities by (\$0.5) million but remained unchanged for business-type activities; unrestricted net assets increased by \$1.3 million for business-type activities but decreased for governmental activities by \$2.7 million - mostly due to GASB 45 - (OPEB) Other Post Employment Benefits, which increased current fiscal year liabilities by \$7.9 million.

On a government-wide basis, excluding component units, the assets of the City of Danbury exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$285.8 million. This is slightly up from last year's net assets of \$283.8 million. Total net assets for Governmental Activities at fiscal year-end were \$142.7 million (down from \$144.1 million in the previous year) and total net assets for Business-type activities were \$143.1 million (up from \$139.7 million in the previous year). Of the City's total net assets at June 30, 2012, \$13.8 million or 4.8% is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. This compares with last year's total unrestricted net assets of \$15.2 million or 5.4% unrestricted.

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

SUMMARY STATEMENT OF CHANGES IN NET ASSETS

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 12,374	\$ 22,250	\$ 34,624	\$ 12,560	\$ 23,035	\$ 35,595
Operating Grants and Contributions	64,096	-	64,096	62,500	-	62,500
Capital Grants and Contributions	7,680	485	8,165	1,283	1,186	2,469
General Revenues:						
Property Taxes	168,129	-	168,129	162,129	-	162,129
Grants and contributions not restricted to specific programs	7,478	-	7,478	7,426	-	7,426
Unrestricted investment earnings	410	500	910	199	497	696
Other non-operating revenues (transfers)	246	(246)	-	(813)	1,964	1,151
Total Revenues	260,413	22,989	283,402	245,284	26,682	271,966
Expenses:						
General Government	17,962	-	17,962	15,561	-	15,561
Public Safety	51,989	2,406	54,395	51,278	2,160	53,438
Public Works	18,237	17,124	35,361	12,543	17,445	29,988
Health and Welfare	6,085	-	6,085	6,674	-	6,674
Culture and Recreation	4,559	-	4,559	5,266	-	5,266
Education	157,905	-	157,905	152,260	-	152,260
Interest on long-term debt	5,069	-	5,069	4,035	-	4,035
Total Expenses	261,806	19,530	281,336	247,617	19,605	267,222
Change in net assets	(1,393)	3,459	2,066	(2,333)	7,077	4,744
Net assets – beginning	144,116	139,651	283,767	146,449	132,574	279,023
Net assets - ending	\$ 142,723	\$ 143,110	\$ 285,833	\$ 144,116	\$ 139,651	\$ 283,767

Government Activities

For Governmental activities, approximately 64.6% of the revenues were derived from property taxes followed by 32.3% from program revenues, then 3.1% from grants and investment earnings.

Total revenues in Governmental Activities increased by \$15.1 million as compared to last year. Property tax revenues increased by \$6.0 million, primarily due to an increase in the mill rate, while most of the \$7.8 million increase in Program Revenues is due to an increase of \$6.4 million in Capital Grants contributions.

For Governmental Activities, about 60.3% of the City's expenditures relate to Education; 19.9% relate to Public Safety; 7.0% from Public Works; 6.9% for General Government; 1.7% for Cultural and Recreation; 2.3% for Health and Welfare; and 1.9% for Interest on Long-Term Debt. GASB 45 required the City to record an additional \$7.9 million liability for Other Post Employment Benefits (OPEB) Cost for all functions

and a \$350,000 liability for easement obligations directly reducing the Net Assets. Expenditures were very lean again this year in every function and category. Major expenditure factors included:

- In addition to routinely reducing the budgeted staffing positions since the beginning of the recession, the City is also leaving positions which are currently open and funded positions vacant for extended periods to evaluate the necessity of such positions. This strategy yielded significant savings for FY 2011-2012 of \$2.7 million in personal salaries and benefits.
- The City also realized savings from the following: changing health care providers (\$0.9 million) in October 2011; Bond Refunding of \$17 million in December 2011 which saved \$0.3 million in FY 2011-2012 (\$0.8 million in total interest savings); LAP insurance savings (\$0.2 million); issued fewer bonds/BANS during the year, but at a preferred rate, thus saving \$0.4 million in debt service payments; \$0.8 savings in utilities, fuel, heating oil, supplies, maintenance, equipment, and profession/other services.
- Education expenditures had increased by \$5.6 million from the prior fiscal year.
- During FY 2011-2012, the most notable unexpected expenditures were related to FEMA disasters – Storm Irene and Superstorm Alfred. The total storm expenditures amount to a daunting \$4.9 million, but most of this will be reimbursed by FEMA and the City's "out-of-pocket" cost will total about \$0.5 million. Ironically, the weather also helped the City save money during FY 2011-2012 because it was one of the warmest winter seasons in years, thus more than offsetting the City's share of the costs associated with Storm Irene and Superstorm Alfred.

All other categories were impacted with rising cost associated with employee benefits, which include Other Post Employment Benefit (OPEB) and pension costs.

Business-Type Activities

Business-Type activities increased the City's net assets by \$3.5 million or 2.5%. However, the new addition of the Ambulance Fund accounted for \$2.6 million of the increase in net assets or approximately 2.0%. Total net assets grew by about 5.3%. Factors impacting the growth include:

Charges for services decreased \$0.8 million mostly due to an over accrual in FY 2010-2011 to total \$22.3 million. Consequently, charges for services would be about flat from year to year after consideration of such adjustment; investment earnings amounted to nearly \$0.5 million; contributed capital decreased by \$0.7 million to total approximately \$0.5 million. Expenditures decreased only slightly by \$0.1 million to \$19.5 million.

Financial Analysis of the Fund Financial Statements

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

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

As of the end of the current fiscal year, the City of Danbury's governmental funds reported combined ending fund balances of \$34.5 million. The General Fund and Other Governmental Funds reported fund balances of \$28.3 million and \$6.2 million, respectively. Collectively, the fund balances for capital projects decreased by \$2.9 million from \$9.8 million last year to \$6.9 million at June 30, 2012. The decrease in capital projects fund balance is primarily due to the completion of projects.

The general fund is the chief operating fund of the City of Danbury. At the end of the current fiscal year, unassigned fund balance of the general fund increased \$.7 million to \$22.1 million while total fund

balance equals \$28.3 million. Approximately \$22.1 million of the General Fund's total fund balance constitutes unassigned fund balance which is available for spending at the government's discretion. The remaining \$6.2 million of the General Fund balance is not available for new spending and has been assigned to liquidate contracts/purchase orders of the prior period (\$1.0 million), prepaid expenditures (\$0.6 million), future budget appropriations (\$2.35 million), continuing education (\$1.5 million) and capital projects (\$0.7 million). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures for the ensuing year's budget. Unassigned fund balance represents 10.1% of total general fund expenditures while total fund balance represents 13.1% of that same amount.

The City of Danbury's General Fund unassigned Budgetary Fund Balance increased by \$678,101 during the current fiscal year. The revenue challenges for FY 2011-2012 included not using any of the appropriated fund balance of \$2.4 million and making up for the budgetary shortfalls from the following:

- \$2.9 million for the sale of 13 acres of land which did not occur;
- \$1.1 million decrease in expected property tax revenues due to higher than expected cumulative impact of tax appeals and other adjustments; and
- The City transferred only \$0.25 million of the \$0.75 million budgeted amount from the Ambulance Fund.

The City was able to recover about half of the budgetary revenue shortfalls from other revenue sources or budgetary surpluses such as:

- Building Permits and State Revenue Sharing revenues exceeded budgetary expectation by \$0.6 and \$0.3 million, respectively; and
- Bond Premiums, which are typically unbudgeted, amounted to \$1.5 million.

Total general fund balance increased from \$28.2 million to \$28.3 million, an increase of \$0.1 million. The General Account (typically called the "General Fund") contributed an additional \$436,218 to the fund balance, but this was offset by a fund balance reduction of \$336,907 at the Continuing Education Account which is operated by the Board of Education. The net total of both accounts is an increase of \$0.1 million to the General Fund Balance for FY 2011-2012. Significant factors in this increase are as follows:

- During FY 2011-2012, \$17 million of bonds were refunded for a net present value savings of nearly \$800,000, of which approximately \$300,000 was realized in the current fiscal year.
- In October 2011, the City changed its health insurance provider and realized a savings of approximately \$0.9 million.
- Also, the City did not utilize any of the \$2.4 million budgeted use of fund balance for FY 11/12 however \$2.35 million of fund balance has been appropriated for the FY 12/13 Budget, a net decrease of \$50,000 from the previous year.

The Miscellaneous Special Revenue Fund had a decrease in fund balance (deficit) mainly due to the timing of FEMA reimbursements.

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

Net assets of the Water Fund at the end of the year were \$72.2 million. During the year, the fund generated operating income of \$0.9 million, a decrease of approximately \$1.3 million from the prior year. Capital contributions totaled \$0.2 million and non-operating expenses totaled \$0.4 million which resulted in the fund increasing its net assets by \$0.7 million. Unrestricted net assets totaled \$12.9 million at year-end.

Net assets of the Sewer Fund at the end of the year were \$68.2 million. The fund generated operating income of nearly \$2.6 million and capital contributions of about \$0.2 million helped to increase the fund's overall net assets by \$2.7 million. Unrestricted net assets totaled \$3.7 million at year-end.

The Ambulance Fund was reclassified during FY 2010-2011 as a proprietary fund which required an initial transfer of assets totaling \$2.3 million. Net assets of the Ambulance Fund at the end of the year were \$2.8 million. The fund generated operating income of nearly \$0.4 million however \$0.2 million was transferred to the general fund to reimburse for expenses. Unrestricted net assets totaled \$2.5 million at year-end

General Fund Budgetary Highlights

The difference between the original budgeted expenditures and the final amended budget was \$0.7 million. The major additional appropriations which were authorized by the City Council and approved during the year are summarized below:

- \$58,000 was authorized by City Council Resolution for the "Save the Sports" program at the Danbury Board of Education.
- \$483,066 for Continued Appropriations.
- \$163,341 for Prior Year Encumbrances.

During the year, actual revenues on a budgetary basis were \$210.4 million, \$3.2 million under budgetary estimates, which is primarily due to the budgeted \$2.9 million sale of assets not being completed during the fiscal year. Furthermore, the City had anticipated a planned use of general fund balance of \$2.4 million, however actual results did not require the use of any of the budgeted use of fund balance.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2012, the City of Danbury's investment in capital assets for its governmental and business-type activities amounted to \$461.2 million, net of accumulated depreciation. This investment in capital assets includes land, building and land improvements, machinery and equipment and infrastructure. The total increase in the City of Danbury's investment in capital assets for the current fiscal year was \$2.7 million.

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 52,295,226	\$ 1,031,946	\$ 53,327,172	\$ 52,295,226	\$ 1,031,946	\$ 53,327,172
Easements	918,950		918,950	908,500	-	908,500
Land Improvements	9,625,214		9,625,214	9,639,390	-	9,639,390
Buildings and Improvements	159,076,536	55,575,276	214,651,812	162,084,282	58,062,501	220,146,783
Machinery and Equipment	13,875,761	15,623,328	29,499,089	14,037,906	16,090,494	30,128,400
Infrastructure	50,402,434	59,701,126	110,103,560	49,334,837	60,383,923	109,718,760
Other		190,518	190,518	-	138,741	138,741
Construction in Progress	17,735,067	25,107,304	42,842,371	11,220,093	23,196,916	34,417,009
Total	\$ 303,929,188	\$ 157,229,498	\$ 461,158,686	\$ 299,520,234	\$ 158,904,521	\$ 458,424,755

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

- Computer infrastructure upgrades of \$1.2 million.
- Completed Boiler replacement projects at the Danbury Schools for \$7.6 million.
- Purchased new ambulance for \$122,000.

- Completed the road reengineering and reconstruction project (Boehringer Infrastructure Project) for \$2.9 million.
- Completed reconstruction of Backus Avenue bridge for a total project expenditure of \$1.1 million.
- Purchased replacement vehicles for police department for \$300,000.
- Replaced Public Works equipment and vehicles for \$399,000.
- Repairs and renovations to various city and school buildings for \$300,000.
- Road reconstruction, repaving, and drainage to various city streets for \$800,000.
- Purchased Air Packs for the Fire Department for \$148,000.
- Roof Replacement at Stadley Rough School for \$630,000.
- Completed the Danbury High School synthetic turf replacement for \$600,000.

Additional information on the City of Danbury's capital assets can be found in Note 6 of this report.

Debt. At the end of the current fiscal year the City of Danbury had total bonded debt outstanding of \$157.7 million. One-hundred percent of this debt is backed by the full faith and credit of the city government.

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 134,136,419	\$ 23,608,581	\$ 157,745,000	\$ 127,439,350	\$ 25,790,650	\$ 153,230,000
Bond anticipation notes	1,575,000	425,000	2,000,000	16,550,000	3,450,000	20,000,000
Notes payable	950,000	8,190,813	9,140,813	1,022,000	7,583,140	8,605,140
Total	\$ 136,661,419	\$ 32,224,394	\$ 168,885,813	\$ 145,011,350	\$ 36,823,790	\$ 181,835,140

The City of Danbury's total debt decreased by \$12.9 million during the current fiscal year, due to an increase of approximately \$5.1 million in long term debt and a \$18.0 million decrease in short-term debt.

The City of Danbury maintains the following ratings from Wall Street's credit agencies for general obligation debt: an Aa1 rating from Moody's Investors Service, AA+ from Standard and Poor's Corporation (upgraded last year), and AAA from Fitch Ratings.

The overall statutory debt limit for the City of Danbury is equal to seven times annual receipts from taxation or \$1,184.9 million. As of June 30, 2012 the City recorded long-term debt of \$134.1 million related to Governmental Activities and \$23.6 million related to 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 8 of this report.

