

Final Official Statement Dated July 18, 2023

NEW MONEY ISSUE: BOOK-ENTRY-ONLY

RATINGS: S&P Global Ratings: "AA / SP-1+"

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds and the Notes. (See "Tax Matters" herein.)



Town of Watertown, Connecticut \$9,000,000 General Obligation Bonds, Issue of 2023

Dated: Date of Delivery

**Due: Serially August 1, 2024-2043
as detailed inside the front cover**

The \$9,000,000 General Obligation Bonds, Issue of 2023 (the "Bonds") will bear interest commencing February 1, 2024 and semiannually thereafter on February 1 and August 1 in each year until maturity.

The Bonds are subject to redemption prior to maturity as more fully described under "Redemption Provisions" herein.

BNY MELLON CAPITAL MARKETS, LLC

\$6,000,000 General Obligation Bond Anticipation Notes

Dated: August 1, 2023

Due: July 31, 2024

The \$6,000,000 General Obligation Bond Anticipation Notes (the "Notes") will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated July 10, 2023.

The Notes are not subject to redemption prior to maturity.

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

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

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Bonds and the Notes will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the final approving opinions of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in book-entry-only form will be made to DTC in New York, New York on or about August 1, 2023.

Town of Watertown, Connecticut
\$9,000,000
General Obligation Bonds, Issue of 2023

Dated: Date of Delivery

Due: Serially August 1, 2024-2043
as shown below:

Year	Principal	Coupon	Yield	CUSIP ¹	Year	Principal	Coupon	Yield	CUSIP ¹
2024	\$ 450,000	5.000%	3.050%	941893Y60	2034*	\$ 450,000	4.000%	2.580%	941893Z85
2025	450,000	5.000%	2.790%	941893Y78	2035*	450,000	4.000%	2.700%	941893Z93
2026	450,000	5.000%	2.640%	941893Y86	2036*	450,000	4.000%	2.950%	9418932A6
2027	450,000	5.000%	2.510%	941893Y94	2037*	450,000	4.000%	3.100%	9418932B4
2028	450,000	5.000%	2.460%	941893Z28	2038*	450,000	4.000%	3.350%	9418932C2
2029	450,000	5.000%	2.440%	941893Z36	2039*	450,000	4.000%	3.450%	9418932D0
2030	450,000	5.000%	2.400%	941893Z44	2040*	450,000	4.000%	3.600%	9418932E8
2031*	450,000	4.000%	2.390%	941893Z51	2041*	450,000	4.000%	3.650%	9418932F5
2032*	450,000	4.000%	2.400%	941893Z69	2042*	450,000	4.000%	3.700%	9418932G3
2033*	450,000	4.000%	2.490%	941893Z77	2043*	450,000	4.000%	3.750%	9418932H1

* Priced assuming redemption on August 1, 2030; however, any such redemption is at the option of the Town.

BNY MELLON CAPITAL MARKETS, LLC

\$6,000,000
General Obligation Bond Anticipation Notes

Dated: August 1, 2023
Due: July 31, 2024

Rate: 4.50%
Yield: 3.40%
CUSIP:¹ 9418932J7

JEFFERIES, LLC

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds and Notes. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds and Notes or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds and Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Notes.

No dealer, broker, salesperson or other person has been authorized by the Town of Watertown, Connecticut (the “Town”) to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

Set forth in Appendix A – “2022 Financial Statements Excerpted from the Town’s Annual Comprehensive Financial Report” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement, (other than matters expressly set forth as its opinion in Appendices B-1 and B-2 herein), and makes no representation that it has independently verified the same.

The Town deems this official statement to be “final” for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

This Official Statement may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the Town up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the Town assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the Town; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the Town; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the Town; (viii) the effects of epidemics and pandemics, including economic effects; (ix) foreign hostilities or wars; (x) foreign or domestic terrorism; and (xi) other factors contained in this Official Statement.

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Bond Issue Summary

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

Date of Sale:	Tuesday, July 18, 2023 at 11:30 A.M. (Eastern Time).
Issuer:	Town of Watertown, Connecticut (the "Town").
Issue:	\$9,000,000 General Obligation Bonds, Issue of 2023 (the "Bonds").
Dated Date:	Date of Delivery
Principal and Interest Due:	Principal due serially August 1, 2024 through August 1, 2043. Interest due February 1 and August 1 in each year until maturity, commencing February 1, 2024.
Authorization and Purpose:	The Bonds are being issued to fund various general purpose projects. See "Authorization and Purpose" herein.
Redemption:	The Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein.
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds are rated "AA" by S&P Global Ratings ("S&P").
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Tax Exemption:	See "Tax Matters" herein.
Bank Qualification:	The Bonds <u>shall NOT</u> be designated by the Town as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-1 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Pullman & Comley, LLC, of Hartford, Connecticut will act as bond counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 1, 2023. Delivery of the Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Susan Zappone, Finance Director, Town of Watertown, Town Hall, 61 Echo Lake Road, Watertown, Connecticut 06795. Phone: (860) 945-5259.

Note Issue Summary

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

Date of Sale:	Tuesday, July 18, 2023 at 11:00 A.M. (Eastern Time).
Issuer:	Town of Watertown, Connecticut (the "Town").
Issue:	\$6,000,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	Date of Delivery.
Interest Due:	At maturity: July 31, 2024.
Principal Due:	At maturity: July 31, 2024.
Authorization and Purpose:	The Notes are being issued to fund various school improvement projects. See "Authorization and Purpose" herein.
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	The Notes are rated "SP-1+" by S&P Global Ratings ("S&P").
Basis of Award:	Lowest Net Interest Cost (NIC), as of the dated date.
Tax Exemption:	See "Tax Matters" herein.
Bank Qualification:	The Notes <u>shall NOT</u> be designated by the Town as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of 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 Town will agree to provide, or cause to be provided, notices of certain events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-2 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Pullman & Comley, LLC, of Hartford, Connecticut will act as bond counsel.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about August 1, 2023. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Susan Zappone, Finance Director, Town of Watertown, Town Hall, 61 Echo Lake Road, Watertown, Watertown, Connecticut 06795. Phone: (860) 945-5259.

I. Bond and Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Watertown, Connecticut (the “Town”), in connection with the issuance of \$9,000,000 General Obligation Bonds, Issue of 2023 (the “Bonds”) and \$6,000,000 General Obligation Bond Anticipation Notes (the “Notes”) of the Town.

The Bonds and Notes are being offered for sale at public bidding. Notices of Sale dated July 10, 2023 have been furnished to prospective bidders. Reference is made to the Notices of Sale, which are included as Appendices D-1 and D-2, for the terms and conditions of the bidding on the Bonds and Notes, respectively.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds or 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. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

U.S. Bank Trust Company, National Association, will certify and act as Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds and for the Notes.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The Town deems this Official Statement to be “final” for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Global Health Emergency Risk

The COVID-19 Outbreak and Future Pandemics

On January 30, 2020, the outbreak of COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the “State”) and took steps to mitigate the spread and impacts of COVID-19. As of May 11, 2023, the federal and State public health emergency declarations have been terminated.

In response to the COVID-19 pandemic, on March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the “Rescue Plan”) that provided various forms of financial assistance and other relief to state and local governments. The Town received \$6,386,022 from the Rescue Plan. The Town is developing a plan for the use of such funds that will focus on infrastructure improvements and other initiatives that comply with the program eligibility criteria. The Town is in the process of scheduling board meetings to discuss the various use of these funds.

For up-to-date information concerning the State’s actions in response to COVID-19, see <https://portal.ct.gov/coronavirus>. Neither the Town, nor the parties involved with the issuance of the Bonds or the Notes, has reviewed the information provided by the State on its website and such parties take no responsibility for the accuracy thereof.

To date, the COVID-19 outbreak has had no material adverse effect on the finances of the Town.

Pandemics, epidemics and other public health emergencies, may adversely impact the Town and its revenues, expenses and financial condition. The Town cannot predict the duration and extent of such pandemics, epidemics and other health emergencies, or quantify the magnitude of their ultimate impact on the State and regional economy, or on the revenues and expenses of the Town. Pandemics, epidemics and other health emergencies may be ongoing, and their dynamic nature may lead to many uncertainties, including (i) the geographic spread as they evolve; (ii) the severity as they mutate; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate future outbreaks; (v) the development of medical therapeutics or vaccinations; (vi) travel restrictions; (vii) the impact of the outbreak on the local, State or global economy; (viii) whether and to what extent the State Governor may order additional public health measures; and (ix) the impact of the outbreak and actions taken in response to the outbreak on Town revenues, expenses and financial condition.

Prospective investors should assume that restrictions and limitations related to COVID-19 and any future variants or pandemics may be instituted by the State or federal government.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The Town faces certain threats due to climate change, including flooding, drought and damaging wind that could become more severe and frequent. The Town cannot predict the timing, extent or severity of climate change and its impact on the Town's operations and finances.

Cybersecurity

The Town, like many other public and private entities, relies on technology to conduct its operations. The Town and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. To reduce the risk of a successful cyber security threat the Town has invested in IT security firewalls, anti-virus software, anti-malware software, and ransomware protection software. All of the Town computers and computer servers are protected by this security software and firewalls. These security protection systems are evaluated annually for upgrades or replacements.