Cash Management Policies and Practices. At June 30, 2012, the City had \$60.9 million in cash and cash equivalents. The City also had cash and cash equivalents and investments of \$3.4 million and \$217.6 million (totaling \$221.0 million) representing assets in the fiduciary funds and the City's six pension funds, respectively.

With the exception of the six pension funds, the City's operating and working capital funds are invested at the direction of the City Treasurer in the following short-term investments: (1) various certificates of deposit with Connecticut banks; (2) money market accounts; (3) overnight repurchase agreements collateralized by U.S. government agency obligations such as Federal Home Loan Mortgage Corporation which are valued daily; (4) overnight U.S. Treasury obligations; (5) an investment pool investing only in

(a) high grade, short-term federal securities and variable rate obligations faced by federal agencies having monthly or quarterly assets based on indices like the prime rate, LIBOR, or a combination of the two, and (b) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefits of the Pool's participants.

Pension Administration. The City maintains six distinct pension plans covering substantially all of its employees, except teachers who are covered by the State Teachers' Retirement Fund. The City does not contribute to the State Teachers' Retirement Fund. The General Employee's Plan was entirely a non-contributory defined benefit plan until January 1, 2011 when new non-union employees hired after such date were required to contribute 5% of their salary to the plan. Furthermore, it should also be noted that the Unions agreed to make contributions under the new contract terms effective July 1, 2012. The remaining five plans - Post-1983 Police; Post-1967 Fire; Post-1967 Police; Pre-1967 Fire and Pre-1967 Police, are contributory defined benefit plans. Police contribute 4%-4.5% of their wages to the plans, while the Fire Union members contribute 5%. The City's funding policy is to make contributions on an actuarial cost basis, which includes normal cost plus an amortization of the unfunded past service liability. Total employer pension contributions for the year ended June 30, 2012 were \$7.7 million.

The City prepares valuations of its pension plans every other year. At the latest actuarial valuation dates July 1, 2011 and July 1 2010, the City's six pension trust funds had assets, in the aggregate on an actuarial basis, of \$255.6 million, while the actuarial accrued liability was \$283.3 million. On an actuarial accrued basis, the City's liability was in the aggregate, 90.1% funded. As of June 30, 2012, the six plans had aggregate assets of \$217.6 million, down \$17.1 million (-7.3%) from \$234.2 million over the past 12 months. Nevertheless, the cyclical market especially the one experienced in 2008 continues to have a significant effect on the funding ratios and on the annual required contributions (ARC payments) in future years.

Economic Factors and Next Year's Budgets and Rates

The City of Danbury continues to show economic stability compared to other parts of the State of Connecticut. As of November 2012, the unemployment rate for the Danbury Labor Market Area was 6.6%, the lowest in the State of Connecticut. Connecticut's unemployment rate was 8.3% for the same period.

To date, the impact of the severe recession and economic crisis has been realized to a much lesser degree in the City of Danbury and the surrounding area than that of most other areas of the State and the Country. The number of private construction projects still remains relatively high however the size and scope of these projects have been reduced significantly. As such building activity and associated fees have declined over the past few years but have since stabilized. The City's Permit Center is in steady contact with developers of major projects regarding their construction plans and while most development has been postponed, many corporations still intend to expand their presence in the future, demonstrating that Danbury remains a desirable location to do business. Finally, the Danbury's diverse and high quality tax base lends stability to the City's revenue stream and the City of Danbury expects to retain its competitive advantage in Northern Fairfield County.

Requests for Information

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

Basic Financial Statements

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CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 33,920,946	\$ 15,573,749	\$ 49,494,695
Investments	11,500,000	-	11,500,000
Receivables (net of allowances for collection losses):			
Property taxes	5,971,912	-	5,971,912
Special assessments	-	3,820,978	3,820,978
Accounts receivable	1,452,119	-	1,452,119
Federal and state governments	11,441,062	-	11,441,062
User charges	-	2,998,659	2,998,659
Other receivable	-	875,956	875,956
Unbilled services	-	2,812,532	2,812,532
Inventories	61,971	313,829	375,800
Internal balances	3,711,850	(3,711,850)	-
Other assets	597,231	-	597,231
Deferred charges, net of accumulated amortization	2,569,824	555,928	3,125,752
Federal and state government receivables	821,778	-	821,778
Capital assets, not being depreciated	70,949,243	26,139,250	97,088,493
Capital assets, net of accumulated depreciation	232,979,945	131,090,248	364,070,193
Total assets	375,977,881	180,469,279	556,447,160
Liabilities			
Accounts payable	18,769,049	592,471	19,361,520
Accrued liabilities	1,485,996	645,960	2,131,956
Advance tax collections	2,263,254	-	2,263,254
Unearned revenues	2,323,641	2,829,941	5,153,582
Bond anticipation notes payable	1,575,000	425,000	2,000,000
Noncurrent liabilities:			
Due within one year	16,285,556	5,087,614	21,373,170
Due in more than one year	190,552,639	27,778,592	218,331,231
Total liabilities	233,255,135	37,359,578	270,614,713
Net Assets			
Investment in capital assets, net of related debt	147,295,078	123,938,292	271,233,370
Restricted	790,706	-	790,706
Unrestricted	(5,363,038)	19,171,409	13,808,371
Total net assets	\$ 142,722,746	\$ 143,109,701	\$ 285,832,447

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

* After internal receivables and payables have been eliminated.

Component Units					
Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority	Danbury Museum and Historical Society Authority	Charles Ives Authority for the Performing Arts	
\$ 130,458	\$ 81,214	\$ 63,904	\$ 33,905	\$ 42,050	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
45,198	-	21,350	900	162,794	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	13,307	-	
-	-	-	-	-	
13,563	56,749	15,200	4,597	4,383	
-	-	-	-	-	
-	-	-	-	43,740	
-	842,285	-	-	-	
196,032	2,560,736	111,757	887,461	24,309	
385,251	3,540,984	212,211	940,170	277,276	
47,822	585,432	4,236	442	174,937	
11,766	-	4,858	3,588	2,551	
-	-	-	-	-	
-	4,000	-	-	-	
-	-	-	-	-	
-	305,540	-	-	-	
26,000	761,853	14,475	16	-	
85,588	1,656,825	23,569	4,046	177,488	
196,032	2,512,866	111,757	887,461	24,309	
-	877,393	5,391	2,560	-	
103,631	(1,506,100)	71,494	46,103	75,479	
\$ 299,663	\$ 1,884,159	\$ 188,642	\$ 936,124	\$ 99,788	

CITY OF DANBURY, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ (17,961,072)	\$ 6,758,805	\$ 344,075	\$ -
Public safety	(51,989,164)	1,662,355	40,829	37,018
Public works	(18,237,392)	335,333	814,078	6,540,027
Health and welfare	(6,085,420)	262,310	2,870,990	884,114
Culture and recreation	(4,559,420)	244,814	77,574	-
Education	(157,904,768)	3,109,961	59,948,916	218,407
Interest on long-term debt	(5,068,939)	-	-	-
Total governmental activities	(261,806,175)	12,373,578	64,096,462	7,679,566
Business-type activities:				
Water	(7,547,425)	7,795,700	-	246,230
Sewer	(9,576,983)	11,692,618	-	238,600
Ambulance	(2,405,558)	2,761,382	-	-
Total business-type activities	(19,529,966)	22,249,700	-	484,830
Total primary government	(281,336,141)	34,623,278	64,096,462	8,164,396
Component Units:				
Danbury Parking Authority	(1,047,979)	1,082,606	-	-
Richter Park Authority	(2,451,365)	1,790,780	-	106,760
Tarrywile Park Authority	(380,164)	112,545	-	-
Danbury Museum and Historical Society Authority	(241,580)	174,508	-	2,500
Charles Ives Authority for the Performing Arts	(879,519)	797,632	58,320	-
Total component units	\$ (5,000,607)	\$ 3,958,071	\$ 58,320	\$ 109,260

General revenues:
Property taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Transfers
Total general revenues and transfers

Change in net assets

Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units				
Governmental Activities	Business-type Activities	Total	Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority	Danbury Museum and Historical Society Authority	Charles Ives Authority for the Performing Arts
\$ (10,858,192)	\$ -	\$ (10,858,192)	\$ -	\$ -	\$ -	\$ -	\$ -
(50,248,962)	-	(50,248,962)	-	-	-	-	-
(10,547,954)	-	(10,547,954)	-	-	-	-	-
(2,068,006)	-	(2,068,006)	-	-	-	-	-
(4,237,032)	-	(4,237,032)	-	-	-	-	-
(94,627,484)	-	(94,627,484)	-	-	-	-	-
(5,068,939)	-	(5,068,939)	-	-	-	-	-
(177,656,569)	-	(177,656,569)	-	-	-	-	-
-	494,505	494,505	-	-	-	-	-
-	2,354,235	2,354,235	-	-	-	-	-
-	355,824	355,824	-	-	-	-	-
-	3,204,564	3,204,564	-	-	-	-	-
(177,656,569)	3,204,564	(174,452,005)	-	-	-	-	-
-	-	-	34,627	-	-	-	-
-	-	-	-	(553,825)	-	-	-
-	-	-	-	-	(267,619)	-	-
-	-	-	-	-	-	(64,572)	-
-	-	-	-	-	-	-	(23,567)
-	-	-	34,627	(553,825)	(267,619)	(64,572)	(23,567)
168,129,234	-	168,129,234	-	-	-	-	-
7,477,670	-	7,477,670	-	-	229,635	-	-
410,250	500,123	910,373	450	-	264	-	-
245,814	(245,814)	-	-	-	-	-	-
176,262,968	254,309	176,517,277	450	-	229,899	-	-
(1,393,601)	3,458,873	2,065,272	35,077	(553,825)	(37,720)	(64,572)	(23,567)
144,116,347	139,650,828	283,767,175	264,586	2,437,984	226,362	1,000,696	123,355
<u>\$ 142,722,746</u>	<u>\$ 143,109,701</u>	<u>\$ 285,832,447</u>	<u>\$ 299,663</u>	<u>\$ 1,884,159</u>	<u>\$ 188,642</u>	<u>\$ 936,124</u>	<u>\$ 99,788</u>

CITY OF DANBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	General	Miscellaneous Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 11,863,669	\$ 1,679,022	\$ 20,378,255	\$ 33,920,946
Investments	11,500,000	-	-	11,500,000
Receivables (net of allowances for collection losses):				
Property taxes	5,971,912	-	-	5,971,912
Contract receivable	-	-	305,528	305,528
State and federal governments	6,692,225	4,159,246	1,411,369	12,262,840
Accounts receivable	1,144,211	-	2,380	1,146,591
Inventories	-	-	61,971	61,971
Other assets	597,231	-	-	597,231
Due from other funds	11,679,373	1,075,929	932,141	13,687,443
Total assets	\$ 49,448,621	\$ 6,914,197	\$ 23,091,644	\$ 79,454,462
Liabilities				
Accounts payable	\$ 3,696,670	\$ 2,065,502	\$ 4,539,713	\$ 10,301,885
Accrued wages	1,485,996	-	-	1,485,996
Due to other funds	6,814,461	2,937,755	6,063,522	15,815,738
Deferred revenues	6,784,408	3,861,876	536,243	11,182,527
Unearned revenue	110,976	1,056,175	1,156,490	2,323,641
Bond anticipation notes payable	-	-	1,575,000	1,575,000
Advance tax collections	2,263,254	-	-	2,263,254
Total liabilities	21,155,765	9,921,308	13,870,968	44,948,041
Fund Balances				
Nonspendable	597,231	-	1,545,104	2,142,335
Restricted	-	-	790,706	790,706
Committed	709,030	58,890	13,336,760	14,104,680
Assigned	4,845,847	-	108,912	4,954,759
Unassigned	22,140,748	(3,066,001)	(6,560,806)	12,513,941
Total fund balances (deficits)	28,292,856	(3,007,111)	9,220,676	34,506,421
Total liabilities and fund balances (deficits)	\$ 49,448,621	\$ 6,914,197	\$ 23,091,644	

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

Capital assets, net of accumulated depreciation of \$185,559,444, 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.	303,929,188
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(206,838,195)
Deferred charges, net of accumulated amortization	2,569,824
Deferred revenue	11,182,527
Accrued interest	(2,627,019)

Net assets of governmental activities \$ 142,722,746

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, 2012

	General	Miscellaneous Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 168,088,383	\$ -	\$ -	\$ 168,088,383
State and federal governments	47,293,595	837,275	27,330,458	75,461,328
Licenses and permits	3,639,454	-	14,735	3,654,189
Charges for services	5,354,883	424,632	1,554,365	7,333,880
Fines and penalties	1,385,509	-	-	1,385,509
Investment income	139,318	-	270,932	410,250
Contributions	-	814,078	266,660	1,080,738
Total revenues	225,901,142	2,075,985	29,437,150	257,414,277
EXPENDITURES				
Current:				
General government	8,724,776	494,370	264,036	9,483,182
Public safety	29,704,609	54,620	253,259	30,012,488
Public works	8,765,595	3,843,608	293,638	12,902,841
Health and welfare	3,645,443	497,885	967,758	5,111,086
Culture and recreation	2,530,195	-	122,208	2,652,403
Education	129,949,781	-	23,488,518	153,438,299
Pension and other employee benefits	26,447,785	-	-	26,447,785
Debt service:				
Principal retirements	10,181,600	-	-	10,181,600
Interest and other charges	5,610,243	-	-	5,610,243
Capital outlay	1,002,754	162,579	14,699,071	15,864,404
Total expenditures	226,562,781	5,053,062	40,088,488	271,704,331
Revenues over (under) expenditures	(661,639)	(2,977,077)	(10,651,338)	(14,290,054)
OTHER FINANCING SOURCES (USES)				
Transfers in	245,814	-	1,158,428	1,404,242
Transfers out	(1,158,428)	-	-	(1,158,428)
Issuance of refunding bonds	13,264,000	-	-	13,264,000
Payment to escrow agent	(15,101,113)	-	-	(15,101,113)
Issuance of general obligation bonds	-	-	17,552,320	17,552,320
Payments bond anticipation notes	-	-	(12,407,555)	(12,407,555)
Issuance of debt - leases	-	-	2,500,000	2,500,000
Premium on bonds	3,510,677	-	-	3,510,677
Total other financing sources (uses)	760,950	-	8,803,193	9,564,143
Net change in fund balances (deficits)	99,311	(2,977,077)	(1,848,145)	(4,725,911)
FUND BALANCES (DEFICITS), beginning	28,193,545	(30,034)	11,068,821	39,232,332
FUND BALANCES (DEFICITS), ending	\$ 28,292,856	\$ (3,007,111)	\$ 9,220,676	\$ 34,506,421

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, 2012**

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

Net change in fund balances – total governmental funds \$ (4,725,911)

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. 4,408,954

Some revenues reported in the statement of activities are not available as current financial resources and, therefore, are not reported as revenues in governmental funds. Examples are revenues from special assessments, property taxes and intergovernmental projects.

Taxes and related interest	40,851
Miscellaneous revenue	(25,475)
School construction	(582,547)
Intergovernmental revenue and other	3,319,654

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. 1,589,560

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. (5,418,687)

Change in net assets of governmental activities \$ (1,393,601)

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, 2012

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Ambulance	Totals	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 10,199,997	\$ 3,405,743	\$ 1,968,009	\$ 15,573,749	\$ -
Receivables (net of allowances for collection losses):					
Unbilled services	1,360,723	1,451,809	-	2,812,532	-
Special assessments receivable	78,351	327,155	-	405,506	-
User Charges	1,148,698	1,326,531	523,430	2,998,659	-
Due from other funds	-	168,522	-	168,522	5,840,145
Other	-	748,836	127,120	875,956	-
Inventories	313,829	-	-	313,829	-
Total current assets	13,101,598	7,428,596	2,618,559	23,148,753	5,840,145
Noncurrent assets:					
Capital assets (net of accumulated depreciation)	73,170,215	83,824,762	234,521	157,229,498	-
Special assessments receivable, net	508,371	2,907,101	-	3,415,472	-
Other assets (net of accumulated amortization)	229,952	325,976	-	555,928	-
Total noncurrent assets	73,908,538	87,057,839	234,521	161,200,898	-
Total assets	87,010,136	94,486,435	2,853,080	184,349,651	5,840,145
LIABILITIES					
Current liabilities:					
Accrued liabilities	431,163	214,797	-	645,960	-
Accounts payable	164,041	330,055	98,375	592,471	5,840,145
Due to other funds	112,954	3,767,418	-	3,880,372	-
Unearned revenues	205,000	2,624,941	-	2,829,941	-
Bonds and notes payable	1,622,750	3,464,864	-	5,087,614	-
Bond anticipation notes payable	350,000	75,000	-	425,000	-
Total current liabilities	2,885,908	10,477,075	98,375	13,461,358	5,840,145
Noncurrent liabilities:					
Notes payable (net of unamortized discount)	-	5,576,629	-	5,576,629	-
Bonds payable (net of unamortized premium)	11,546,870	9,588,281	-	21,135,151	-
Other liabilities (net of accumulated amortization)	419,953	646,859	-	1,066,812	-
Total noncurrent liabilities	11,966,823	15,811,769	-	27,778,592	-
Total liabilities	14,852,731	26,288,844	98,375	41,239,950	5,840,145
NET ASSETS					
Invested in capital assets (net of related debt)	59,230,642	64,473,129	234,521	123,938,292	-
Unrestricted	12,926,763	3,724,462	2,520,184	19,171,409	-
Total net assets	\$ 72,157,405	\$ 68,197,591	\$ 2,754,705	\$ 143,109,701	\$ -

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, 2012

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Ambulance	Totals	Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 7,795,700	\$ 10,566,384	\$ 2,761,382	\$ 21,123,466	\$ 18,607,557
Septic and connection fees	-	1,126,234	-	1,126,234	-
Total operating revenues	7,795,700	11,692,618	2,761,382	22,249,700	18,607,557
OPERATING EXPENSES					
Salaries, benefits and claims	3,284,780	-	1,668,932	4,953,712	-
Materials and supplies	682,464	-	37,486	719,950	-
Depreciation	1,413,191	2,782,209	28,120	4,223,520	-
Utilities	536,793	-	-	536,793	-
Administrative and operating	1,004,037	6,332,395	671,020	8,007,452	18,607,557
Total operating expenses	6,921,265	9,114,604	2,405,558	18,441,427	18,607,557
Operating income	874,435	2,578,014	355,824	3,808,273	-
NONOPERATING REVENUES (EXPENSES)					
Interest income	194,033	305,723	367	500,123	-
Interest expense	(626,160)	(462,379)	-	(1,088,539)	-
Total nonoperating revenues (expenses)	(432,127)	(156,656)	367	(588,416)	-
Net income before capital contributions and transfers	442,308	2,421,358	356,191	3,219,857	-
Capital Contributions	246,230	238,600	-	484,830	-
Transfers out	-	-	(245,814)	(245,814)	-
Change in net assets	688,538	2,659,958	110,377	3,458,873	-
NET ASSETS, beginning	71,468,867	65,537,633	2,644,328	139,650,828	-
NET ASSETS, ending	\$ 72,157,405	\$ 68,197,591	\$ 2,754,705	\$ 143,109,701	\$ -

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, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Ambulance	Totals	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 8,389,374	\$ 11,457,705	\$ 2,842,976	\$ 22,690,055	\$ 18,287,690
Payments to suppliers/claims paid	(2,047,467)	(7,841,433)	(698,686)	(10,587,586)	(18,287,690)
Payments to employees	(3,265,587)	-	(1,668,932)	(4,934,519)	-
Net cash provided by operating activities	3,076,320	3,616,272	475,358	7,167,950	-
Cash Flows From NonCapital Financing Activities					
Transfers to other funds	-	-	(245,814)	(245,814)	-
Cash Flows From Capital and Related Financing Activities					
Principal payments on debt	(2,949,400)	(5,636,015)	-	(8,585,415)	-
Interest paid on debt	(587,914)	(451,266)	-	(1,039,180)	-
Capital contributions	246,230	238,600	-	484,830	-
Purchase of capital assets	(561,115)	(1,865,118)	(122,264)	(2,548,497)	-
Refunding of bonds	(1,319,630)	(1,747,719)	-	(3,067,349)	-
Proceeds of bonds, notes and refunding	1,633,000	5,420,368	-	7,053,368	-
Net cash used in capital and related financing activities	(3,538,829)	(4,041,150)	(122,264)	(7,702,243)	-
Cash Flows From Investing Activities					
Interest received on investments	194,033	305,723	367	500,123	-
Net cash provided by investing activities	194,033	305,723	367	500,123	-
Net (decrease) increase in cash and cash equivalents	(268,476)	(119,155)	107,647	(279,984)	-
Cash and Cash Equivalents					
Beginning	10,468,473	3,524,898	1,860,362	15,853,733	-
Ending	<u>\$ 10,199,997</u>	<u>\$ 3,405,743</u>	<u>\$ 1,968,009</u>	<u>\$ 15,573,749</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 874,435	\$ 2,578,014	\$ 355,824	\$ 3,808,273	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,413,191	2,782,209	28,120	4,223,520	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	593,674	169,888	208,714	972,276	-
Decrease in other receivables	-	95,203	(127,120)	(31,917)	-
Decrease in inventories	139,189	-	-	139,189	-
(Decrease) increase in accrued expenses	56,969	(566,410)	-	(509,441)	319,867
(Decrease) increase in due to/from other funds	(1,138)	(942,628)	9,820	(933,946)	(319,867)
Decrease in unearned revenue	-	(500,004)	-	(500,004)	-
Net cash provided by operating activities	\$ 3,076,320	\$ 3,616,272	\$ 475,358	\$ 7,167,950	\$ -
Supplemental Schedule of Noncash Financing Activities					
Amortization of issuance costs and gain on refunded debt	\$ 115,191	\$ 45,818	\$ -	\$ 161,009	\$ -
Amortization of premium on refunded debt	\$ 127,796	\$ 88,714	\$ -	\$ 216,510	\$ -

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, 2012

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 17,231,813	\$ 1,461	\$ 3,391,403
Investments, at fair value			
Common stock	23,245,816	-	-
Debt securities	8,834,385	-	-
Mutual funds	110,205,039	-	-
Private hedge funds	57,824,538	-	-
Total investments	200,109,778	-	-
Accrued interest and dividends	113,049	-	-
Pending sales	117,555	-	-
Total assets	217,572,195	1,461	3,391,403
LIABILITIES			
Pending purchases	504,181	-	-
Other liabilities	-	-	3,391,403
	504,181	-	3,391,403
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 217,068,014	\$ 1,461	\$ -

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, 2012

	Pension Trust Funds	Private Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 7,678,289	\$ -
Plan members	856,075	-
Total contributions	8,534,364	-
Investment Income		
Net depreciation in fair value of investments	(12,709,806)	-
Interest and dividends	5,290,289	7
	(7,419,517)	7
Less investment expenses:		
Investment management fees	902,378	-
Net investment income (loss)	(8,321,895)	7
Deductions		
Benefits Paid	17,319,350	-
Change in net assets	(17,106,881)	7
Net Assets		
Beginning of year	234,174,895	1,454
End of year	\$ 217,068,014	\$ 1,461

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Reporting entity

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

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City's component units are discretely presented component units, which are reported in separate columns in the government-wide 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, and Charles Ives, which has a September 30 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 City 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, or 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 City Council on a rotating basis. The City is potentially liable for any operating deficits and provides substantial budgeted allocation annually 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, 2012.

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 who are appointed by the Mayor and confirmed by the City 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, 2012.

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 appointed on a rotating basis by the Mayor and confirmed by the City Council. The City is potentially liable for any operating deficits and provides funding periodically as needed, in the form of operating and capital grants, to Richter Park to support its operations. Richter Park is presented as a

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

proprietary fund type. The information presented for Richter Park is for the year ended December 31, 2011.

The Danbury Museum and Historical Society Authority (“the Authority”) is responsible for administering, operating, and maintaining the Danbury Museum and Historical Society in the City of Danbury. The board members are appointed by the Mayor with the approval of the majority of the City Council. The City is potentially liable for any operating deficits and provides budgeted allocation annually to the Authority. The Authority is presented as a proprietary fund type. The information presented for the Authority is for the year ended June 30, 2012.

The Charles Ives Authority for the Performing Arts (“Charles Ives”) is responsible, in affiliation with Western Connecticut States University, for administering, operating and maintaining the Ives Concert Park. The board members are appointed by the Mayor with the approval of the majority of the City Council. Three of the nine appointees selected by the Mayor shall be persons nominated by the President of Western Connecticut State University. The City is potentially liable for any operating deficits and provides budgeted allocation and capital grants to fund operations, capital acquisitions and long-term improvements. The Authority is presented as a proprietary fund type. The information presented for Charles Ives is for the year ended September 30, 2011.

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

Tarrywile Park Authority
70 Southern Boulevard
Danbury, CT 06810

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

Danbury Parking Authority
21 Delay Street
Danbury, CT 06810

Danbury Museum and Historical Society Authority
43 Main Street
Danbury, CT 06810

Charles Ives Authority for the Performing Arts
University Boulevard
Danbury, CT 06810

Joint ventures and related organizations

The Candlewood Lake Authority, the Housatonic Resources Recovery Authority (HRRRA), and the Housatonic Area Regional Transit (HART) District are joint ventures of the City. The Danbury Housing Authority is a related organization. See Note 13 in the notes to financial statements. The City does not have an equity investment in the joint ventures. Therefore, the annual support is reported as an expenditure when incurred.

Government-wide and Fund Financial Statements

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, landfill post-closure monitoring, claims and judgments, pollution remediation and other post-employment benefits which are recorded only when payment is due (matured).

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

The City reports the following major governmental funds.

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

The *Miscellaneous Special Revenue Fund* accounts for proceeds from smaller projects related to public health, social services, public safety, public works, open space and culture and recreation.

The City reports the following major proprietary funds:

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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

The *Ambulance Fund* accounts for the operations of the City's ambulance system for the benefit of its residents. Its operations are financed from fees charged to the users of its services.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for workers' compensation and risk management, including health and general liability insurance costs, provided to departments of the City and the Board of Education.

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

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

The *Agency Funds* account for monies held as a custodian for outside student groups, airport security deposits, Flood Plain permit applications, and city street opening permits. Agency funds have no measurement focus and are reported on the accrual basis of accounting.

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

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

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

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2012**

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues 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.

Cash equivalents

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

Allowance for doubtful accounts

Accounts receivables, property tax receivables and notes receivable for the primary government are reported net of allowance for doubtful accounts of approximately \$2,360,000. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history and an assessment of the creditor's ability to pay.

Investments

Investments are stated at fair value, based on quoted market prices, except as disclosed in the following paragraphs.

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, infrastructure limited partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

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

Investments in 2a7 like pools are stated at amortized cost.

Inventories

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

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of any interest revenue earned from specific borrowings.

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

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

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

Compensated absences

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

Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, including capital

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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, and principal payments are reported as debt service expenditures.

Pension accounting:

Pension Trust Funds

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

Governmental Funds

Expenditures for employer pension contributions are recognized when they are paid or are expected to be paid with current available resources.

Funding policy

The City funds the contributions to its pension plans based on the actuarial required contribution and terms of union contracts.

Net other post-employment benefit obligations

In fiscal year 2008, the City implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.*" This pronouncement requires the City to calculate and record a net other post-employment benefit obligation (NOPEBO). The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2007. The City makes annual contributions based upon the decision of City Council.

Net Assets

In the government-wide and proprietary fund 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 reduce this category.