To mitigate the risk of business operations impact and/or damage from cyber security incidents or cyber-attacks, the Town has invested in disaster recovery systems and a continuity of IT operations plan which leverages regular daily system backups. In the event of a cybersecurity incident recovery from an earlier state for any enterprise application system is possible. The Town currently has a cybersecurity insurance policy. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact financial operations and/or damage the Town's digital networks and systems and the costs of remedying any such damage could be substantial.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Bonds and the Notes (the "Municipal Advisor"). The Municipal 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 Municipal 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 Bonds

The Bonds will mature on August 1 in each of the years as set forth on the inside cover page of this official statement. The Bonds will be dated the date of delivery and bear interest at the rates per annum specified on the inside cover page of this official statement, payable semiannually on February 1 and August 1 in each year until maturity, commencing February 1, 2024. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of January and July, or the preceding business day if such fifteenth is not a business day, in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank Trust Company, National Association. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein.

Redemption Provisions

The Bonds maturing on or before August 1, 2030 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2031 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after August 1, 2030 at any time, either in whole or in part, in such amounts and in such order of maturity, (but by lot within a maturity) as the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

Redemption Dates	Redemption Prices
August 1, 2030 and thereafter.....	100%

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

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

Description of the Notes

The Notes will be dated the date of delivery and will be due and payable as to both principal and interest at maturity, as set forth on the inside cover page of this Official Statement. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 360-day year consisting of twelve 30-day months, at the rate or rates per annum specified by the successful bidder or bidders. A book-entry system will be employed, evidencing ownership of Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership affected 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" herein.)

The Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds and the Notes will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.

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

Authorization and Purpose

The Bonds and the Notes are issued pursuant to Titles 7 and 10, as applicable, of the General Statutes of the State of Connecticut, as amended, the Charter of the Town of Watertown, and bond ordinances approved by the Town's Board of Finance and Town Council and, as applicable, the voters of the Town at referendum.

Use of Proceeds

<i>Project</i>	<i>Aggregate Amount Authorized</i>	<i>This Issue:</i>	
		<i>The Notes</i>	
		<i>Due: 7/31/24</i>	<i>The Bonds</i>
Various School Improvements	\$ 12,861,000	\$ 6,000,000	\$ 5,000,000
Various Road Improvements	5,000,000	-	2,500,000
Acquisition of Fire Truck	1,500,000	-	1,500,000
<i>Total</i>	\$ 19,361,000	\$ 6,000,000	\$ 9,000,000

Tax Matters

Federal Taxes. In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds and Notes is excluded from gross income for federal income tax purposes, and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Bond Counsel's opinion with respect to the Bonds and Notes will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Bonds and Notes in order that interest on the Bonds and Notes be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Bonds and Notes, the Town will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bonds and Notes proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Bonds and Notes is conditioned upon compliance by the Town with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds and Notes.

Original Issue Discount. The initial public offering prices of certain maturities of the Bonds may be less than the stated principal amount (the "OID Bonds"). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such OID Bonds

are expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds are sold. Under existing law, original issue discount on the OID Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the OID Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such OID Bond and will be added to the owner's basis. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such an OID Bond.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the case of owners of OID Bonds purchasing such OID Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium. The initial public offering prices of the Notes and certain maturities of the Bonds may be more than their stated principal amounts payable at maturity (the "OIP Bonds and Notes"). In general, an owner who purchases OIP Bonds and Notes must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the OIP Bonds and Notes for federal income tax purposes. Prospective purchasers of OIP Bonds and Notes at a premium to its principal amount should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters. Prospective purchasers of the Bonds and Notes should be aware that ownership of the Bonds and Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds and Notes should consult their tax advisors regarding collateral federal income tax consequences. Prospective purchasers of the Bonds and Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxes. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds and Notes is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on an OID Bond is also 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 for individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the Bonds and Notes should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Bonds and Notes.

Changes in Federal and State Tax Law. Legislation, administrative actions and rulings, or court decisions, at either the federal or state level, may adversely affect the tax treatment of obligations such as the Bonds and Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Bonds and Notes will not have an adverse effect on the tax status of interest on the Bonds and Notes or the market value or marketability of the Bonds and Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds and Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Bonds and Notes should be aware that such future legislative, administrative or legal actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Bonds and Notes for federal and/or state income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds and Notes may be adversely affected and the ability of holders to sell their Bonds and Notes in the secondary market may be reduced. The Bonds and Notes are not subject to special mandatory redemption, and the interest rates on the Bonds and Notes are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds and Notes.

General. The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the Bonds and Notes. Prospective owners of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds and Notes.

Book-Entry-Only Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes. The Bonds and the Notes will be issued as fully-registered Bonds and Notes 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 Bonds, one fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. For the Notes, one fully-registered Note certificate will be issued for each interest rate of the Notes, in the aggregate principal amount of such maturity, 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 Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond and Note ("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 Securities 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 Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds and 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 Bonds and Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest on, and redemption premium, if any, with respect to the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying 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, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, principal and interest 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 Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

DTC Practices

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

Replacement Bonds and Notes

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds or Notes, and the Town fails to identify another qualified securities depository for the Bonds or the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds or the Notes, the Town is authorized to issue fully registered Bond or Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds or Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds or Notes.

Security and Remedies

The Bonds and the Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due.

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all property subject to taxation by the Town 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 and of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

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

The Town 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 Town. A court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such Bonds and Notes from funds lawfully available therefor or, in the absence thereof, to order the Town 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 Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds and the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, 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 of Connecticut having the power to levy taxes and issue bonds or other obligations.

***THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR
INTEREST ON ITS BONDS OR NOTES.***

Qualification for Financial Institutions

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

Availability of Continuing Disclosure Information

The Town prepares, in accordance with State law, annual independent audited financial statements and operating statements and files such annual reports with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide Moody's Investors Service and S&P Global Ratings ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into Continuing Disclosure Agreements (the "Continuing Disclosure Agreements") with respect to the Bonds and the Notes, substantially in the forms attached as Appendices C-1 and C-2 to this Official Statement, to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") (i) annual financial information and operating data with respect to the Bonds, (ii) timely notice of the occurrence of certain events not in excess of 10 business days after the occurrence of such events with respect to the Bonds and the Notes, and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement with respect to the Bonds. The winning bidder's obligation to purchase the Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Bonds and the Notes, an executed copy of the respective Continuing Disclosure Agreement.

The Town 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 the Rule. In the last five years, the Town has not failed to comply, in all material respects, with its previous undertakings in such agreements except for the following. For the fiscal year ended June 30, 2022, the audited financial statements and operating data of the Town were filed late with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access website ("EMMA"). The Town filed a failure to file notice on March 3, 2023 and the Town's audited financial statements and operating data were filed on March 31, 2023.

Ratings

The Bonds have been rated "AA" and the Notes have been rated "SP-1+" by S&P Global Ratings ("S&P"). The Town furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the view of the rating agency and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Town's bonds and notes, including the Bonds and the Notes.

The Town expects to furnish the rating agency with certain information and materials that the agency may request. However, the Town may issue short-term or other debt for which a rating is not requested.

Bond and Note Insurance

The Town does not expect to purchase a credit enhancement facility for the Bonds or the Notes.

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II. The Issuer



Connecticut

Description of the Municipality

The Town of Watertown, first settled as part of Plymouth and Thomaston, was incorporated as a separate town in 1780. The Town covers an area of 29.8 square miles and lies slightly over five miles west of Waterbury. It is bounded on the north by Morris and Thomaston, on the southeast by Waterbury, on the south by Middlebury, and on the west by Bethlehem and Woodbury. The Town is traversed by Connecticut Route 8, a limited-access, four-lane north-south highway. State Routes 63, 73, 132, and 262 also serve the Town. Freight service is provided by various motor common carriers, and passenger transportation is available by bus to Waterbury and surrounding towns.

Form of Government

Watertown utilizes the Council/Manager form of government under a Town Charter first adopted in 1961 and last revised in November 2020. The nine-member Council is elected at-large every two years and acts as the legislative body, enacting and amending ordinances and determining Town policies, programs, and legislation. The Town Manager, appointed by the Council, serves as the Chief Executive Officer of the Town and administers Council policy. The Council also acts as the fiscal authority, assisted by a Director of Finance appointed by the Town Manager and a full-time Treasurer appointed by the Director of Finance. A referendum approves the budget and the Town Council lays the tax rate based on the adopted budget.

Town Officials

Office	Name	Manner of Selection	Expiration of Term
Chairman, Town Council.....	Jonathan Ramsay	Elected	23-Nov
Town Manager.....	Mark A. Raimo	Appointed	-
Finance Director.....	Susan E. Zappone	Appointed	-
Tax Collector.....	Carla Hamel	Appointed	-
Assessor.....	Faith Richmond	Appointed	-
Town Clerk.....	Lisa Dalton	Appointed	-
Superintendent of Schools.....	Alison Villanueva	Appointed	-

Municipal Services

Police Department: Watertown's Police Department consists of 35 sworn officers and a civilian staff of three under the direction of a Chief of Police. The Department is divided into Administrative, Patrol and Investigative Services divisions and operates on a 24-hour basis. Watertown's Communications Department is responsible for answering and dispatching all police, fire and 911 emergency calls.

Fire Protection and Ambulance Service: Fire protection is provided by a 105-person Volunteer Fire Department under the supervision of a paid Chief and Deputy Chief. Department expenses are underwritten by the Town. The Department operates from two stations, and equipment includes eight engines and two ladder trucks. Training drills are conducted throughout the year, and over 50% of the Department has advanced training in areas such as hazardous materials. The Department has two emergency vehicles for first response use in emergencies. Ambulance service is provided by private carriers.

Public Works: The Department of Public Works consists of Engineering and Operations and Maintenance Divisions. Engineering is responsible for design and construction inspection of Town-owned sewer and water mains, roads and storm drains. Operations and Maintenance is responsible for maintenance of Town facilities including 130 miles of road, 45 miles of storm drains, 52 miles of water mains, 62 miles of sewer mains, three water pumping stations, five sewer pumping stations and Town equipment.