Restricted Net Assets – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Fund Balance

In the government fund financial statements, the City classified fund balances as follows:

- Nonspendable Fund Balance – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted Fund Balance - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed Fund Balance – This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Danbury City Council is the highest level of decision making authority for the City and can commit fund balance through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until similar action is taken to remove or revise the limitation.
- Assigned Fund Balance – Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.
- Unassigned Fund Balance (Deficit) – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the City's practice to use restricted resources first. Additionally, the City would first use committed, then assigned, and lastly unassigned.

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.”

Bonds and notes payable	\$ (134,136,419)
Add: Issuance premium (to be amortized over life of debt)	(9,380,834)
Capital leases payable	(18,225,658)
Compensated absences	(3,234,669)
Pollution remediation obligation	(872,307)
Landfill closure	(8,518,796)
HUD-Section 108 loans	(950,000)
Legal claims and other	(750,000)
OPEB obligations	(28,690,700)
Easement obligations	(350,000)
Early retirement accrual	(1,728,812)
	<hr/>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ (206,838,195)</u></u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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.”

Capital outlay	\$ 14,859,539
Depreciation expense	<u>(10,450,585)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,408,954</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

Debt issued or incurred:	
Issuance of bonds (including bond anticipation notes)	\$ 30,816,320
Premiums	3,510,677
Bond issuance costs	(860,552)
Capital leases	2,500,000
Principal repayments:	
General obligation debt	(36,598,806)
Capital leases	<u>(957,199)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,589,560)</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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.”

Compensated absences	\$ (200,906)
Early retirement	(769,593)
Other post employment benefits	7,875,900
Amortization of deferred charges	(747,908)
Accrued interest	(24,306)
Landfill closure	(453,107)
Other liabilities	<u>(261,393)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 5,418,687</u>

Note 3. Cash, Cash Equivalents and Investments

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

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

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

	Range	Target
Cash and short-term investments	0%-20%	5%
Equity securities	45%-75%	60%
Fixed income securities	20%-60%	40%
Alternative strategies (hedge funds)	0%-30%	15%

Interest Rate Risk: The City does have a policy that limits its exposure to fair value losses arising from changes in interest rates. The City’s pension funds do have a policy to limit their exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

mature to meet cash requirements for benefit payments, and monitoring the liquidity of the funds on an ongoing basis.

Concentrations: The City does have a formal policy; however, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2012, \$31,474,076 of the City's bank balance of \$68,123,774 was uninsured and uncollateralized.

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

Cash, cash equivalents and investments of the City consist of the following at June 30, 2012:

Cash and Cash Equivalents	
Deposits With Financial Institutions	\$ 69,099,308
Cutwater Asset Management - Connecticut Class Plus	1,020,064
Total cash and cash equivalents	<u>70,119,372</u>
Investments	
General Fund	
U.S. Government securities	11,500,000 *
Total government investments	<u>11,500,000</u>
Pension Trust Funds:	
U.S. Government securities	1,319,847 *
U.S. Government agencies	1,037,115 *
Asset backed securities	2,331,142 *
Corporate bonds	4,146,281 *
Common stocks	23,245,816 *
Fixed income funds	27,074,258
Equity funds	83,130,781
Private hedge funds	57,824,538
Total pension investments	<u>200,109,778</u>
Total cash, cash equivalents and investments	<u>\$ 281,729,150</u>

* These investments are uninsured and unregistered, with securities held by its agent, but in the City's Pension Trust Funds' name.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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

	Primary Government
Statement of Net Assets	
Cash and cash equivalents	\$ 49,494,695
Investments	11,500,000
	<u>60,994,695</u>
Fiduciary Funds:	
Cash and cash equivalents	20,624,677
Investments	200,109,778
	<u>220,734,455</u>
Total cash, cash equivalents and investments	<u>\$ 281,729,150</u>

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

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Government Securities	\$ 12,819,847	\$ 11,500,000	\$ 412,764	\$ 907,083	\$ -
U.S. Government Agencies	1,037,115	-	765,683	271,432	-
Asset Backed Securities	2,331,142	-	1,061,586	-	1,269,556
Fixed Income Funds	27,074,258	1,217,646	12,241,878	7,978,182	5,636,552
Corporate Bonds	4,146,281	-	2,812,741	1,333,540	-
TOTAL	<u>\$ 47,408,643</u>	<u>\$ 12,717,646</u>	<u>\$ 17,294,652</u>	<u>\$ 10,490,237</u>	<u>\$ 6,906,108</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The City does have a formalized policy establishing a minimum rating for investments. Cash equivalents of \$1,020,064 are invested in Cutwater Asset Management-Connecticut Class Plus, which maintains a Standard and Poor's investment rating of AAA. Presented below is the minimum rating as required for each debt type investment:

Average Rating	U.S. Government Securities	U.S. Government Agency Obligation	Asset Backed Securities	Fixed Income Funds	Corporate Bonds
AAA	\$ 11,602,874	\$ -	\$ 1,651,674	\$ 9,667,845	\$ -
AA+	1,216,973	1,037,115	-	-	200,032
AA	-	-	-	1,074,117	103,250
AA-	-	-	-	-	100,428
A+	-	-	-	-	388,483
A	-	-	-	5,957,302	713,422
A-	-	-	-	-	957,959
BBB+	-	-	-	-	524,595
BBB	-	-	-	4,768,667	826,727
BBB-	-	-	-	-	331,385
BB	-	-	-	2,027,903	-
B	-	-	-	1,293,084	-
CCC	-	-	-	1,316,250	-
Unrated	-	-	679,468	969,090	-
	<u>\$ 12,819,847</u>	<u>\$ 1,037,115</u>	<u>\$ 2,331,142</u>	<u>\$ 27,074,258</u>	<u>\$ 4,146,281</u>

Note 4. Deferred Revenue/Unearned Revenue

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

	Deferred Revenue	Unearned Revenue
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$ 5,338,246	\$ -
School construction receivable	821,778	-
Other	624,384	110,976
Miscellaneous Special Revenue:		
Grants and other	3,861,876	1,056,175
Nonmajor Funds:		
Grants and other	536,243	1,156,490
	<u>\$ 11,182,527</u>	<u>\$ 2,323,641</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 11,679,373	\$ 6,814,461
Miscellaneous Funds	1,075,929	2,937,755
Water	-	112,954
Sewer	168,522	3,767,418
Internal Service Fund	5,840,145	-
Nonmajor and Other Funds	932,141	6,063,522
Totals	<u>\$ 19,696,110</u>	<u>\$ 19,696,110</u>

Interfund balances represent routine short-term advances.

Interfund transfers during the year ended June 30, 2012 were as follows:

	Transfers in:	
	Transfers In	Transfers Out
General Fund	\$ 245,814	\$ 1,158,428
Nonmajor Governmental Funds	1,158,428	-
Ambulance	-	245,814
Total	<u>\$ 1,404,242</u>	<u>\$ 1,404,242</u>

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases/ Transfers	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 52,295,226	\$ -	\$ -	\$ 52,295,226
Easements	908,500	10,450	-	918,950
Construction in progress	11,220,093	12,894,811	(6,379,837)	17,735,067
Total capital assets, not being depreciated	64,423,819	12,905,261	(6,379,837)	70,949,243
Capital assets, being depreciated:				
Land improvements	13,394,825	588,910	-	13,983,735
Buildings and improvements	221,723,953	1,484,259	-	223,208,212
Machinery and equipment	41,842,859	2,557,445	(15,500)	44,384,804
Infrastructure	133,259,137	3,703,501	-	136,962,638
Total capital assets being depreciated	410,220,774	8,334,115	(15,500)	418,539,389
Less accumulated depreciation for:				
Land improvements	3,755,435	603,086	-	4,358,521
Buildings and improvements	59,639,671	4,492,005	-	64,131,676
Machinery and equipment	27,804,953	2,719,590	(15,500)	30,509,043
Infrastructure	83,924,300	2,635,904	-	86,560,204
Total accumulated depreciation	175,124,359	10,450,585	(15,500)	185,559,444
Total capital assets, being depreciated, net	235,096,415	(2,116,470)	-	232,979,945
Governmental activities capital assets, net	\$ 299,520,234	\$ 10,788,791	\$ (6,379,837)	\$ 303,929,188

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,031,946	\$ -	\$ -	\$ 1,031,946
Construction in progress	23,196,916	1,910,388	-	25,107,304
Total capital assets, not being depreciated	24,228,862	1,910,388	-	26,139,250
Capital assets, being depreciated:				
Buildings and improvements	103,351,990	-	-	103,351,990
Machinery and equipment	23,938,956	24,190	-	23,963,146
Distribution and collection systems	80,766,024	467,830	-	81,233,854
Vehicles	1,033,468	146,089	-	1,179,557
Other	907,217	-	-	907,217
Furniture and fixtures	287,704	-	-	287,704
Total capital assets, being depreciated	210,285,359	638,109	-	210,923,468
Less accumulated depreciation for:				
Buildings and improvements	45,289,489	2,487,225	-	47,776,714
Machinery and equipment	7,848,462	491,356	-	8,339,818
Distribution and collection systems	20,382,101	1,150,627	-	21,532,728
Vehicles	915,389	72,600	-	987,989
Other	886,555	21,712	-	908,267
Furniture and fixtures	287,704	-	-	287,704
Total accumulated depreciation	75,609,700	4,223,520	-	79,833,220
Total capital assets, being depreciated, net	134,675,659	(3,585,411)	-	131,090,248
Business-type capital assets, net	\$ 158,904,521	\$ (1,675,023)	\$ -	\$ 157,229,498

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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

Governmental activities:	
General government	\$ 712,557
Public safety	1,841,694
Public works, including depreciation of general infrastructure assets	2,945,367
Health and welfare	78,516
Culture and recreation	787,789
Education	<u>4,084,662</u>
Total depreciation expense – governmental activities	<u><u>\$ 10,450,585</u></u>
Business-type activities:	
Sewer	\$ 2,782,209
Water	1,413,191
Ambulance	<u>28,120</u>
Total depreciation expense – business-type activities	<u><u>\$ 4,223,520</u></u>

Discretely presented component units

Activity for the Danbury Parking Authority for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 192,956	\$ 75,519	\$ -	\$ 268,475
Machinery and equipment	474,578	5,897	-	480,475
Computer equipment	22,506	-	-	22,506
Total capital assets, being depreciated	<u>690,040</u>	<u>81,416</u>	<u>-</u>	<u>771,456</u>
Less accumulated depreciation for:				
Buildings and improvements	96,018	11,387	-	107,405
Machinery and equipment	436,941	9,627	-	446,568
Computer equipment	21,236	215	-	21,451
Total accumulated depreciation	<u>554,195</u>	<u>21,229</u>	<u>-</u>	<u>575,424</u>
Total capital assets, being depreciated, net	<u><u>\$ 135,845</u></u>	<u><u>\$ 60,187</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 196,032</u></u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Activity for the Richter Park Authority for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 842,385	\$ -	\$ -	\$ 842,385
Total capital assets, not being depreciated	842,385	-	-	842,385
Capital assets, being depreciated:				
Course development improvements	3,418,056	72,210	-	3,490,266
Building and improvements	2,134,936	192,380	-	2,327,316
Machinery and equipment	1,332,070	139,000	(83,125)	1,387,945
Totals, capital assets being depreciated	6,885,062	403,590	(83,125)	7,205,527
Less accumulated depreciation for:				
Course development improvements	1,874,038	171,032	-	2,045,070
Building and improvements	1,578,427	57,876	-	1,636,303
Machinery and equipment	898,611	133,932	(69,025)	963,518
Total accumulated depreciation	4,351,076	362,840	(69,025)	4,644,891
Total capital assets, being depreciated, net	2,533,986	40,750	(14,100)	2,560,636
Total capital assets, net	\$ 3,376,371	\$ 40,750	\$ (14,100)	\$ 3,403,021

Activity for the Tarrywile Park Authority for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 173,954	\$ -	\$ -	\$ 173,954
Ground maintenance equipment	40,307	2,980	-	43,287
Administrative equipment	92,311	2,156	(3,740)	90,727
Construction-in-progress	28,499	-	-	28,499
Totals, capital assets being depreciated	335,071	5,136	(3,740)	336,467
Less accumulated depreciation for:				
Buildings and improvements	97,538	8,955	-	106,493
Ground maintenance equipment	25,373	7,271	-	32,644
Administrative equipment	87,967	1,346	(3,740)	85,573
Total accumulated depreciation	210,878	17,572	(3,740)	224,710
Total capital assets, being depreciated, net	\$ 124,193	\$ (12,436)	\$ -	\$ 111,757

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Activity for the Danbury Museum and Historical Society Authority for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 128,790	\$ -	\$ -	\$ 128,790
Total capital assets, not being depreciated	128,790	-	-	128,790
Capital assets, being depreciated:				
Buildings and improvements	1,118,932	69,819	-	1,188,751
Machinery and equipment	26,016	-	-	26,016
Furniture and fixtures	23,427	4,683	-	28,110
Totals, capital assets being depreciated	1,168,375	74,502	-	1,242,877
Less accumulated depreciation for:				
Buildings and improvements	397,025	-	60,967	457,992
Machinery and equipment	13,600	-	-	13,600
Furniture and fixtures	12,614	-	-	12,614
Total accumulated depreciation	423,239	-	60,967	484,206
Total capital assets, being depreciated, net	745,136	74,502	(60,967)	758,671
Total capital assets, net	\$ 873,926	\$ 74,502	\$ (60,967)	\$ 887,461

Activity for the Charles Ives Authority for the Performing Arts for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 88,387	\$ 12,770	\$ -	\$ 101,157
Totals, capital assets being depreciated	88,387	12,770	-	101,157
Less accumulated depreciation for:				
Machinery and equipment	(57,894)	(18,954)	-	(76,848)
Total accumulated depreciation	(57,894)	(18,954)	-	(76,848)
Total capital assets, net	\$ 30,493	\$ (6,184)	\$ -	\$ 24,309

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 7. Bond Anticipation Notes Payable

The City has \$2,000,000 of bond anticipation notes outstanding as of June 30, 2012. The bond anticipation notes bear interest at 1% and a yield of 0.25% Bond Anticipation Notes were issued for sewer, water, school facility and other general government and public improvement capital projects.