Solid Waste: Although solid waste collection in the Town is collected by private firms under direct contract to the user, the Town has executed a Municipal Services Agreement (the "Municipal Services Agreement") with the Materials Innovation and Recovery Authority (the "MIRA") for the disposal of solid waste through the Mid-Connecticut System (the "System"). The Municipal Services Agreement became effective upon execution and will remain in effect so long as any bonds issued by MIRA remain outstanding, provided the last installment of principal on any bond shall become due no later than 30 years from the effective date of the Municipal Services Agreement.

Each municipality signing a Municipal Services Agreement, including the Town, has agreed to cause to be delivered to the System, after the date when the consulting engineer for the System has certified in writing that the Facility is ready for testing, all of the solid waste under the legal control of the municipality. MIRA is required to impose Service Payments at a uniform rate per ton for all municipalities. There is no minimum commitment, but the Municipal Services Agreement specifies that MIRA gets all municipal solid waste or regular solid waste and recyclables generated in the Town.

After a comprehensive study, MIRA determined that it was no longer feasible to maintain the trash burn facility in Hartford. In the winter of 2022, MIRA announced that effective July 1, 2022, MIRA planned to begin the process of decommissioning the burn facility and opening a transfer station where trash would be collected and shipped out of state. MIRA requested that participating Towns amend their contracts with MIRA to reflect this new disposal arrangement. Towns were also given the option to opt out of their agreements with MIRA and find alternative methods for disposing of trash and recyclables. The Town chose to opt out of its service contract with MIRA and contracted with a private company to dispose of its municipal solid waste, bulky waste and recyclables. The Town currently sends its waste to Frost Bridge Associates, LLC and for fiscal year 2022-23, the Town's cost was \$110.00 per ton for municipal solid waste and was only valid until January 1, 2023 at which time it changed to \$115.00 per ton. The Town does not currently have a contract with Frost Bridge Associates, LLC and going forward will use F&G Recycling LLC.

Sewage Disposal: Town sewage disposal in the Oakville section of Town is provided by the Watertown Water and Sewer Authority operating through the Department of Public Works. Approximately 3.1 million gallons per day are transported through Town-owned mains to City of Waterbury treatment facilities. Private septic systems serve the rest of the Town.

Water: The Watertown Water and Sewer Authority provides water service to approximately 3,950 customers. Consumption is currently 1 million gallons per day. Water is purchased from the City of Waterbury. Under terms of a contract with the City of Waterbury, Watertown may purchase up to 3 million gallons per day. Water is provided to the central portion of Town by the Watertown Fire District which distributes approximately 640,000 gallons per day from well fields in Woodbury. Private wells serve the rest of the Town.

In compliance with Public Act 89-305, the Water and Sewer Authority has implemented a conservation program. The program's intent is to educate the public on water conservation, to determine adequate water specifications for new developments and to design plans that will reduce water consumption for residential and commercial customers.

Utilities and Other Services: Watertown is served by Eversource Energy. Common carriers provide over the road freight service; passenger and freight rail service are available in Waterbury. A regional airport is located in nearby Oxford, and the Town is served by international airports in Windsor Locks, Connecticut and New York.

Parks and Recreation: Watertown provides a variety of recreational facilities and programs. Facilities include two swimming areas, an 18-hole golf course, tennis courts, playgrounds and ball fields. The 34-acre Veteran's Memorial Park is off of Nova Scotia Hill Road. Black Rock State Park is located in Watertown with additional facilities for swimming, camping and hiking. The Watertown Recreation Department provides year-round athletic and instructional programs for all age groups.

Public Library: Watertown is served by the Watertown Public Library, a non-profit organization which receives approximately 90% of its funding from the Town. The Library is open 45 hours per week and has over 60,000 volumes as well as an extensive collection of periodicals, records and cassettes. Through membership in an inter-library loan program, the resources of 36 other libraries are available to members.

Social Services: Through its Social Services Department, Watertown provides various services to the elderly, troubled youths and the indigent, including meals and rides programs, counseling and public assistance. Public health needs are addressed through Watertown's membership in the Torrington Health District. St. Mary's Hospital and Waterbury Hospital, both teaching hospitals, are located in adjacent Waterbury.

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Educational Services

The Watertown school system services grades pre-kindergarten through 12 and is governed by the local Board of Education. The nine members of the Watertown Board of Education are elected for two year terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The Town has five schools for grades pre-kindergarten through 12 comprising of: one senior high school, one junior high school, two elementary schools, and one primary school. Enrollment in grades pre-kindergarten through 12 as of October 1, 2022 was 2,582. The rated capacity of the system facilities is 4,037.

School Enrollment

School Year	Grades Pre-K - 6	Grades 7 - 8	Grades 9 - 12	Total
Historical				
2013-14	1,518	517	880	2,915
2014-15	1,495	475	859	2,829
2015-16	1,515	432	858	2,805
2016-17	1,482	440	837	2,759
2017-18	1,262	669	835	2,766
2018-19	1,252	675	815	2,742
2019-20	1,442	469	793	2,704
2020-21	1,402	434	773	2,609
2021-22	1,402	393	785	2,580
2022-23	1,473	400	726	2,599
Projected				
2023-24	1,486	383	729	2,598
2024-25	1,455	395	757	2,607

Source: Town of Watertown, Board of Education.

School Facilities

School	Grades	Date of Construction (Latest Additions)	Type of Construction	Number of Classrooms	Enrollment as of 10/1/2022	Operating Capacity
Watertown High School	9-12	1972	Brick	48	735	1,123
Swift Junior High School	6-8	1972	Brick	76	392	1,000
Judson Elementary School	3-5	1971	Brick	31	287	452
Polk Elementary School	3-5	1990	Brick	28	321	512
John Trumbull Primary School	Pre-K-2	2000	Brick	35	639	950
Total				218	2,374	4,037

Employee Relations and Collective Bargaining Municipal Employees

	2022-23	2021-22	2020-21	2019-20	2018-19
General Government	119	116	133	120	119
Board of Education	472	490	477	462	445
Total	591	606	610	582	564

Employee Relations

Bargaining Unit	Number of Members	Contract Expiration Date
<u>General Government</u>		
American Fed. of State, County and Municipal Employees – Local 1303 - Highway...	29	6/30/2025
American Fed. of State, County and Municipal Employees – Local 541 - Police.....	38	6/30/2025
The United Public Service Employees Union Unit 083 - Communications.....	10	6/30/2025
The United Public Service Employees Union - White Collar.....	36	6/30/2024
Connecticut State Employees Association/SEIU, Local 2001 - Supervisors	9	6/30/2025
Total Organized	122	
Non-Union	-	
Sub-Total	122	
<u>Board of Education</u>		
Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO.....	94	8/31/2025
Watertown Education Association.....	251	8/31/2024
American Federation of State, County and Municipal Employees – Local 1049.....	38	6/30/2024
American Federation of State, County and Municipal Employees – Local 1303.....	26	6/30/2024
Watertown Principals Association.....	12	6/30/2023 ¹
American Federation of State, County and Municipal Employees – Local 1049.....	27	6/30/2024
Watertown School Nurses Association.....	11	6/30/2024
Total Organized	459	
Non-Union	15	
Sub-Total	474	
Total	596	

¹ In negotiations

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or 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 gives 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 contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of (i) 5% or less with respect to teachers contracts, and (ii) 15% or less with respect to municipal employees, is not available for payment of the cost of any items subject to arbitration. In 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 wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

III. Economic and Demographic Information

Population and Density

Actual			
Year	Population¹	% Increase	Density²
2021 ³	22,110	0.0%	741.9
2020	22,105	-1.8%	741.8
2010	22,514	3.9%	755.5
2000	21,661	5.9%	726.9
1990	20,456	5.0%	686.4
1980	19,489	4.2%	654.0
1970	18,704	26.4%	627.7

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

² Per square mile: 29.8 square miles.

³ American Community Survey 2017-2021.

Age Distribution of the Population

Age	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	763	3.5%	182,122	5.1%
5 to 9 years	1,065	4.8	196,540	5.5%
10 to 14 years	1,190	5.4	224,371	6.2%
15 to 19 years	1,141	5.2	245,790	6.8%
20 to 24 years	1,168	5.3	241,370	6.7%
25 to 34 years	2,931	13.3	445,861	12.4%
35 to 44 years	2,367	10.7	439,098	12.2%
45 to 54 years	3,450	15.6	488,283	13.5%
55 to 59 years	1,713	7.7	269,688	7.5%
60 to 64 years	1,405	6.4	252,028	7.0%
65 to 74 years	2,488	11.3	357,409	9.9%
75 to 84 years	1,439	6.5	173,149	4.8%
85 years and over	990	4.5	89,621	2.5%
Total.....	22,110	100%	3,605,330	100%

Median Age (Years) 2021..... 46.5 41.0

Median Age (Years) 2010¹..... 42.4 40.0

¹ U.S. Department of Commerce, Bureau of Census, 2010.

Source: American Community Survey 2017-2021

Income Distribution

Income	Town of Watertown		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	31	0.5%	23,811	2.6%
10,000 - 14,999.....	39	0.6	14,243	1.6%
15,000 - 24,999.....	125	2.1	36,091	4.0%
25,000 - 34,999.....	269	4.5	44,586	4.9%
35,000 - 49,999.....	469	7.8	71,397	7.8%
50,000 - 74,999.....	1,210	20.1	123,873	13.6%
75,000 - 99,999.....	989	16.4	113,529	12.5%
100,000 - 149,999.....	1,471	24.4	188,052	20.7%
150,000 - 199,999.....	699	11.6	117,255	12.9%
200,000 and over.....	725	12.0	177,169	19.5%
Total.....	6,027	100.0%	910,006	100.0%

Source: American Community Survey 2017-2021.