Bond anticipation note transactions for the year ended June 30, 2012 were as follows:

Outstanding, July 1, 2011	\$ 20,000,000
Borrowings	2,000,000
Repayments	<u>(20,000,000)</u>
Outstanding, June 30, 2012	<u>\$ 2,000,000</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 127,439,350	\$ 30,816,320	\$ 24,119,251	\$ 134,136,419	\$ 10,866,570
Notes payable	1,022,000	-	72,000	950,000	72,000
Bond anticipation notes	12,407,555	-	12,407,555	-	-
Plus deferred amounts:					
Unamortized premiums	6,618,065	3,510,677	747,908	9,380,834	-
Total bonds and notes payable	147,486,970	34,326,997	37,346,714	144,467,253	10,938,570
Capital leases	16,682,857	2,500,000	957,199	18,225,658	2,152,485
Landfill post-closure monitoring	8,971,903	-	453,107	8,518,796	106,523
Pollution remediation obligation	1,083,700	-	211,393	872,307	-
Early retirement accrual	2,498,405	199,872	969,465	1,728,812	969,465
Compensated absences	3,435,575	1,541,964	1,742,870	3,234,669	2,068,513
Legal claims and other	750,000	-	-	750,000	-
Easement obligation	400,000	-	50,000	350,000	50,000
OPEB obligations	20,814,800	7,875,900	-	28,690,700	-
Governmental activity long-term liabilities	\$ 202,124,210	\$ 46,444,733	\$ 41,730,748	\$ 206,838,195	\$ 16,285,556
Business-type activities:					
Bonds and notes payable:					
General obligation bonds	\$ 25,790,650	\$ 3,408,680	\$ 5,590,749	\$ 23,608,581	\$ 2,473,430
Notes payable	7,583,140	3,219,688	2,612,015	8,190,813	2,614,184
Plus deferred amounts:					
Unamortized premiums	829,273	454,049	216,510	1,066,812	-
Total bonds and notes payable	34,203,063	7,082,417	8,419,274	32,866,206	5,087,614
Business-type activity long-term liabilities	\$ 34,203,063	\$ 7,082,417	\$ 8,419,274	\$ 32,866,206	\$ 5,087,614

Notes payable

The City's notes payable, which are payable from its governmental activities, are as follows at June 30, 2012:

	Outstanding Amount
HUD-Section 108 loan, due in annual installments with an interest rate of 3%.	<u>\$ 950,000</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

General obligation bonds

As of June 30, 2012, the outstanding general obligation bonded indebtedness of the City, payable from its governmental activities, was as follows:

	<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%	\$ 815,000
\$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%	160,000
\$17,740,000 School Additions general obligation bonds issued February 1, 1994 due in annual installments of \$880,000 to \$890,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	1,760,000
\$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%	220,000
\$12,925,000 Public Improvement and School Improvement general obligation bonds issued August 1, 2003, due in annual installments of \$535,000 to \$760,000; final maturity August 1, 2023; interest at 3.25% to 4.75%	755,000
\$11,770,000 General Purpose General Obligation Refunding bonds, issued March 1, 2004, due in annual installments of \$15,000 to \$1,180,000; final maturity August 1, 2021; interest at 2.00% to 5.00%	9,101,000
\$2,278,000 School Program General Obligation Refunding bonds issued March 1, 2004, due in annual installments of \$221,000 to \$233,000; final maturity August 1, 2021; interest at 2.00% to 5.00%	2,278,000
\$10,440,000 General Purpose and Schools General Obligation bonds, issued August 1, 2005, due in annual installments of \$365,400 and \$785,000; final maturity date August 2025; interest at 3.0% to 4.5%	575,000
\$24,357,500 General Purpose and Schools General Obligation bonds; issued August 1, 2006, due in annual installments of \$1,185,000 to \$1,252,500, final maturity date August 2026; interest at 4.25% to 5.0%	3,680,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

	<u>Outstanding Amount</u>
\$23,480,000 General Purpose and School General Obligation bonds; issued August 1, 2007, due in annual installments of \$1,070,000 to \$1,284,000 final maturity date August 2027, interest at 4.0% to 5.0%	7,729,000
\$17,599,450 General Obligation bonds; issued August 1, 2008, due in annual installments of \$879,000 to \$882,450 final maturity date August 2028, interest at 3.5% to 5.0%	9,677,000
\$15,269,000 General Obligation Bonds; issued July 15, 2009 - 2010 post refunding due in annual installments of \$763,000 to \$766,762; final maturity July 15, 2029; interest at 3.00% - 5.00%	13,356,000
\$5,525,000 General Obligation Bonds issued; March 18, 2010 -2010 post refunding-Series A post refunding-Series A due in annual installments of \$292,000	5,525,000
\$27,159,000 General Obligation Bonds issued; March 18, 2010 -2010 post refunding-Series B due in annual installments of \$22,000 to \$4,096,000; final maturity July 1, 2024; interest at 2.00% - 5.00%	27,159,000
\$21,705,000 General Purpose and School Obligation Bonds issued July 15, 2010 due in annual installments of \$1,085,250; final maturity July 15, 2030; interest at 2.00% - 4.00%	20,530,099
\$17,552,320 General Purpose and School Obligation Bonds; issued July 15, 2011; due in annual installments of \$548,000 to \$1,498,000; final maturity July 15, 2031; interest at 3.00% to 5.00%	17,552,320
\$13,264,000 General Obligation Bonds; issued December 15, 2011; refunding due in annual installments of \$1,038,000 to \$2,569,000; final maturity July 15, 2026; interest at 3.00% - 5.00%	<u>13,264,000</u>
	<u><u>\$ 134,136,419</u></u>

CITY OF DANBURY, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued**
June 30, 2012

At June 30, 2012, the outstanding general obligation bonded indebtedness of the City, payable from its business-type activities, was as follows:

	<u>Outstanding Amount</u>
\$1,310,000 Lateral Sewer Systems general obligation bonds issued February 1, 1994 due in annual installments of \$65,000 to \$70,000; final maturity February 1, 2014; interest a 3.20% to 5.10%	\$ 130,000
\$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 5.10%	310,000
\$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%	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%	315,000
\$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%	225,000
\$11,312,000 Water and Sewer general obligation refunding bonds issued March 1, 2004, due in annual installments of \$20,000 to \$1,127,000; final maturity August 1, 2021; interest at 2.00% to 5.00%	7,811,000
\$500,000 Water general obligation bond issued August 1, 2005 due in annual installments of \$25,000; final maturity August 2025; interest at 3.0% to 4.5%	25,000
\$7,262,500 Water and Sewer general obligation bonds; issued August 1, 2006, due in annual installments of \$360,000 to \$370,000; final maturity August 2027; interest at 4.25% to 5.0%	1,090,000
\$4,835,000 Water and Sewer general obligation bonds; issued August 1, 2007, due in annual installments of \$234, 000 to \$252,000; final maturity August 2027; interest at 4.0% to 5.0%	1,616,000
\$2,400,550 Water and Sewer general obligation bonds; issued August 1, 2008, due in annual installments of \$117,500 to \$121,000; final maturity August 2028; interest at 4.0% to 5.0%	1,323,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

	<u>Outstanding Amount</u>
\$915,000 Water general obligation bonds; issued July 15, 2009, due in annual installments of \$41,000 to \$46,000; final maturity July 15, 2029; interest at 3.00% to 5.00%	644,000
\$5,286,000 Water and Sewer general obligation refunding bonds; issued March 18, 2010; due in annual installments of \$179,000 to \$428,000; final maturity July 1, 2020; interest at 2.00% to 5.00%	5,286,000
\$1,295,000 Water and Sewer General Obligation Bonds issued July 15, 2010; due in annual installments of \$64,750; final maturity July 15, 2030; interest at 2.00% - 4.00%	1,224,901
\$447,680 Sewer general obligation bond; issued July 15, 2011; due in annual installments of \$80,000 to \$250,000; final maturity July 15, 2016; interest at 3.00% - 5.00%	447,680
\$2,961,000 Water and Sewer general obligation refunding bonds; issued December 11, 2011; due in annual installments of \$144,000 to \$495,000; final maturity July 15, 2016; interest 3.00% - 5.00%	<u>2,961,000</u>
Total general obligation bonds	<u>23,608,581</u>
\$47,373,853 Clean Water Fund 103-C note payable signed July 30, 1994 due in annual installments of \$2,482,473 (\$206,873 in 2014); final maturity July 30, 2013; interest at 2.0%	2,689,344
\$441,322 Clean Water Fund 305-C note payable signed January 31, 1995 due in annual installments of \$22,066 (\$1,840 in 2015); final maturity January 31, 2014; interest at 2.0%	45,972
\$2,549,994 Clean Water Fund 5155-C note payable signed March 31, 2010 due in annual installments of \$107,476 (\$206,709 in 2011); final maturity September 30, 2029, interest at 2.0%	2,235,809
\$3,219,688 Clean Water 132-CSC note payable	<u>3,219,688</u>
Total notes payable	<u>8,190,813</u>
	<u><u>\$ 31,799,394</u></u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2013	\$ 10,938,570	\$ 5,559,131	\$ 16,497,701	\$ 5,087,614	\$ 1,102,851	\$ 6,190,465
2014	10,407,250	5,128,477	15,535,727	3,136,909	1,017,765	4,154,674
2015	9,576,250	4,696,520	14,272,770	2,576,507	886,966	3,463,473
2016	9,502,095	4,271,421	13,773,516	2,398,847	768,556	3,167,403
2017	8,939,376	3,850,525	12,789,901	2,286,691	662,628	2,949,319
2018	8,889,376	3,450,380	12,339,756	2,281,920	566,623	2,848,543
2019	8,543,376	3,053,338	11,596,714	1,965,255	481,683	2,446,938
2020	8,058,376	2,667,753	10,726,129	1,365,697	413,433	1,779,130
2021	7,907,250	2,309,469	10,216,719	1,242,376	360,425	1,602,801
2022	7,722,250	1,999,860	9,722,110	1,248,040	317,042	1,565,082
2023	6,872,250	1,712,581	8,584,831	1,203,818	273,901	1,477,719
2024	6,901,250	1,412,339	8,313,589	1,210,714	225,154	1,435,868
2025	6,384,250	1,131,110	7,515,360	1,218,728	177,464	1,396,192
2026	6,161,250	869,140	7,030,390	1,168,863	131,445	1,300,308
2027	5,807,250	621,503	6,428,753	1,154,123	87,825	1,241,948
2028	4,622,250	409,650	5,031,900	795,509	53,443	848,952
2029	3,551,250	243,863	3,795,113	568,023	31,731	599,754
2030	2,667,250	118,591	2,785,841	337,880	18,430	356,310
2031	1,635,250	32,705	1,667,955	250,339	11,038	261,377
2032	-	-	-	189,335	6,031	195,366
2033	-	-	-	112,206	4,359	116,565
Total	\$ 135,086,419	\$ 43,538,356	\$ 178,624,775	\$ 31,799,394	\$ 7,598,793	\$ 39,398,187

School Bond Reimbursements

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 principal reimbursement for the year ended June 30, 2012 was approximately \$582,547. Additional payments aggregating approximately \$821,778 are expected to be received through the bonds' maturity dates.

In-Substance Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2012, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$52,970,000. In the current year, the City issued \$16,225,000 of General Obligation Refunding Bonds to advance refund all or any portion of the aggregate principal amounts outstanding of certain of the City's outstanding general obligation bonds totaling \$17,005,000. The bonds mature through 2025, with interest from 3.00% to 5.00%. The transaction produced a present value gain of \$771,462 and a cash savings of \$818,875.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2012**

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 \$8,518,796, 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, 2012. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. These costs will be paid from the General Fund.

Other Post Employment Obligation

Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions," requires the City to accrue a net OPEB obligation. The amount at June 30, 2012 was \$28,690,700. This amount is recorded in the government-wide statements, and will eventually be paid out of the General Fund when due.

Early Retirement

In March 2009, the City approved early retirement incentive payout for eligible Board of Education and government employees to retire as of June 30, 2009. The Board of Education obligation represents the early retirement incentive payout for eligible certified teachers who have completed twenty-five or more years of Connecticut public school teaching service and have been a certified employee of the Danbury Board of Education for at least 10 years. Participants electing early retirement receive incentive compensation equal to a percentage of salary rates for the 2008-2009 school year to be paid in five equal installments representing 20% of the total incentive compensation. Payments commencing September 1, 2009 will be made through September 1, 2014. The amount accrued has been calculated at the discounted present value of the expected future benefit. The amount recorded at June 30, 2012 is approximately \$1,728,814 on the government-wide statements, and is paid out of the annual appropriation to the Board of Education from the General Fund.

Compensated absences

Included in the Long-Term Obligations in the government-wide statement of net assets is the estimated obligation for employee compensated absences in the amount of \$3,234,669 as of June 30, 2012. The General Fund has typically been used to liquidate the liability for compensated absences.

Capital lease obligations

The City has entered into multi-year capital leases for the purchase of various capital items including energy conservation construction, public works equipment, vehicles and computer hardware and software. Interest rates on these leases range from 1.59% to 4.45%. Most of the lease arrangements have terms of 5-8 years; however, the energy conservation project leases have a 15-year term.

On December 30, 2011, the City entered into a \$2,500,000 capital lease agreement with JP Morgan Chase Bank, N.A. The lease has an interest rate of 1.59% and matures on July 1, 2016. Principal and interest payments are made annually and vary throughout the life of the lease.