Income Levels

	Town of Watertown	State of Connecticut
Per Capita Income, 2021.....	\$ 41,906	\$ 47,869
Median Family Income, 2021.....	\$ 96,914	\$ 106,441
Median Household Income, 2021.....	\$ 81,357	\$ 83,572

Source: American Community Survey 2017-2021.

Educational Attainment Years of School Completed Age 25 and Over

	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	417	2.5%	101,461	4.0%
9th to 12th grade.....	850	5.1	123,560	4.9
High School graduate.....	5,194	30.9	656,949	26.1
Some college, no degree.....	3,095	18.4	418,214	16.6
Associate's degree	1,574	9.4	194,987	7.8
Bachelor's degree.....	3,536	21.1	561,567	22.3
Graduate or professional degree.....	2,117	12.6	458,399	18.2
Total.....	16,783	100.0%	2,515,137	100.0%
Total high school graduate or higher (%).		92.5%		91.1%
Total bachelor's degree or higher (%).		33.7%		40.6%

Source: American Community Survey 2017-2021.

**Major Employers
As of June 2023**

Employer	Type of Business	Approximate Number of Employees
The Simon Company.....	Manufacturer	335
Shelter Logic.....	Manufacturer	265
Super Stop & Shop.....	Supermarket	225
Emerson Automated Solutions.....	Manufacturer	210
Crystal Rock.....	Manufacturer	200
LaBonnes Market	Supermarket	196
Global Steering Systems	Manufacturer	185
The Taft School.....	Private school	184
Braxton Manufacturing.....	Manufacturer	180
PM Engineered Solutions.....	Manufacturer	175

Source: Phone Survey, Town of Watertown, Finance Department.

**Employment by Industry
Employed Persons 16 Years and Over**

Sector	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	58	0.5%	7,314	0.4%
Construction.....	580	5.0	113,665	6.2
Manufacturing.....	1,008	8.7	192,688	10.6
Wholesale trade.....	190	1.6	41,165	2.3
Retail trade.....	1,632	14.0	194,081	10.6
Transportation warehousing, and utilities.....	446	3.8	80,481	4.4
Information.....	375	3.2	36,259	2.0
Finance, insurance, real estate, and leasing.....	799	6.9	164,657	9.0
Professional, scientific, management, administrative, and waste management.....	1,125	9.7	212,866	11.7
Education, health and social services.....	3,665	31.5	482,274	26.5
Arts, entertainment, recreation, accommodation and food services.....	753	6.5	148,835	8.2
Other services (except public admin.).....	550	4.7	82,217	4.5
Public Administration.....	441	3.8	66,493	3.6
Total Labor Force, Employed.....	11,622	100.0%	1,822,995	100.0%

Source: American Community Survey 2017-2021.

Employment Data By Place of Residence

Period	Town of Watertown		Percentage Unemployed		
	Employed	Unemployed	Town of	Waterbury	State of
			Watertown	Labor Market	Connecticut
April 2023.....	12,334	364	2.9	3.9	3.0
Annual Average					
2022.....	12,396	462	3.6	5.2	4.1
2021.....	11,573	656	5.4	8.0	6.6
2020.....	11,804	777	6.2	8.5	7.3
2019.....	12,702	450	3.4	4.6	3.7
2018.....	12,581	482	3.7	5.1	4.1
2017.....	12,546	520	4.0	5.9	4.7
2016.....	12,413	599	4.6	6.5	5.3
2015.....	12,598	646	4.9	7.1	5.6
2014.....	11,253	800	6.7	8.9	6.7
2013.....	10,892	926	7.8	10.5	7.9

Source: State of Connecticut, Department of Labor.

Age Distribution of Housing

Year Built	Town of Watertown		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	1,374	15.0%	323,631	21.2%
1940 to 1969.....	3,608	39.3	528,583	34.6
1970 to 1979.....	1,487	16.2	206,448	13.5
1980 to 1989.....	1,046	11.4	191,539	12.5
1990 to 1999.....	795	8.7	118,124	7.7
2000 or 2009.....	619	6.7	104,519	6.8
2010 or later.....	256	2.8	54,195	3.5
Total Housing Units	9,185	100.0%	1,527,039	100.0%

Source: American Community Survey 2017-2021.

Housing Inventory

Housing Units	Town of Watertown		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	7,101	77.3%	899,368	58.9%
1-unit, attached.....	302	3.3	90,010	5.9
2 units.....	581	6.3	122,509	8.0
3 or 4 units.....	822	8.9	127,995	8.4
5 to 9 units.....	309	3.4	79,520	5.2
10 to 19 units.....	16	0.2	54,673	3.6
20 or more units.....	54	0.6	141,189	9.2
Mobile home.....	-	-	11,240	0.7
Boat, RV, van, etc.....	-	-	535	0.0
Total Inventory.....	9,185	100.0%	1,527,039	100.0%

Source: American Community Survey 2017-2021.

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	233	3.4%	19,747	2.1%
\$50,000 to \$99,000.....	77	1.1	25,603	2.8
\$100,000 to \$149,999.....	356	5.1	68,932	7.4
\$150,000 to \$199,000.....	1,277	18.4	130,158	14.1
\$200,000 to \$299,999.....	2,847	41.0	250,981	27.1
\$300,000 to \$499,999.....	1,797	25.9	268,183	29.0
\$500,000 to \$999,999.....	345	5.0	117,839	12.7
\$1,000,000 or more.....	14	0.2	44,060	4.8
Total.....	6,946	100.0%	925,503	100.0%
Median Value.....	\$252,400		\$286,700	

Source: American Community Survey 2017-2021.

Building Permits

Ending 6/30	Residential		Commercial / Industrial		Other		All Categories	
	No.	Value	No.	Value	No.	Value	No.	Value
2023 ¹	245	\$ 4,472,152	27	\$ 1,901,300	941	\$ 13,623,739	1,213	\$ 19,997,191
2022	172	5,673,239	26	3,633,360	1,123	14,490,618	1,321	23,797,217
2021	167	5,269,072	37	4,699,485	1,283	16,669,689	1,487	26,638,246
2020	150	6,543,471	21	1,084,900	1,223	14,561,109	1,394	22,189,480
2019	150	5,632,052	28	14,179,415	1,147	12,921,500	1,325	32,732,967
2018	191	5,594,128	34	2,932,998	1,160	10,987,604	1,385	19,514,730
2017	118	5,073,749	13	2,754,900	693	5,306,763	824	13,135,412
2016	208	6,760,047	13	1,176,200	1,353	11,333,275	1,574	19,269,522
2015	173	6,636,492	28	1,908,907	1,221	9,376,183	1,422	17,921,582
2014	173	6,946,806	36	6,348,101	1,285	11,141,167	1,494	24,436,074

¹ As of May 16, 2023.

Sources: Building Department, Town of Watertown.

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IV. Tax Base Data

Property Tax – Assessments

Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods. Since the Town completed its last statistical revaluation effective as of October 1, 2018, the next physical revaluation is planned for October 1, 2023.

Prior to the completion of each revaluation, the Assessor shall conduct a field review. Any required revaluation subsequent to such a delayed revaluation shall re-commence at the point in the schedule required pursuant to Section 12-62 that the municipality was following prior to such delay. The Assessor must fully inspect each parcel of improved real property once in every ten assessment years, provided that the Assessor is not required to fully inspect all of a town's improved real property parcels in the same assessment year or to fully inspect any such parcel more than once during every ten assessment years. Section 12-62 provides that the full inspection requirement shall not apply to any parcel of improved real property for which the Assessor obtains satisfactory verification of data listed on the Assessor's property record by means of a questionnaire sent by the Assessor, at any time during the period in which a full inspection of an improved parcel of real property is required, to the owner of such parcel to (A) obtain information concerning the property's acquisition, and (B) obtain verification of the accuracy of data listed on the Assessor's property record for such parcel.

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

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 Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Town of Watertown has not approved the use of Section 12-124a of the Connecticut General Statutes, which permits a municipality, upon approval of 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.

Motor Vehicle Property Tax Cap: Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. For the assessment year commencing October 1, 2021 and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 32.46 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The Town's mill rate for motor vehicles for fiscal year ending June 30, 2023 is 32.46 mills.

Comparative Assessed Valuations (000s)

Grand List of 10/1	Commercial			Personal Property	Motor Vehicle	Gross Taxable Grand List	Less Exemption	Net Taxable Grand List	Percent Change
	Residential Real Property (%)	& Industrial Real Property (%)	Other Real Property (%)						
2022	63.1	12.3	0.9	10.0	13.7	\$ 2,047,099	\$ 84,318	\$ 1,962,781	1.79%
2021	63.8	12.6	1.1	9.6	13.0	2,010,355	82,096	1,928,259	0.04
2020	65.9	13.0	0.2	10.0	10.9	1,944,348	85,877	1,858,471	0.00
2019	66.6	13.1	0.2	10.0	10.1	1,924,732	69,640	1,855,092	1.07
2018 ¹	67.1	12.8	0.2	9.6	10.1	1,909,409	74,046	1,835,363	3.58
2017	67.7	12.4	0.2	9.4	10.3	1,839,498	67,502	1,771,996	0.23
2016	67.8	12.5	0.2	9.1	10.3	1,830,638	62,664	1,767,974	1.30
2015	68.7	12.7	0.1	8.4	10.2	1,805,525	60,249	1,745,276	0.44
2014	68.7	13.0	0.1	8.1	10.1	1,796,982	59,296	1,737,686	1.11
2013 ¹	69.3	13.1	0.1	7.5	10.0	1,773,933	55,272	1,718,661	(12.24)

¹ Revaluation.

Source: Town of Watertown, Town Assessor.

Property Tax Levies and Collections

Fiscal Year Ending 6/30	Grand List of 10/1	Net Taxable Grand List (000s)	Mill Rate	Adjusted 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 6/30/2022
2023 ¹	2021	\$ 1,928,259	34.56	\$ 67,236,985	IN COLLECTION		
2022	2020	1,858,471	34.56	63,857,052	99.06%	0.94%	0.94%
2021	2019	1,855,092	33.19	60,832,438	99.00%	1.00%	0.36%
2020 ²	2018	1,835,363	33.19	60,609,506	99.01%	0.99%	0.14%
2019	2017	1,771,996	33.59	59,521,344	98.93%	1.07%	0.07%
2018	2016	1,767,974	31.88	56,356,316	98.56%	1.44%	0.05%
2017	2015	1,745,276	30.89	53,911,545	98.62%	1.38%	0.06%
2016	2014	1,737,686	30.10	52,539,751	98.71%	1.29%	0.05%
2015 ²	2013	1,718,661	29.12	50,047,408	99.36%	0.64%	0.03%
2014	2012	1,958,271	25.09	49,217,960	98.80%	1.20%	0.03%

¹ Subject to audit.

² Revaluation.

Source: Tax Collector's Office, Town of Watertown.

Property Tax Receivables

Fiscal Year	Current	
	Year Levy	Total
Ending 6/30	Uncollected	Uncollected
2022	\$ 601,392	\$ 1,081,301
2021	616,545	1,032,715
2020	607,885	1,130,756
2019	625,663	1,153,958
2018	770,259	1,301,440
2017	786,029	1,377,402
2016	717,573	1,305,827
2015	711,355	1,198,868
2014	677,137	1,198,102
2013	775,221	1,301,837

Sources: Tax Collector's Office, Town of Watertown.

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Connecticut Light & Power.....	Utility	\$ 59,863,000	3.05%
Yankee Gas Services	Utility	8,160,000	0.42%
JSD Partners.....	Manufacturing	7,441,000	0.38%
Greenbriar Associates, LLC.....	Real Estate	7,406,000	0.38%
The Siemon Company.....	Manufacturing	6,655,000	0.34%
Siemon Realty Company.....	Real Estate	6,410,000	0.33%
Straits Commercial Assoc. LTD.....	Supermarket	6,082,000	0.31%
Global Steering System.....	Manufacturing	5,782,000	0.29%
United Parcel Services.....	Shipping	5,690,000	0.29%
EAN Holdings LLC.....	Auto Dealership	4,836,000	0.25%
Total.....		\$ 118,325,000	6.03%

¹ Based on October 1, 2022 Net Taxable Grand List of \$1,962,781,000.

Source: Tax Assessor, Town of Watertown

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V. Debt Summary
Principal Amount of Indebtedness
As of August 1, 2023
(Pro Forma)

Long-Term Debt

Dated	Purpose	Rate %	Amount of Original Issue	Outstanding After This Issue	Final Maturity
02/15/13	School	2.50-4.50	\$ 8,549,700	\$ 4,100,000	2033
02/15/13	Sewer	2.50-4.50	50,300	20,000	2025
04/30/15	Refunding - Series B (Schools)	2.00-4.00	5,550,000	2,580,000	2029
04/30/15	Refunding - Series C (Sewer)	1.50-3.00	715,000	245,000	2027
04/25/17	Public Improvement	2.00-2.75	550,000	300,000	2029
04/25/17	School	2.00-2.75	525,000	300,000	2029
10/25/18	Public Improvement - Series A	4.00-5.00	7,500,000	6,315,000	2039
10/25/18	Sewer - Series A	4.00-5.00	2,140,000	1,801,000	2039
10/25/18	Water - Series A	4.00-5.00	1,360,000	1,144,000	2039
10/25/18	School - Series B (Taxable)	4.00-5.00	5,810,000	290,000	2024
10/24/19	Public Improvement	2.50-5.00	4,370,000	3,933,000	2041
10/24/19	Sewer	2.50-5.00	1,730,000	1,557,000	2041
10/24/19	Water	2.50-5.00	1,100,000	990,000	2041
10/23/20	Public Improvement	1.00-4.00	6,000,000	5,700,000	2042
05/19/21	Public Improvement - Series A	4.00	1,445,000	827,000	2026
05/19/21	School - Series A	4.00	3,690,000	2,311,000	2028
05/19/21	Sewer - Series A	4.00	82,000	34,000	2024
05/19/21	Water - Series A	4.00	233,000	98,000	2024
05/19/21	School - Series B (Taxable)	0.25-2.65	4,840,000	4,750,000	2039
01/25/22	Public Improvement	2.00-4.00	2,321,000	2,074,000	2035
01/25/22	School	2.00-4.00	6,836,000	6,407,000	2029
01/25/22	Sewer	2.00-4.00	273,000	229,000	2029
Total.....			\$ 65,670,000	\$ 46,005,000	
<u>This Issue</u>					
08/01/23	Public Improvement	4.00-5.00	\$ 4,000,000	\$ 4,000,000	2044
08/01/23	School	4.00-5.00	5,000,000	5,000,000	2044
Sub-Total This Issue.....			\$ 9,000,000	\$ 9,000,000	
Total.....			\$ 74,670,000	\$ 55,005,000	

Short-Term Debt
As of August 1, 2023
(Pro Forma)

Project	Aggregate Amount Authorized	This Issue: The Notes Due: 7/31/24
Various School Improvements	\$ 12,861,000	\$ 6,000,000
Total	\$ 12,861,000	\$ 6,000,000

Annual Bonded Debt Maturity Schedule
As of August 1, 2023
(Pro Forma)

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	This Issue: The Bonds	Total Principal	Cumulative Principal Retired %
2024 ¹	\$ 5,470,000	\$ 1,421,563	\$ 6,891,563	\$ -	\$ 5,470,000	9.94%
2025	4,920,000	1,278,486	6,198,486	450,000	5,370,000	19.71%
2026	4,575,000	1,109,921	5,684,921	450,000	5,025,000	28.84%
2027	4,040,000	950,371	4,990,371	450,000	4,490,000	37.01%
2028	3,805,000	800,393	4,605,393	450,000	4,255,000	44.74%
2029	3,400,000	661,715	4,061,715	450,000	3,850,000	51.74%
2030	2,480,000	545,761	3,025,761	450,000	2,930,000	57.07%
2031	2,115,000	475,225	2,590,225	450,000	2,565,000	61.73%
2032	2,105,000	412,801	2,517,801	450,000	2,555,000	66.38%
2033	2,090,000	353,300	2,443,300	450,000	2,540,000	70.99%
2034	1,680,000	293,613	1,973,613	450,000	2,130,000	74.87%
2035	1,675,000	245,501	1,920,501	450,000	2,125,000	78.73%
2036	1,515,000	197,098	1,712,098	450,000	1,965,000	82.30%
2037	1,510,000	151,555	1,661,555	450,000	1,960,000	85.86%
2038	1,505,000	105,333	1,610,333	450,000	1,955,000	89.42%
2039	1,500,000	59,411	1,559,411	450,000	1,950,000	92.96%
2040	660,000	29,175	689,175	450,000	1,110,000	94.98%
2041	660,000	13,725	673,725	450,000	1,110,000	97.00%
2042	300,000	3,000	303,000	450,000	750,000	98.36%
2043	-	-	-	450,000	450,000	99.18%
2044	-	-	-	450,000	450,000	100.00%
Total.....	\$ 46,005,000	\$ 9,107,947	\$ 55,112,947	\$ 9,000,000	\$ 55,005,000	

¹ Excludes interest payments of \$65,363 made between July 1, 2023 and August 1, 2023.

Overlapping/Underlying Debt

The Town of Watertown does not have any overlapping or underlying debt.

**THE TOWN OF WATERTOWN HAS NEVER DEFAULTED IN THE PAYMENT OF
PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

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Debt Statement
As of August 1, 2023
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose (Includes this issue).....	\$ 23,149,000
Schools	25,738,000
Sewer	3,886,000
Water	2,232,000
Total Long-Term Debt	55,005,000
Short-Term Debt (This Issue).....	6,000,000
Total Direct Debt	61,005,000
Less: School Construction Grants Receivable (As of June 30, 2022) ¹	-
Less: Self-Supporting Sewer Debt	-
Total Direct Net Debt.....	61,005,000
Overlapping/Underlying Debt.....	-
Total Overall Net Debt.....	\$ 61,005,000

¹ The State of Connecticut will reimburse the Town for eligible principal and interest costs over the life of bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

Current Debt Ratios
As of August 1, 2023
(Pro Forma)

Population ¹	22,110
Net Taxable Grand List at 70% of Full Value (10/1/22)	\$ 1,962,781,000
Estimated Full Value	\$ 2,803,972,857
Equalized Net Taxable Grand List (10/1/20) ²	\$ 3,222,261,832
Money Income per Capita (2021) ¹	\$ 41,906

	Total	Total
	Direct Debt:	Net Direct Debt /
	\$61,005,000	Overall Net Debt:
	\$61,005,000	\$61,005,000
Debt per Capita.....	\$2,759.16	\$2,759.16
Ratio to Net Taxable Grand List.....	3.11%	3.11%
Ratio to Estimated Full Value.....	2.18%	2.18%
Ratio to Equalized Grand List.....	1.89%	1.89%
Debt per Capita to Money Income per Capita.....	6.58%	6.58%

¹ American Community Survey 2017-2021.

² Office of Policy and Management, State of Connecticut.