On June 28, 2011, the City entered into a \$4,248,835 equipment tax-exempt lease/purchase agreement and a \$7,251,165 equipment taxable direct pay qualified energy conservation bond (QECB) lease/purchase agreement for building improvements. The \$4,248,835 lease has an interest rate of 3.60% and matures on June 28, 2026. The \$7,251,165 lease has an interest rate of 5.27%, a tax credit

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

rate of 5.04% (70% of tax credit rate of 3.53%), and a net effective rate of 1.74% and matures on June 28, 2026. Principal and interest payments are made biannually on both leases and vary throughout the life of the lease. The City received \$11,500,000 in funding on June 28, 2011 and had associated construction in progress of \$8,535,862.

Construction in progress	\$ 8,535,862
Machinery and equipment	18,130,882
Accumulated depreciation	<u>(13,488,135)</u>
Net book value	<u><u>\$ 13,178,609</u></u>

Future minimum lease payments under capital leases are as follows:

<u>Fiscal Year</u>	
2013	\$ 2,864,746
2014	2,565,231
2015	2,510,756
2016	2,493,823
2017	2,340,351
Thereafter	<u>10,145,463</u>
	22,920,370
Less amount representing interest	(2,767,700)
Less interest subsidy for Qualified Energy Conservation bonds	<u>(1,927,012)</u>
	<u><u>\$ 18,225,658</u></u>

Stanley L. Richter Park Authority

The following is a summary of the component unit's bonds and notes payable transactions for the year ended December 31, 2011:

Beginning balance	\$ 243,853
Additions	588,011
Deductions	<u>(243,853)</u>
Ending balance	<u><u>\$ 588,011</u></u>

The Authority issued a long-term bond amounting to \$588,011 in October 2011 to finance renovations and improvements to the golf course. The bond principal is payable in monthly installments commencing in November 2013, with final maturity in October 2023.

On October 18, 2011, the Authority entered into an agreement with Newtown Savings Bank for a credit line in the amount of \$300,000 bearing interest at a variable rate per annum of .75% above the Prime Rate (4% at December 31, 2011). Interest on outstanding principal is payable monthly commencing November 2011. Principal is payable upon demand. The line of credit is used for working capital needs of the Authority. At December 31, 2011, the credit balance was \$190,000. Prior to the agreement with Newtown Savings Bank, the Authority had entered into an agreement with Union Savings Bank for a credit line in the amount of \$350,000 bearing interest at the bank's base lending rate plus .5% (floating).

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

The line of credit was used for working capital needs of the Authority. At December 31, 2010, the credit line balance was \$169,147. This line of credit was repaid and cancelled in October 2011 in connection with the new agreement with Newtown Savings Bank.

The future principal amortization is as follows:

Year ending December 31,	
2013	\$ 130,242
2014	84,099
2015	63,623
2016	39,090
Thereafter	270,957
	<u>\$ 588,011</u>

Authorized but unissued bonds

Bonds authorized but unissued by the City at June 30, 2012 are as follows:

General Purpose	\$ 14,860,845
Sewer	5,185,504
Water	2,875,850
	<u>\$ 22,922,199</u>

As per the bonding authorization, the amount of the bonds authorized but unissued has been reduced by any State/Federal Grant funding approved and/or received, and by the amounts of funding received through other sources such as the Clean Water Act Funds.

Legal Debt Limit

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

	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose	\$ 380,869,418	\$ 134,128,908	\$ 246,740,510
Unfunded Pension Benefit Obligation	507,825,891	-	507,825,891
Schools	761,738,837	47,513,204	714,225,633
Sewers	634,782,364	37,066,061	597,716,303
Urban renewal	550,144,715	950,000	549,194,715

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$1,184,927,079.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Note 9. Commitments and Contingencies

Lawsuits

There are several personal injury, negligence, personnel and other related lawsuits pending against the City. For certain cases, where it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, a loss contingency has been accrued for in the government-wide statement of approximately \$750,000. Based upon the advice of the legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial statements of the City.

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 Authority 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 but in no case less than its guaranteed annual tonnage of 48,600 tons per year and to pay a uniform per ton disposal service payment (the "Service Payment"). The current fee is \$83.60 per ton. The aggregate guaranteed annual tonnage of the eleven Contracting Municipalities is 115,300 tons per year. The City's Service Payment commitment is a "put-or-pay" commitment, in that if the aggregate guaranteed annual tonnage 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 guaranteed annual tonnage (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, throughout the term of the Service Agreement which terminates on June 30, 2019.

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 annual tonnage requirement, the effect to the City of Danbury would not be material to the financial statement as a whole.

Waste Water Treatment

The City has a 20-year agreement through June 2018 (the "Agreement") with Veolia Water to manage its waste water collection and treatment system. As consideration for such Agreement, the City received a \$10 million up-front concession fee. If the Agreement is terminated prior to the end of the 20 year term, the City has to repay the unamortized balance of the concession fee (calculated using the straight-line method over the term of the Agreement). The unamortized balance of the concession fee at June 30, 2012 is \$2,624,941 and is recorded as unearned revenue in the Sewer Enterprise Fund.

Under the Agreement, the City pays an annual base fee of approximately \$3,700,000 plus an annual adjustment equal to the change in the consumer price index. The current annual amount is approximately \$5,015,000.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 10. Fund Deficits

The City has the following fund deficits at June 30, 2012 and expects to eliminate the deficits in the future as follows:

Fund	Deficit June 30, 2012	Plan for Eliminating Debt
Capital Projects:		
Danbury Neighborhood Bond	\$ 163,589	Through future debt issuance
Open Space	\$ 153,186	Through future debt issuance
Century 21 Pl.	\$ 1,506,405	Through future debt issuance
Special Revenue:		
LOCIP	\$ 125,479	Through future grant reimbursement/transfers
Airport	\$ 26,173	Through future grant reimbursement/transfers/revenues
BIIP	\$ 2,620	Through future grant reimbursement/transfers
ARRA	\$ 97,667	Through future grant reimbursement/transfers
Miscellaneous Special Revenue	\$ 3,007,111	Through future grant reimbursement/transfers/revenues

Note 11. 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. Beginning January 1, 2011, all non-union employees who are hired or become eligible for benefits subsequent to January 1, 2011 and are members of the General Employees Pension Plan shall contribute 5% of their base salary. 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. City and employee contributions are made pursuant to City charter and Union contracts. Administrative fees are paid through the plans. 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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983
		Police	Fire	Police	Fire	Police
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	506	32	24	83	70	17
Vested in employee contributions only	-	-	-	-	2	12
Terminated employees Entitled to future benefits	145	-	-	-	-	2
Current employees	<u>557</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>120</u>	<u>132</u>
Total number of participants	<u>1,208</u>	<u>32</u>	<u>24</u>	<u>102</u>	<u>192</u>	<u>163</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 55 or 25 years of service, 2% of average compensation for each year of service, but not greater than 68%
Definition of "Compensation"	Average of 3 highest years	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 or Social Security Disability	1.5% of average compensation times years of credited service	66.7% of final pay	50% of final pay, 2% increase in benefit after being retired for one year			
Non-Line of Duty (Years 1-10)	N/A	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)	N/A	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, 2012

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	None*	None	None	4% of earnings	5% of earnings	4.5% of earnings
Employer	\$2,639,000	\$904,000	\$488,000	\$798,000	\$1,429,000	\$1,419,000
Authority under which benefit provisions established	City code of ordinances	City code of ordinances	City code of ordinances	City code of ordinances	City code of ordinances	City code of Ordinances
Contribution Rates						
Employee	**	-	-	4.0%	5.0%	4.5%
Employer	100%	100%	100%	100%	100%	100%
Annual Pension Cost	\$2,639,000	\$904,000	\$488,000	\$798,000	\$1,429,000	\$1,419,000
Contribution Made	\$2,639,000	\$904,000	\$488,000	\$798,000	\$1,429,000	\$1,419,000
<u>Funding Status and Progress</u>						
Date of actuarial valuation	7/1/11	7/1/11	7/1/11	7/1/10	7/1/10	7/1/10
Significant actuarial assumptions						
Investment rate of return	7.25%	7.25%	7.25%	8.0%	8.0%	8.0%
Projected annual salary increases*	3 to 5%	N/A	N/A	4.0%	4.0%	4.0%
Post retirement benefit increases*	3.0%, 15% every 5 years	3.0%	3.0%	3.5%	3.5%	2.0% after 5 years retirement or one year service connected disability
* including inflation of	3.0%	-	-	3.0%	3.0%	3.0%
Mortality table	1983 GAM Set back 6 years for females and set forward 9 years for disabled lives	1983 GAM Set back 6 years for females and set forward 9 years for disabled lives	1983 GAM Set back 6 years for females and set forward 9 years for disabled lives	RP2000Blue Collar Combined-generational and RP2000 Disabled Lives	RP2000Blue Collar Combined-generational and RP2000 Disabled Lives	RP2000Blue Collar Combined-generational and RP2000 Disabled Lives

* An adjustment to the asset method was made with the July 1, 2009 and July 1, 2010 valuations. Previously, the actuarial value of assets was required to be within 80% to 120% of the market value. The new range is 65% to 135% of market value for all plans except Post 1983 Police, which is 70% to 130% of market value.

** Beginning January 1, 2011, all non-union employees who are hired or become eligible for benefits subsequent to January 1, 2011 and are members of the General Employees Pension Plan shall constitute 5% of their base salary.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983 Police
		Police	Fire	Police	Fire	
Actuarial asset valuation method*	Expected Actuarial Value					
Funding Policy	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial
Actuarial cost method	Projected unit credit cost					
Amortization method	Level Dollar Amount Open					
Remaining amortizing period	10 years	7 years	9 years	10 years	16 years	16 years
Authority under which contributions are established	City Council					

* An adjustment to the asset method was made with the July 1, 2009 valuation. Previously, the actuarial value of assets was required to be within 80% to 120% of the market value. The new range is 65% to 135% of market value for all plans except Post 1983 Police, which is 70% to 130% of market value.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Three-Year Trend Information

	Trend % Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General Employees			
2012	2,639,000	100.0%	-
2011	2,529,000	100.0%	-
2010	-	-	-
Police Pre-1967			
2012	904,000	100.0%	-
2011	904,000	100.0%	-
2010	845,000	100.0%	-
Fire Pre-1967			
2012	488,000	100.0%	-
2011	488,000	100.0%	-
2010	552,000	100.0%	-
Police Post-1967			
2012	798,000	100.0%	-
2011	-	-	-
2010	-	-	-
Fire Post-1967			
2012	1,429,689	100.0%	-
2011	311,000	100.0%	-
2010	272,000	99.8%	(28,672)
Police Post-1983			
2012	1,419,000	100.0%	-
2011	1,047,000	100.0%	-
2010	1,018,000	100.0%	-

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

**SCHEDULE OF PLAN NET ASSETS
JUNE 30, 2012**

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
ASSETS							
Cash and cash equivalents	\$ 7,356,826	\$ 287,637	\$ 267,982	\$ 3,344,909	\$ 4,496,363	\$ 1,478,096	\$ 17,231,813
Investments, at fair value							
Common stock	9,924,401	388,023	361,510	4,512,302	6,065,620	1,993,960	23,245,816
Debt securities	3,771,688	147,465	137,389	1,714,864	2,305,189	757,790	8,834,385
Mutual funds	47,050,145	1,839,561	1,713,865	21,392,170	28,756,224	9,453,074	110,205,039
Private hedge fund	24,687,191	965,217	899,265	11,224,462	15,088,379	4,960,024	57,824,538
Total investments	85,433,425	3,340,266	3,112,029	38,843,798	52,215,412	17,164,848	200,109,778
Accrued interest and dividends	48,264	1,887	1,758	21,944	29,499	9,697	113,049
Pending sales	50,188	1,962	1,828	22,819	30,674	10,084	117,555
Total Assets	92,888,703	3,631,752	3,383,597	42,233,470	56,771,948	18,662,725	217,572,195
LIABILITIES							
Pending purchases	215,251	8,416	7,841	97,868	131,558	43,247	504,181
Net Assets Held in Trust for Pension Benefits	\$ 92,673,452	\$ 3,623,336	\$ 3,375,756	\$ 42,135,602	\$ 56,640,390	\$ 18,619,478	\$ 217,068,014

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

**SCHEDULE OF CHANGES IN
PLAN NET ASSETS
YEAR ENDED JUNE 30, 2012**

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
Additions							
Contributions							
Employer	\$ 2,639,000	\$ 904,000	\$ 488,000	\$ 798,000	\$ 1,429,001	\$ 1,420,288	\$ 7,678,289
Plan members	4,969	-	-	35,428	407,001	408,677	856,075
Total contributions	2,643,969	904,000	488,000	833,428	1,836,002	1,828,965	8,534,364
Investment Income							
Net depreciation in fair value of investments	(5,569,482)	(166,560)	(181,864)	(2,635,175)	(3,394,117)	(762,608)	(12,709,806)
Interest and dividends	2,323,924	75,782	79,147	1,072,572	1,406,034	332,830	5,290,289
	(3,245,558)	(90,778)	(102,717)	(1,562,603)	(1,988,083)	(429,778)	(7,419,517)
Less Investment Expenses:							
Investment management fees	388,717	24,781	22,539	189,774	215,733	60,834	902,378
Net investment income (loss)	(3,634,275)	(115,559)	(125,256)	(1,752,377)	(2,203,816)	(490,612)	(8,321,895)
Deductions							
Benefits paid	7,098,152	1,378,155	992,853	3,805,150	3,488,351	556,689	17,319,350
Total deductions	7,098,152	1,378,155	992,853	3,805,150	3,488,351	556,689	17,319,350
Net change in net assets	(8,088,458)	(589,714)	(630,109)	(4,724,099)	(3,856,165)	781,664	(17,106,881)
Net Assets Held in Trust for Pension Benefits							
Beginning of year	100,761,910	4,213,050	4,005,865	46,859,701	60,496,555	17,837,814	234,174,895
End of year	\$ 92,673,452	\$ 3,623,336	\$ 3,375,756	\$ 42,135,602	\$ 56,640,390	\$ 18,619,478	\$ 217,068,014

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Over) Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(Over) Underfunded AAL as a Percentage of Covered Payroll
General Employees:						
7/1/11	\$ 110,890,677	\$ 117,668,661	\$ 6,777,984	94.2%	\$ 26,889,958	25.2%
Pre-1967 Police:						
7/1/11	\$ 4,894,494	\$ 9,509,978	\$ 4,615,484	51.5%	\$ -	NA
Pre-1967 Fire:						
7/1/11	\$ 4,600,978	\$ 8,000,590	\$ 3,399,612	57.5%	\$ -	NA
Post-1967 Police:						
7/1/10	\$ 52,769,298	\$ 56,466,195	\$ 3,696,897	93.5%	\$ 1,528,555	241.9%
Post-1967 Fire:						
7/1/10	\$ 65,257,292	\$ 68,330,153	\$ 3,072,861	95.5%	\$ 8,446,958	36.4%
Post-1983 Police:						
7/1/10	\$ 17,189,830	\$ 23,294,439	\$ 6,104,609	73.8%	\$ 8,678,205	70.3%

* Subsequent to the most recent valuation date, certain economic events have had a significant adverse impact on investment portfolios. As such, these market downturns may have a significant effect on the funded ratio and on future required contributions.