Authority to Incur Debt

The Town of Watertown has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. 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 by no later than the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school 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 the temporary financing has been outstanding.

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

Temporary notes may also be issued for up to 15 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 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 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).

Maturities

Except for refunding bonds that achieve net present value savings, general obligation (serial or term) bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50%, or aggregate annual principal and interest payments must be substantially equal. The term of the issue may not exceed twenty years, except in the case of sewer and school bonds, which may mature in up to thirty years.

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

“Annual receipts from taxation” (the “base”) are defined as total tax collections including interest and penalties, late payment of taxes and state payments for revenue losses under Connecticut General Statutes Sections 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

Section 7-374 of the Connecticut General Statutes also provides for exclusion from the debt limitation calculation debt: (i) issued in anticipation of taxes; (ii) issued for the supply of water, for the supply of gas, for the supply of electricity, for electric demand response, for conservation and load management, for distributed generation, for renewable energy projects, for the construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes, for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments which have been levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from any state or federal grant for which the town or municipality has received a written commitment or for which an allocation has been approved by the State Bond Commission or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for water pollution control projects in order to meet the requirements of an abatement order of the Commissioner of the Department of Energy and Environmental

Protection, provided the municipality files a certificate signed by its chief fiscal officer with the commissioner demonstrating to the satisfaction of the commissioner that the municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable; and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient, together with such investment earnings thereon as are to be retained in said escrow, to provide for the payment when due of the principal of and interest on such bond, note or other evidence of indebtedness.

Statement of Debt Limitation
As of August 1, 2023
(Pro Forma)

Total Tax Collections (including interest and lien fees)

For the year ended June 30, 2022 ¹..... \$ 62,005,840

Reimbursement For Revenue Loss:

Tax relief for elderly..... -

Base for Debt Limitation Computation..... \$ 62,005,840

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 139,513,140	-	-	-	-
4 1/2 times base.....	-	\$ 279,026,280	-	-	-
3 3/4 times base.....	-	-	\$ 232,521,900	-	-
3 1/4 times base.....	-	-	-	\$ 201,518,980	-
3 times base.....	-	-	-	-	\$ 186,017,520
Total Debt Limitation	\$ 139,513,140	\$ 279,026,280	\$ 232,521,900	\$ 201,518,980	\$ 186,017,520

Indebtedness:

Bonds Outstanding	\$ 19,149,000	\$ 20,738,000	\$ 3,886,000	\$ -	\$ -
Bonds (This Issue) ²	4,000,000	5,000,000	-	-	-
Notes (This Issue)	-	6,000,000	-	-	-
Debt Authorized But Unissued	4,677,672	4,310,254	36,980	-	-
Total Indebtedness	27,826,672	36,048,254	3,922,980	-	-

Less:

Self-Supporting Debt

Total Net Indebtedness..... 27,826,672 36,048,254 3,922,980 - -

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS... \$ 111,686,468 \$ 242,978,026 \$ 228,598,920 \$ 201,518,980 \$ 186,017,520

¹ Excludes tax collections of coterminous municipalities.

² Excludes \$2,232,000 of outstanding water bonds as allowed under the Connecticut General Statutes.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$434,040,880.

**Authorized but Unissued Debt
As of August 1, 2023
(Pro Forma)**

Project	Aggregate Amount Authorized	Bonds Issued	Grants / Paydowns	New Money	This Issue:		Authorized but Unissued
					The Notes Due: 7/31/24	The Bonds	
Watertown High School	\$ 56,157,000	\$ 29,510,000	\$ 26,617,988	\$ -	\$ -	\$ -	\$ 29,012
Judson Elementary School	15,859,000	8,400,000	7,389,408	-	-	-	69,592
Swift Middle School	33,768,919	14,425,000	18,979,591	-	-	-	364,328
Water & Sewer Projects	6,330,550	6,330,000	-	-	-	-	550
Polk Elementary School	12,517,000	5,500,000	5,030,678	-	-	-	1,986,322
Wattles Brook Sewer Interceptor	2,036,650	2,000,000	-	-	-	-	36,650
Communications System Upgrade	1,881,000	1,460,000	300,000	-	-	-	121,000
Fire House Renovations & Exp	6,046,672	6,020,000	-	-	-	-	26,672
Road, Drainage & Culvert Imp	1,730,000	1,700,000	-	-	-	-	30,000
Capital Improvements	4,000,000	2,000,000	-	-	-	-	2,000,000
Various School Improvements	12,861,000	-	-	11,000,000	6,000,000	5,000,000	1,861,000
Various Road Improvements	5,000,000	-	-	2,500,000	-	2,500,000	2,500,000
Acquisition of Fire Truck	1,500,000	-	-	1,500,000	-	1,500,000	-
Total	\$ 159,687,791	\$ 77,345,000	\$ 58,317,665	\$ 15,000,000	\$ 6,000,000	\$ 9,000,000	\$ 9,025,126

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996.

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the prior program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

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

Fiscal Year Ended 6/30	Net Assessed Value (000s)	Estimated Full Value ¹ (000s)	Net Long-Term Debt (000s)	Ratio of Net Long-Term Debt to Assessed Value (%)	Net Long-Term Debt to Estimated Full Value (%)	Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³ (%)
2023 ⁴	\$ 1,928,259	\$ 2,754,656	\$ 46,005	2.39%	1.67%	22,110	\$ 2,080.73	4.97%
2022	1,858,471	2,654,959	51,475	2.77%	1.94%	22,110	2,328.13	5.56%
2021	1,855,092	2,650,131	57,065	3.08%	2.15%	22,110	2,580.96	6.16%
2020	1,835,363	2,621,947	55,890	3.05%	2.13%	22,110	2,527.82	6.03%
2019	1,771,996	2,531,423	53,455	3.02%	2.11%	22,110	2,417.68	5.77%

¹ Assessment Ratio: 70%.

² American Community Survey, 2017-2021.

³ Money Income per Capita: American Community Survey 2017-2021 data: \$41,906 used for all calculations.

⁴ Subject to audit.

**Ratio of Total General Fund Debt Service Expenditures
To Total General Fund Expenditures and Transfers Out**

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures ¹	Ratio of General Fund Debt Service To Total General Fund Expenditures
2023 ²	\$ 6,508,489	\$ 83,433,299	7.80%
2022	6,707,692	87,036,797	7.71%
2021	10,121,868	89,086,559	11.36%
2020	7,165,456	82,973,910	8.64%
2019	6,993,692	82,697,199	8.46%
2018	7,060,936	79,171,612	8.92%
2017	7,258,827	79,406,474	9.14%
2016	6,461,700	74,835,018	8.63%
2015	6,616,270	72,972,375	9.07%
2014	6,857,649	70,189,188	9.77%

¹ GAAP basis of accounting. Includes Transfers out.

² Budget, subject to audit.

Source: Annual Audited Financial Statements.

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VI. Financial Administration

Fiscal Year

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

Basis of Accounting

See footnote number 1 in "Notes to Financial Statements" of Appendix A.

Budget Procedure

Annually, the Town Manager presents the budget to the Board of Finance. After required hearings, the Board of Finance, which administers the budget, recommends its budget to the Town Council. At the annual budget meeting held in April, the Council may, by the required number of votes, reduce or increase the proposed estimated expenditures. After completing such action, the Council adopts the budget by resolution. The Board of Finance then calculates a rate of taxation on the most recent Grand List, which will produce the revenue required to preserve a balance between estimated receipts and expenditures, net of provisions for other estimated revenue and cash surplus or deficit.

Subject to the provisions of Chapter VII of the Town Charter, the Town Council, on recommendation of the Board of Finance, may appropriate at any time any unappropriated and unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency, up to a maximum of \$500. The Town Council must approve any transfer over \$500 from one office, department or agency to another to meet a pressing need for public expenditure. The Board of Finance and the Town Council may review the budget after recommendation by the Town Manager and certification by the Director of Finance that sufficient funds exist.

The budget is prepared on a modified accrual basis of accounting, except for the accrual of payroll. Encumbrances that are outstanding at year-end are not recorded as budgetary expenditures. The Town Council approves those items as continued appropriations in the following year's budget. Authorized continuing appropriations are presented as reservation of fund balance since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities for generally accepted accounting principles or budgetary purposes. The control level on which expenditures may not legally exceed appropriation is the department level.

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management. The Town of Watertown is in full compliance with said provisions.

Liability Insurance

See Note number 8 in "Notes to Financial Statements" of Appendix A.

Pensions

The Town of Watertown is the administrator of two single employer, contributory, defined benefit plans:

Town of Watertown - General Town Employees

Police Benefit Fund - Police Employees

The pension plans are included in the financial statements as Pension Trust Funds. Individual stand-alone statements are not issued. Prudential Financial is the trustee of the Plan's assets. The latest actuarial valuation was completed for January 1, 2022. The budgeted fiscal year 2022–23 annual required contributions ("ARCs") is \$473,913 for the Town Retirement System and \$1,131,906 for the Police Benefit Fund for a total ARC of \$1,605,819. The Town's practice is to always budget 100% of the pension ARC.

Town Retirement System

The Town of Watertown Retirement System covers all full-time employees other than police officers, supervisors, certified Board of Education teachers and Water and Sewer Authority employees hired prior to February 1986.

All employees working at least 30 hours per week and 40 weeks per year are eligible under the plan. All eligible employees are 100% vested after 10 years of continuous service. The retirement benefit is 2% of final earnings per year of credited service, subject to a maximum percentage offset of the social security benefit defined by division group. Final earnings are defined as the average earnings during the highest three full earnings computation periods prior to normal retirement. Normal retirement date is the first month coinciding with or next following the employee's 65th birthday, except for the Highway Division. The normal retirement date for the Highway Division is the first month coinciding with or next following the earlier of the employee's age of 55 and 25 years of service or age 65. For early retirement, the normal accrued benefit is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date. Disabled employees are entitled to receive normal pension benefits based on service and final pay at the time of disability.

The aggregate actuarial cost method that is used for calculating the annual required contribution does not separately identify unfunded actuarial accrued liabilities. The schedule of funding progress presented below has been developed using the entry age actuarial cost method for the Town Retirement System.

Town Retirement System

			Actuarial	Overfunded	
	Actuarial Value	of Assets	Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio
Actuarial Valuation Date	(a)	(b)	(b-a)	(a/b)	
1/1/2022	\$ 27,001,622	\$ 29,509,021	(2,507,399)	91.5%	
1/1/2021	25,206,644	28,517,907	(3,311,263)	88.4%	
1/1/2020	23,699,120	28,791,553	(5,092,433)	82.3%	
1/1/2019	22,799,956	27,410,288	(4,610,332)	83.2%	
1/1/2018	22,418,436	26,270,365	(3,851,929)	85.3%	

			Annual Required	
Fiscal Year Ended	Actual Contribution	Contribution (ARC)	% of ARC Contributed	
6/30/2023 ¹	\$ 473,913	\$ 473,913	100.0%	
6/30/2022	546,415	546,415	100.0%	
6/30/2021	721,026	721,026	100.0%	
6/30/2020	702,930	702,930	100.0%	
6/30/2019	606,363	606,363	100.0%	

¹ Subject to audit.

Police Benefit Fund

The Police Benefit Fund is open to all police employees represented by the union for collective bargaining purposes.

All police officers who work more than 20 hours per week and five months per calendar year are eligible to participate in the plan. All employees are 100% vested after 10 years of continuous service. The retirement benefit is 2.5% of final earnings per year of credited service, less 35% of social security. Final earnings are defined as the average earnings received in the last three full calendar years before retirement date. A temporary retirement annuity equal to 35% of the social security benefit shall be paid from normal retirement date to age 65. The normal retirement age is 55 or 25 years of service. An employee may accumulate up to 30 years of service. For early retirement, age 50 with 10 years of service, the normal benefit accrued is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date.

		Actuarial	Overfunded	
	Actuarial Value	Accrued Liability	(Unfunded)	Funded
Actuarial	of Assets	(AAL)	AAL	Ratio
Valuation Date	(a)	(b)	(b-a)	(a/b)
1/1/2022	\$ 28,345,912	\$ 35,086,753	(6,740,841)	80.8%
1/1/2021	26,078,722	34,342,254	(8,263,532)	75.9%
1/1/2020	23,797,664	31,898,171	(8,100,507)	74.6%
1/1/2019	22,849,641	31,202,823	(8,353,182)	73.2%
1/1/2018	22,150,983	28,922,586	(6,771,603)	76.6%

		Annual Required	
Fiscal Year	Actual	Contribution	% of ARC
Ended	Contribution	(ARC)	Contributed
6/30/2023 ¹	\$ 1,131,906	\$ 1,131,906	100.0%
6/30/2022	1,254,215	1,254,215	100.0%
6/30/2021	1,165,983	1,165,983	100.0%
6/30/2020	1,177,609	1,177,609	100.0%
6/30/2019	983,828	983,828	100.0%

¹ Subject to audit.

The information presented in the required supplementary schedules to the audited financial statements was determined as part of the actuarial valuations at the dates indicated.

Governmental Accounting Standards Board Statement No. 67 ("GASB 67") requires a determination of the Total Pension Liability ("TPL") for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability ("NPL") is then set equal to the TPL minus the plan's Fiduciary Net Position ("FNP") which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate ("SEIR"). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

The Town has received from its actuarial firm Prudential Financial's reports prepared as of June 30, 2022 containing information to assist the Town in meeting the requirements of GASB 67. These reports indicated the following results as of June 30, 2022 in accordance with GASB 67:

	<i>Town</i>	<i>Police</i>
Total Pension Liability	\$ 29,689,334	\$ 36,733,512
Plan Fiduciary Net Position	24,500,726	25,483,965
Total Net Pension Liability	<u>\$ 5,188,608</u>	<u>\$ 11,249,547</u>
Plan Fiduciary Net Position as a		
Percentage of the Total Pension Liability	82.52%	69.38%
Covered Payroll.....	\$ 5,066,634	\$ 3,511,018
Net Pension Liability as a Percentage		
of Covered Payroll.....	102.41%	320.41%

The report for the Town of Watertown Retirement Income Program as of June 30, 2022 used its long term investment rate of 7.00% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used as shown below:

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.00%)</i>	<i>Discount Rate</i>	<i>(8.00%)</i>
		<i>(7.00%)</i>	
Town Net Pension Liability	\$ 8,009,922	\$ 5,188,608	\$ 2,653,278

The report for the Town of Watertown Police Retirement Income Program as of June 30, 2022 used its long term investment rate of 7.00% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used as shown below:

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.00%)</i>	<i>Discount Rate</i>	<i>(8.00%)</i>
		<i>(7.00%)</i>	
Police Net Pension Liability	\$ 15,021,409	\$ 11,249,547	\$ 7,790,830

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 11” herein.

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Other Post-Employment Benefits (OPEB)

The Town has complied with the requirements of Governmental Accounting Standards Board (“GASB”) Statement Nos. 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their Other Post-Employment Benefit (“OPEB”) plans and include information concerning the valuation of such plans in their financial statements. The Town is contributing the “pay-as-you-go” portion only and is not currently amortizing any of the unfunded accrued liability, however the Town is in the process of creating a trust fund, and all investment earnings and positive variances from the “pay-as-you-go” budgeting will be used to mitigate the accrued liability.

The Town’s total OPEB liability of \$73,210,738 was measured as of June 30, 2022 and was determined by an actuarial valuation as of January 1, 2020. The following table shows the changes in Net OPEB Liability:

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balance at June 30, 2021.....	\$ 94,087,249	\$ 1,446	\$ 94,085,803
Changes for the Year			
Service Cost.....	3,644,061	-	3,644,061
Interest.....	2,175,208	-	2,175,208
Change in Assumptions.....	(24,573,183)	-	(24,573,183)
Differences Between Expected and Actual Experience.....	-	-	-
Net Investment Income.....	-	-	-
Employer Contributions.....	-	2,122,597	(2,122,597)
Benefit Payments Including Implicit Costs....	(2,122,597)	(2,122,597)	-
Net Changes.....	(20,876,511)	-	(20,876,511)
Balance at June 30, 2022.....	\$ 73,210,738	\$ 1,446	\$ 73,209,292

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented below. The Actuarially Determined Contribution for fiscal 2021-2022 totaled \$6,475,026 and the Town contributed \$2,122,597.

	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
Actuarially Determined Contribution.....	\$ 6,475,026	\$ 6,204,992	\$ 6,980,358	\$ 6,235,663	\$ 5,199,688
Contributions in Relation to the Actuarially Determined Contribution.....	2,122,597	2,827,249	2,695,875	2,542,856	2,089,308
Contribution Deficiency (Excess).....	\$ 4,352,429	\$ 3,377,743	\$ 4,284,483	\$ 3,692,807	\$ 3,110,380
Contributions as a Percentage of ADC.....	32.78%	45.56%	38.62%	40.78%	40.18%
Covered Payroll.....	\$ 29,925,404	\$ 29,053,790	\$ 26,454,361	\$ 25,683,844	\$ 28,286,748
Contributions as a Percentage of Covered Payroll.....	7.09%	9.73%	10.19%	9.90%	7.39%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Town as of June 30, 2022, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

		Current	
	1% Decrease	Discount Rate	1% Increase
	3.09%	4.09%	5.09%
Net OPEB Liability.....	\$ 86,576,536	\$ 73,209,291	\$ 62,713,281

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Town as of June 30, 2022, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

		Current	
	1% Decrease	Trend Rate	1% Increase
	3.50%	4.50%	5.50%
Net OPEB Liability.....	\$ 61,800,781	\$ 73,209,291	\$ 87,964,530

Investment Policy

The Town Charter and Sections 7-400, 7-401 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit; repurchase agreements; municipal notes, bonds, obligations of the United States, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal home loan banks, all Federal land banks, the Tennessee Valley Authority, or any other agency of the United States government. Mutual funds and money market funds that meet certain statutory requirements are also permitted investments.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 3” herein.

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Comparative Balance Sheets – General Fund

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Assets					
Cash and Cash Equivalents.....	\$ 12,074,314	\$ 8,275,988	\$ 11,299,188	\$ 9,543,857	\$ 7,138,757
Receivables.....	4,315,707	3,277,785	1,130,756	2,729,138	2,859,452
Pre-Paid Expenses.....	-	-	-	-	-
Due From Other funds.....	847,967	1,532,138	-	9,946	227,143
Total Assets.....	17,237,988	13,085,911	12,429,944	12,282,941	10,225,352
Liabilities and Fund Balances					
Accounts Payable.....	2,798,692	2,678,515	2,773,408	2,786,173	2,677,776
Accrued Payroll & Related.....	-	-	-	-	-
Performance Bonds.....	285,986	266,298	-	-	-
Unearned Revenue.....	-	-	-	-	189,267
Deferred Revenue.....	-	-	-	-	-
Total Liabilities.....	3,084,678	2,944,813	2,773,408	2,786,173	2,867,043
Deferred Inflows of Resources					
Unavailable Revenues.....	1,299,036	-	-	-	-
Unavailable Revenues.....	2,304,101	2,798,534	1,796,508	2,061,175	2,341,490
Total Deferred Inflows of Resources....	3,603,137	2,798,534	1,796,508	2,061,175	2,341,490
Fund Balances					
Nonspendable.....	101,157	-	-	-	-
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	529,627	485,101	378,240	637,537	932,456
Unassigned.....	9,919,389	6,857,463	8,778,391	6,798,056	4,084,363
Total Fund Balance.....	10,550,173	7,342,564	9,156,631	7,435,593	5,016,819
Total Liabilities, Deferred Inflows of Resources, and Fund Balance.....	17,237,988	13,085,911	13,726,547	12,282,941	10,225,352
Analysis of General Fund Balance					
Operating Revenues.....	\$ 89,007,129	\$ 85,872,207	\$ 84,103,888	\$ 84,431,700	\$ 77,734,578
Fund balance as a percent of					
operating revenues.....	11.85%	8.55%	10.89%	8.81%	6.45%
Unassigned fund balance as					
a percent of operating revenues.....	11.14%	7.99%	10.44%	8.05%	5.25%

Municipal General Budget Expenditures Cap: Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded.