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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 State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

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

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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 \$12,820,000 for the year ended June 30, 2012.

Post employment retirement benefits

From an accrual accounting perspective, the cost of post employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the City recognizes the cost of post employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

The City provides post employment retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. The City maintains one plan to cover all employees. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2010. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the City are established and may be amended by the City. The City determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2010, the date of the last actuarial valuation.

General Government Employees:	
Retirees and beneficiaries receiving benefits	341
Active plan members	<u>536</u>
Total	<u><u>877</u></u>
Board of Education Employees:	
Retirees and beneficiaries receiving benefits	166
Active plan members	<u>1,272</u>
Total	<u><u>1,438</u></u>

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2010 was estimated to be \$124,038,200 and \$19,730,300 for City and Board of Education employees, respectively. The City's contributions represent payments made for premiums for insured individuals.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
General Government Employees:				
6/30/2012	\$ 12,715,100	\$ 5,990,600	47.1%	\$ 23,114,300
6/30/2011	\$ 11,174,200	\$ 5,595,600	50.1%	\$ 16,389,800
6/30/2010	\$ 11,017,400	\$ 5,594,100	50.8%	\$ 10,811,200
Board of Education Employees:				
6/30/2012	\$ 1,968,800	\$ 817,400	41.5%	\$ 6,776,400
6/30/2011	\$ 2,088,900	\$ 150,200	7.2%	\$ 5,625,000
6/30/2010	\$ 2,065,000	\$ 967,300	46.8%	\$ 3,686,300
Annual required contribution			\$ 14,800,600	
Interest on net OPEB obligation			1,541,100	
Adjustments to ARC			<u>(1,657,800)</u>	
Annual OPEB cost			14,683,900	
Contributions made			<u>6,808,000</u>	
Increase in net OPEB liability			7,875,900	
Net OPEB obligation, beginning of year			<u>20,814,800</u>	
Net OPEB obligation, end of year			<u>\$ 28,690,700</u>	

Schedule of Funding Progress 000's						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
General Government Employees:						
7/1/2010	\$ -	\$ 124,038,200	\$ 124,038,200	0.00%	\$33,256,200	373.0%
Board of Education Employees:						
7/1/2010	\$ -	\$ 19,730,300	\$ 19,730,300	0.00%	\$72,319,700	27.3%

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2010
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Level Percent of Pay (Open)
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Investment rate of return	7.00%
Inflation rate	None
Health cost trend rates	Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:

<u>Year After Valuation Date</u>	<u>Increase</u>
1	10%
2	9%
3	8%
4	7%
5	6%
6	5%
7 or more	5%

Note 12. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the last three years. The City self-insures up to certain levels of risk based on an evaluation of the City's financial capability to assume risk and prevailing market conditions for commercial insurance. Presently, the City is self-insured for the first \$100,000 per claim for general, auto, property and public liability. The City also maintains a \$750,000 combined aggregate stop loss on these lines of coverage. The Risk Management Department also manages workers' compensation. The City is self-insured for the first \$500,000 per claim and maintains an aggregate stop loss on these worker's compensation claims of \$3 million. Employee medical benefits are fully insured, except for prescription drug and dental coverage which is a self-insured arrangement. The BOE is also self-insured for certain dental and prescription programs.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Generally all claims are paid by the Internal Service Funds.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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
2012	\$ 4,320,278	\$ 18,607,558	\$ 18,287,691	\$ 4,640,145
2011	4,530,564	16,672,998	16,883,284	4,320,278

Note 13. 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 \$60,514 to supplement Candlewood’s operating revenues for the year ended June 30, 2012 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 \$733,080 to supplement HART’s operating revenues for the year ended June 30, 2012 as HART would experience financial stress without such revenue supplement.

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

The Housatonic Resources Recovery Authority (“HRRA”) is a joint venture of which the City of Danbury is a member. The HRRA was established as a separate political subdivision of the State in 1986 with the adoption of a creating ordinance by local municipalities, including Danbury. HRRA was created for the purpose of providing solid waste management and disposal services for the member municipalities. There are nine participating municipalities in HRRA with the board being comprised of one member from each municipality. To avoid financial stress, the City has an ongoing financial responsibility to supply a certain level of tonnage to HRRA in accordance with the agreement between the City and HRRA, but the City has no equity interest.

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

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.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 14. Fund Balance (Deficit)

Below is a table of fund balance categories and classifications in accordance with GASB Statement No. 54 at June 30, 2012 for the City governmental Funds:

	General Fund	Miscellaneous Special Revenue	Nonmajor Governmental Funds
Fund balances (deficits):			
Non-spendable:			
Inventory	\$ -	\$ -	\$ 61,971
Permanent fund principal	-	-	1,483,133
Prepaid	597,231	-	-
Total nonspendable	597,231	-	1,545,104
Restricted:			
General government	-	-	36,991
Public works	-	-	30,000
Education	-	-	8,785
Health and welfare	-	-	490,726
Raillyard parking lease	-	-	15,930
Library	-	-	76,921
Capital projects	-	-	131,353
Total restricted	-	-	790,706
Committed:			
General government	-	-	-
Public safety	-	-	364,292
Public works	-	-	1,227,314
Health and welfare	-	-	89,514
Culture and recreation	-	-	628,588
Education	-	58,890	6,948,994
Farioly Library	-	-	168,192
Capital projects	709,030	-	3,909,866
Total committed	709,030	58,890	13,336,760
Assigned:			
General government	90,024	-	-
Public safety	57,667	-	108,912
Public works	92,655	-	-
Culture and recreation	2,368	-	-
Education	2,253,133	-	-
Future Appropriation	2,350,000	-	-
Total assigned	4,845,847	-	108,912
Unassigned	22,140,748	(3,066,001)	(6,560,806)
Total fund balance (deficit)	\$ 28,292,856	\$ (3,007,111)	\$ 9,220,676

Note 15. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

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

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

(which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of this Statement are effective for periods beginning after June 30, 2014, and would be applied on a prospective basis. Early adoption is encouraged.
- **GASB Statement No. 66, *Technical Corrections - 2012***, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for periods beginning after June 30, 2014, and would be applied on a prospective basis. Early adoption is encouraged.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25, was issued in June 2012***. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

postemployment benefits other than pensions. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.

- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was issued in June 2012.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2015.

Note 16. Subsequent Events

Refunding Bonds

On August 2, 2012, the City issued \$15,055,000 of General Obligation Refunding Bonds to advance refund all or any portion of the aggregate principal amounts outstanding of certain of the City's outstanding general obligation bonds totaling \$14,780,000. The bonds mature through 2028, with interest from 3.50% to 5.00%. The transaction produced a present value gain of \$1,003,967 and a cash savings of \$1,062,131.

General Obligation Bonds and Bond Anticipation Notes

In July 2012, the City issued \$12,000,000 in general obligation bonds. The bonds bear interest of 2.00% - \$4.00% and mature serially from July 15, 2013 to July 15, 2030. The City issued \$2,500,000 in general obligation bond anticipation notes dated July 27, 2012. The BANs bear an interest rate of 1.25% and mature on July 26, 2013.

**Required Supplementary
Information**

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CITY OF DANBURY, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF FUNDING PROGRESS -
PENSIONS AND OPEB
June 30, 2012

SCHEDULE OF FUNDING PROGRESS - PENSIONS AND OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Over) Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(Over) Underfunded AAL as a
PENSIONS						
General Employees:						
7/1/2011	\$ 110,890,677	\$ 117,668,661	\$ 6,777,984	94.2%	\$ 26,889,958	25.2%
7/1/2009	111,314,774	110,074,859	(1,239,915)	101.1%	25,822,179	-4.8%
7/1/2007	112,567,220	93,792,699	(18,774,521)	120.0%	25,217,732	-74.4%
7/1/2005	104,464,850	81,604,546	(22,860,304)	128.0%	23,777,020	-96.1%
7/1/2003	97,448,725	74,647,619	(22,801,106)	130.5%	23,576,524	-96.7%
1/1/2002	95,940,971	71,836,054	(24,104,917)	133.6%	21,547,768	-111.9%
Pre-1967 Police:						
7/1/2011	4,894,494	9,509,978	4,615,484	51.5%	-	N/A
7/1/2009	5,826,153	11,020,751	5,194,598	52.9%	-	N/A
7/1/2007	6,713,395	11,566,937	4,853,542	58.0%	-	N/A
7/1/2005	7,019,283	13,139,006	6,119,723	53.4%	-	N/A
7/1/2003	6,993,981	14,173,012	7,179,031	49.3%	-	N/A
1/1/2002	7,833,857	15,189,737	7,355,880	51.6%	-	N/A
Pre-1967 Fire:						
7/1/2011	4,600,978	8,000,590	3,399,612	57.5%	-	N/A
7/1/2009	5,375,994	8,618,850	3,242,856	62.4%	-	N/A
7/1/2007	5,748,743	9,425,747	3,677,004	61.0%	-	N/A
7/1/2005	5,753,625	12,223,443	6,469,818	47.1%	-	N/A
7/1/2003	5,864,207	13,091,400	7,227,193	44.8%	-	N/A
1/1/2002	6,558,299	13,355,820	6,797,521	49.1%	-	N/A
Post-1967 Police:						
7/1/2010	52,769,298	56,466,195	3,696,897	93.5%	1,528,555	241.9%
7/1/2008	57,259,302	52,905,479	(4,353,823)	108.2%	1,738,046	-250.5%
7/1/2006	54,386,012	50,028,155	(4,357,857)	108.7%	1,855.01	-234.9%
7/1/2004	50,324,387	51,774,948	1,450,561	97.2%	2,146,668	67.6%
1/1/2003	48,161,141	53,371,318	5,210,177	90.2%	2,541,819	205.0%
1/1/2001	44,924,489	45,301,753	377,264	99.2%	2,532,599	14.9%

CITY OF DANBURY, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF FUNDING PROGRESS -
PENSIONS AND OPEB, Continued
June 30, 2012

SCHEDULE OF FUNDING PROGRESS - PENSIONS AND OPEB, Continued						
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
Post-1967 Fire:						
7/1/2010	\$ 65,257,292	\$ 68,330,153	\$ 3,072,861	95.5%	\$ 8,446,958	36.4%
7/1/2008	67,128,480	60,820,930	(6,307,550)	110.4%	7,593,132	-83.1%
7/1/2006	61,402,936	52,290,625	(9,112,311)	117.4%	6,493,522	-140.3%
7/1/2004	54,985,734	48,112,254	(6,873,480)	114.3%	6,330,894	-108.6%
1/1/2003	50,848,678	47,808,052	(3,040,626)	106.4%	6,065,277	-50.1%
1/1/2001	45,969,156	41,475,940	(4,493,216)	110.8%	5,379,669	-83.5%
Post-1983 Police:						
7/1/2010	\$ 17,189,830	\$ 23,294,439	\$ 6,104,609	73.8%	8,678,205	70.3%
7/1/2008	14,419,318	17,264,266	2,844,948	83.5%	7,752,824	36.7%
7/1/2006	11,036,832	13,309,142	2,272,310	82.9%	7,610,777	29.9%
7/1/2004	8,268,316	9,038,173	769,857	91.5%	6,496,617	11.9%
1/1/2003	6,979,088	7,629,489	650,401	91.5%	5,653,461	11.5%
1/1/2001	5,383,342	5,121,615	(261,727)	105.1%	4,370,060	-6.0%
OPEB						
General Government Employees:						
7/1/2010	\$ -	\$ 124,038,200	\$ 124,038,200	0.0%	33,256,200	373.0%
7/1/2008	-	102,450,000	102,450,000	0.0%	34,705,900	295.0%
7/1/2006	-	73,448,012	73,448,012	0.0%	NA	NA
Board of Education Employees:						
7/1/2010	\$ -	\$ 19,730,300	\$ 19,730,300	0.0%	72,319,700	27.3%
7/1/2008	-	20,134,000	20,134,000	0.0%	66,898,500	30.0%
7/1/2006	-	20,366,070	20,366,070	0.0%	NA	NA

CITY OF DANBURY, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSIONS AND OPEB
 June 30, 2012

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSIONS

Year Ended June 30,	General Employees		Pre-1967 Police		Pre-1967 Fire	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2012	\$ 2,639,000	100.0%	\$ 904,000	100.0%	\$ 488,000	100.0%
2011	2,529,000	100.0%	904,000	100.0%	488,000	100.0%
2010	-	100.0%	845,000	100.0%	552,000	100.0%
2009	-	100.0%	845,000	100.0%	552,000	100.0%
2008	-	100.0%	857,000	100.0%	865,000	100.0%
2007	-	100.0%	857,000	100.0%	611,000	100.0%

Year Ended June 30,	Post 1967 Police		Post -1967 Fire		Post 1983 Police	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2012	\$ 798,000	100.0%	\$ 1,429,000	100.0%	\$ 1,419,000	100.0%
2011	-	100.0%	311,000	100.0%	1,047,000	100.0%
2010	-	100.0%	272,000	100.0%	1,018,000	100.0%
2009	-	100.0%	-	100.0%	889,000	100.0%
2008	-	100.0%	-	100.0%	910,000	100.0%
2007	713,000	100.0%	342,000	100.0%	910,000	100.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

Year Ended June 30,	General Employees		Board of Education	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2012	\$ 12,802,000	46.8%	\$ 1,998,600	40.9%
2011	11,231,500	50.0%	2,108,500	7.0%
2010	11,045,900	51.0%	2,078,700	46.5%
2009	7,039,100	67.0%	1,769,800	25.7%
2008	7,039,100	56.0%	1,769,800	27.8%

CITY OF DANBURY, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 169,221,244	\$ 169,221,244	\$ 168,088,383	\$ (1,132,861)
Federal and state governments	32,642,787	32,642,787	32,801,393	158,606
Licenses and permits	3,985,987	3,985,987	3,639,454	(346,533)
Charges for services	5,242,379	5,242,379	2,524,494	(2,717,885)
Fines and penalties	1,407,000	1,407,000	1,385,509	(21,491)
Investment income	270,000	270,000	139,318	(130,682)
Total revenues	212,769,397	212,769,397	208,578,551	(4,190,846)
EXPENDITURES				
Current:				
General government	9,180,945	9,321,435	8,699,989	621,446
Public safety	29,271,801	29,284,351	28,521,413	762,938
Public works	9,256,155	9,280,516	8,828,515	452,001
Health and welfare	2,182,705	2,182,105	1,973,241	208,864
Culture and recreation	2,743,376	2,803,911	2,531,483	272,428
Education	115,103,866	115,103,866	114,693,224	410,642
Pension and other employee benefits	29,724,447	29,724,447	26,447,785	3,276,662
Capital outlay	1,100,000	1,683,066	974,036	709,030
Debt service:				
Principal retirements	10,681,600	10,681,600	10,581,600	100,000
Interest	5,966,050	5,966,050	5,465,397	500,653
Total expenditures	215,210,945	216,031,347	208,716,683	7,314,664
Revenues over (under) expenditures	(2,441,548)	(3,261,950)	(138,132)	3,123,818
OTHER FINANCING SOURCES (USES)				
Transfers in	750,000	750,000	245,814	(504,186)
Transfers (out)	(258,452)	(258,452)	(258,428)	24
Premium from bond	-	-	1,528,718	1,528,718
Total other financing sources (uses)	491,548	491,548	1,516,104	1,024,556
Revenues over (under) expenditures and other financing sources (uses)	\$ (1,950,000)	\$ (2,770,402)	\$ 1,377,972	\$ 4,148,374

See Note to Required Supplementary Information.

CITY OF DANBURY, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

Note 1. 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 City 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. The Animal Control and Ambulance are special revenue funds which have legally adopted annual budgets.
2. Upon receipt of the proposed budgets, the City Council publishes a notice of the proposed budgets and a public hearing to be held no later than May 1.
3. No later than May 15, the budgets are legally enacted through City 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 City 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 \$700,000.
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 City Council.
7. All unencumbered appropriations, except for continued appropriations, lapse at the end of each fiscal year.

CITY OF DANBURY, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued
June 30, 2012

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, 2012, there was \$720,704 in continued appropriations.

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

	Revenues and Other Financing Sources	Expenditures, Encumbrances and Other Financing Uses
Balance, budgetary basis	\$ 210,353,083	\$ 208,975,111
Encumbrances and continued appropriations		
June 30, 2011	-	1,928,420
June 30, 2012	-	(997,791)
Unliquidated prior year encumbrances	-	(6,433)
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	12,820,000	12,820,000
On-behalf payments paid directly by the Department of Health to WIC recipients, not recognized for budgetary purposes	1,672,202	1,672,202
Reclassified to General Fund, as funds were previously reported as Special Revenue Funds, and no longer meet the definition in accordance with GASB 54	1,599,121	1,936,028
Public safety off-duty services	1,231,268	1,248,826
Issuance of refunding bonds	13,264,000	-
Payment to escrow agent	-	15,101,113
Premium on bond	1,981,959	-
Bond issue costs	-	144,846
Balance, GAAP basis	<u>\$ 242,921,633</u>	<u>\$ 242,822,322</u>

CITY OF DANBURY, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued
June 30, 2012

Special revenue funds

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

Capital projects funds

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

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Appendix B

Form of Opinion of Bond Counsel

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FORM OF OPINION OF BOND COUNSEL

July __, 2013

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 July 26, 2013 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$40,000,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes, dated July 26, 2013 and maturing July 25, 2014, consisting of Note R-__ in the aggregate principal amount of \$40,000,000, 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 the Official Statement or other offering material relating to the Notes, 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 General Statutes of Connecticut and that the Notes are a valid general obligation of the City 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 at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and 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 federal 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) the 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 the ownership or disposition of the Notes.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Notes or adversely affect the market price of the Notes.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

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.

Very truly yours,

ROBINSON & COLE LLP

Appendix C

Form of Continuing Disclosure Agreement

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FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

City of Danbury, Connecticut
\$40,000,000 General Obligation Bond Anticipation Notes
Dated July 26, 2013

July __, 2013

WHEREAS, the City of Danbury, Connecticut (the "City") has heretofore authorized the issuance of \$40,000,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes, dated July 26, 2013 (the "Notes"), and to mature on the dates and in the amounts and set forth in the City's Official Statement dated July __, 2013 describing the Notes (the "Official Statement"); and

WHEREAS, the Notes have been sold by a competitive bid pursuant to a Notice of Sale, dated July 10, 2013 (the "Notice of Sale"); and

WHEREAS, in the Notice of Sale, the City has heretofore acknowledged that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the City has undertaken in a written agreement for the benefit of the beneficial owners of the Notes 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 City desires to assist the underwriter of the Notes in complying with the Rule; and

WHEREAS, the City is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such 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 (this "Agreement") is to be made, executed and delivered by the City 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 City 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 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.

"Repository" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 57577 for purposes of the Rule, the MSRB or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

"SEC" shall mean the Securities and Exchange Commission of the United States or any successor thereto.

Section 2. Event Notices. The City agrees to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, of the occurrence of any of the following events:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (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; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to rights of Noteholders, if material;
- (viii) Note calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of any obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material.

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

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

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the City may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change 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 City, 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 Notes and (ii) this Agreement, as so amended, would have complied with the requirements of the Rule as of the date of this 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 the Repository in electronic format. The Annual Report 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 financial information or operating data provided.

Section 6. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or providing notice of the occurrence of any other event, in addition to that which is required by this Agreement. If the City chooses to disseminate any other information or provide notice of the occurrence of any other event in addition to that which is specifically required by this Agreement, the City shall have no obligation under this Agreement to update such information or provide such information or notice of the occurrence of such event in the future.

Section 7. Indemnification. The City agrees, pursuant to applicable law, to indemnify and save its officials, officers and employees harmless against any loss, expense or liability 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 loss, expense or liability due to any such person's malicious, wanton, or willful act. The obligations of the City under this Section shall survive termination of this Agreement.

Section 8. Enforceability. The City agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Notes. In the event the City shall fail to perform its duties hereunder, the City 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 City 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 performance of the City's obligations hereunder. No monetary damages shall arise or be payable hereunder, nor shall any failure to comply with this Agreement constitute a default of the City with respect to the Notes.

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

CITY OF DANBURY, CONNECTICUT

By: _____
Mark D. Boughton
Mayor

By: _____
Daniel P. Jowdy
Treasurer

By: _____
David W. St. Hilaire
Director of Finance

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Appendix D

Notice of Sale & Bid Form

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NOTICE OF SALE
\$40,000,000
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 A.M. (E.D.T.) Wednesday,

JULY 17, 2013

for the purchase of \$40,000,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes (the "Notes"). Sealed proposals will be received at Danbury City Hall, Finance Department Conference Room, 155 Deer Hill Avenue, Danbury, CT 06810 in the manner specified below. (See "Sealed Proposal Procedures".) Electronic bids must be submitted via **PARITY**[®]. (See "Electronic Bidding Procedures").

The City reserves the right to make changes to the provisions of this Notice of Sale, including the date and time of the sale, prior to the date and time of sale set forth above. Any such changes will be posted through **PARITY**[®]. Prospective bidders are advised to check for such **PARITY**[®] postings prior to the above stated sale time.

The Notes

The Notes will be dated July 26, 2013 and will be payable to the registered owner on July 25, 2014, as further described in the Preliminary Official Statement for the Notes dated July 10, 2013 (the "Preliminary Official Statement"). The Notes will bear interest (which interest shall be computed on a 360-day year, twelve 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/1000 of 1% per annum.

Nature of Obligation

The full faith and credit of the City will be pledged for the prompt payment of the principal of and interest on the Notes when due. 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 Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Registration

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 \$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 (s), as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the City or its agent in Federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to participants of DTC will be the responsibility of DTC. Principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The 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.

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY**[®]. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

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

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

For purposes of both the 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, computed and rounded to six decimal places, as described under "Bid Specifications/Basis of Award" below, and in the written form of Proposal for Notes. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Notes.

Sealed Proposal Procedures

Bids will be accepted in written form on the form of Proposal for Notes at the place and time indicated above. Bids must be enclosed in sealed envelopes marked "Proposal for Notes" and addressed to Daniel P. Jowdy, City Treasurer, City of Danbury, Danbury City Hall, Finance Department Conference Room, 155 Deer Hill Avenue, Danbury, CT 06810. Proposals for purchase may be submitted in person at the place shown above or by telephone call to Daniel P. Jowdy, City Treasurer, City of Danbury, telephone number (203) 797-4652. In submitting a bid by telephonic means, the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound thereby, and, further, such bidder accepts and understands the risk that its bid may not be received by the City or may be received later than the time specified as the result of a failure in communications, including but not limited to a failure in telephonic communications, or the inability to reach the City by the time specified. Any bid received after the time specified will not be accepted, as determined in the sole discretion of the City.

Bid Specifications/Basis of Award

Proposals for the purchase of the Notes must provide the information set forth in the form of the Proposal for Notes 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 not less than \$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. As between proposals resulting in the same lowest net interest cost (rounded to six decimal places) 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 its proposal. If a bidder is awarded only a part of the Notes bid for in its 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, rounded to six decimal places. The Notes will be awarded or all bids will be rejected promptly after the bid opening, but not later than 4:00 P.M. (E.D.T.) on July 17, 2013. 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 and absolute discretion, for any reason, including, without limitation, internet difficulties. The City will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless all bids are rejected or the bid is postponed, 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.

Closing Documents and Legal Opinion

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

The legal opinion will further state that, (i) under existing statutes and court decisions, 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 federal alternative minimum tax imposed on certain corporations, (iii) under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering the legal opinion, Robinson & Cole LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the City for the benefit of the owners of the Notes, and further, will assume compliance by the City with the covenants and procedures set forth in such Tax Regulatory Agreement.

Settlement of the Notes

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

The Notes will be available for delivery on or about July 26, 2013. The deposit of the Notes with DTC, or its custodian, under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder(s) to obtain CUSIP numbers for the Notes prior to delivery, and the City will not be responsible for any delay occasioned by the failure of the winning bidder(s) 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 winning bidder(s).

The Preliminary Official Statement is in a form “deemed final” by the City for purposes of SEC Rule 15c2-12(b)(1). Each winning bidder will be furnished 25 copies of the final Official Statement prepared for the Notes at the City’s expense. Additional copies may be obtained by the winning bidder(s) at its own expense by arrangement with the printer. The copies of the final Official Statement will be made available to the winning bidder(s) no later than seven business days after the bid opening at the office of the City’s financial advisor. If the City’s financial advisor is provided with the necessary information from the winning bidder(s) by 12:00 P.M. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices and the name(s) of the winning bidder(s) for the Notes.

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 notice of the occurrence of certain events within 10 business days of the occurrence of such events. The winning bidder’s obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for the Notes.

Related Information

For more information regarding the Notes and the City, reference is made to the Preliminary Official Statement. Bid forms and copies of the Preliminary Official Statement may be obtained from the undersigned, or from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460 Telephone No. (203) 878-4945.

MARK D. BOUGHTON
Mayor

DANIEL P. JOWDY
City Treasurer

DAVID W. ST. HILAIRE
Director of Finance

July 10, 2013

(See attached for form of Proposal for Notes)

PROPOSAL FOR NOTES

July __, 2013

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

Gentlemen:

Subject to the provisions of the Notice of Sale dated July 10, 2013, which Notice is made a part of this proposal, we offer to purchase the principal amount of the \$40,000,000 City of Danbury, Connecticut General Obligation Bond Anticipation Notes, specified below at the stated interest rate (provided not less than \$100,000 aggregate principal amount per interest rate is bid and the total of all principal amounts bid does not exceed \$40,000,000) plus the premium specified below, if any, and to pay therefor par plus the premium specified below, if any on the date of delivery. We further provide our computation of net interest cost as to each bid, rounded to six decimal places, 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	_____ % (Six Decimals)	Net Interest Cost	_____ % (Six Decimals)
Principal Amount	_____	Principal Amount	_____
Interest Rate	_____	Interest Rate	_____
Premium	_____	Premium	_____
Net Interest Cost	_____ % (Six Decimals)	Net Interest Cost	_____ % (Six 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 delivery 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: _____

Mailing Address: _____

Authorized Signature: _____

Telephone Number: _____

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