General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis),
and Adopted Budget (Budgetary Basis)

	Adopted Budget 6/30/2024 ¹	Adopted Budget 6/30/2023 ¹	Actual 6/30/2022	Actual 6/30/2021 ²	Actual 6/30/2020	Actual 6/30/2019
Revenues:						
Property taxes.....	\$ 72,583,935	\$ 67,678,064	\$ 65,471,466	\$ 62,249,852	\$ 61,859,812	\$ 60,394,025
Intergovernmental revenues.....	14,303,288	13,150,667	20,230,826	19,524,328	19,430,928	20,855,266
Departmental revenues.....	2,419,649	2,174,778	2,974,639	3,434,467	2,380,059	2,710,086
Investment income.....	140,000	150,000	79,561	27,818	185,457	204,616
Other revenue.....	334,008	279,790	250,637	635,742	247,632	267,707
Total.....	89,780,880	83,433,299	89,007,129	85,872,207	84,103,888	84,431,700
Expenditures:						
General Government.....	4,088,397	3,505,690	2,892,757	2,786,998	2,741,575	2,696,693
Public Safety.....	7,352,709	6,896,115	6,549,136	6,597,850	5,805,325	5,583,686
Public Works.....	4,614,898	4,004,702	3,438,059	3,444,789	3,477,942	4,996,564
Parks and Recreation.....	1,274,665	1,150,097	968,766	936,731	932,696	878,238
Health and Welfare.....	176,772	179,624	150,651	167,376	148,186	150,214
Education.....	53,957,069	50,049,438	55,115,793	56,021,064	51,843,047	50,988,786
Debt Service.....	6,610,435	6,508,489	6,707,692	10,121,868	7,165,456	6,993,692
Capital Outlay.....	-	-	744,865	1,009,037	462,260	407,108
Other.....	11,705,935	11,139,144	9,994,908	7,210,532	10,126,796	9,804,626
Total.....	89,780,880	83,433,299	86,562,627	88,296,245	82,703,283	82,499,607
Excess (Deficiency) of Revenues Over Expenditures.....	-	-	2,444,502	(2,424,038)	1,400,605	1,932,093
Other financing sources (uses):						
Issuance of Refunding Bonds.....	-	-	9,430,000	10,290,000	-	-
Bond Premium.....	-	-	1,209,460	481,804	-	-
Bond Proceeds.....	-	-	-	-	-	-
Deposit to Escrow & Costs of Debt Issuance....	-	-	(10,534,474)	(10,633,950)	-	-
Capital Lease Proceeds.....	-	-	744,865	1,009,037	462,260	407,108
Operating Transfers In.....	-	-	387,426	253,394	128,800	277,165
Operating Transfers Out.....	-	-	(474,170)	(790,314)	(270,627)	(197,592)
Total Other financing sources (uses).....	-	-	763,107	609,971	320,433	486,681
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....	-	-	3,207,609	(1,814,067)	1,721,038	2,418,774
Fund Balance, Beginning of Year.....	10,550,173	10,550,173	7,342,564	9,156,631	7,435,593	5,016,819
Fund Balance, End of Year.....	\$ 10,550,173	\$ 10,550,173	\$ 10,550,173	\$ 7,342,564	\$ 9,156,631	\$ 7,435,593

¹ Budgetary Basis of accounting.

² For the fiscal year ending June 30, 2021, the Town experienced a general fund deficit of approximately \$1.8 million. The deficit was due to unbudgeted special education costs and unreimbursed COVID-19 related expenditures incurred by the Board of Education. Although the Board of Education did not discover and report the deficit until May 2021, the Town has taken steps to improve the function and accuracy of its monthly budgetary reports with regards to education costs and it is believed that such COVID-19 related expenditures are unlikely to recur.

VII. Legal and Other Information

Litigation

The Town of Watertown, its officers, employees, boards, and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings, and other miscellaneous claims. It is the opinion of the Town Attorney, following consultation with Town officials and other attorneys providing legal services to the Town, that such pending litigation will not be finally determined, individually or in aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

Documents Furnished at Delivery

The original purchasers of the Bonds and Notes will be furnished the following documentation when the Bonds and Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and Notes or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town, signed by the Town Manager and the Finance Director which will be dated the date of delivery, which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds and Notes were accepted the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of 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 Town from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds and Notes.
4. The approving opinions of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut, substantially in the forms of Appendices B-1 and B-2 attached hereto.
5. Executed Continuing Disclosure Agreements for the Bonds and Notes in substantially the forms of Appendices C-1 and C-2 attached hereto.
6. The Town will provide to the winning bidder of the Bonds twenty-five (25) copies of the Official Statement and to the winning bidder(s) of the Notes five (5) copies of the Official Statement, prepared for this Bond and Note issue at the Town's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidders at their own expense by arrangement with the printer. If the Town's Municipal Advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

A record of the proceedings taken by the Town in authorizing the Bonds and the Notes will be kept on file at the principal office of the Certifying Agent, U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103 and may be examined upon reasonable request.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

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

TOWN OF WATERTOWN, CONNECTICUT

By: /s/ Mark A. Raimo

Mark A. Raimo, *Town Manager*

By: /s/ Susan E. Zappone

Susan E. Zappone, *Finance Director*

Dated: July 18, 2023

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Appendix A

2022 Financial Statements Excerpted from the Town's Annual Comprehensive Financial Report

The following includes the General Purpose Financial Statements of the Town of Watertown, Connecticut for the fiscal year ended June 30, 2022. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Watertown, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Watertown, CT, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Watertown's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Watertown, CT, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Watertown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Watertown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Watertown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Watertown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and OPEB schedules, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Watertown's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements 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 information has 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 accompanying supplementary information such as the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

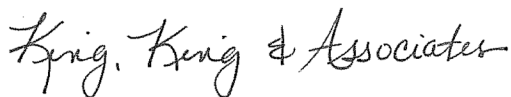
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the Town of Watertown's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Watertown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Watertown's internal control over financial reporting and compliance.



King, King & Associates, CPAs
Winsted, CT
March 28, 2023

TOWN OF WATERTOWN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2022

This discussion and analysis of the Town of Watertown, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2022. Please read this management discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

- The Town's total net position decreased by \$1.5 million as a result of this year's operations. Net position of our governmental activities decreased by \$2.5 million.
- In the Town's business-type activities, total net position increased by \$1.0 million.
- Unrestricted net position of the Town's business-type activities increased by \$1.6 million (\$8.1 million in 2022 compared to \$6.5 million in 2021.)
- Total cost of all the Town's programs was \$101.7 million.
- The General Fund reported an unassigned fund balance this year of \$9.9 million.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented on pages 20 to 28. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the Town of Watertown's assets and deferred outflows, and liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Town of Watertown is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in future cash inflows (revenues) and outflows (expenditures).

TOWN OF WATERTOWN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2022

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental Activities* – Most of the Town's basic services are reported here, including education, public safety, public works, parks and recreation, health and welfare and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-Type Activities* – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer, water and golf course operations are reported here.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (like Board of Education Community Service Fund) or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from state and federal governments). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities – such as the Town's Health and Dental Benefits and Workers' Compensation Internal Service Funds.

TOWN OF WATERTOWN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2022

- *Fiduciary Funds* – The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic governmental fund financial statements can be found on pages 20-23 of this report. The basic proprietary fund financial statements can be found on pages 24-26 of this report. The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Watertown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68.4 million at the close of the most recent fiscal year.

<i>In Thousands</i>	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 31,991	\$ 30,288	\$ 9,184	\$ 7,880	\$ 41,175	\$ 38,168
Capital Assets	181,440	185,622	18,125	18,702	199,565	204,324
Total Assets	213,431	215,910	27,309	26,582	240,740	242,492
Deferred Outflows of Resources	22,584	24,425	125	105	22,709	24,530
Long-term Liabilities	149,802	166,572	535	547	150,337	167,119
Other Liabilities	11,918	10,622	390	546	12,308	11,168
Total Liabilities	161,720	177,194	925	1,093	162,645	178,287
Deferred Inflows of Resources	32,018	18,382	411	522	32,429	18,904
Net Position:						
Net Investment in Capital Assets	130,011	131,085	18,017	18,551	148,028	149,636
Restricted	1,688	1,820	-	-	1,688	1,820
Unrestricted	(89,422)	(88,146)	8,081	6,521	(81,341)	(81,625)
Total Net Position	\$ 42,277	\$ 44,759	\$ 26,098	\$ 25,072	\$ 68,375	\$ 69,831

Net position of the Town's governmental activities decreased by \$2.5 million (\$44.8 million in 2021 compared to \$42.3 million in 2022). The Town's unrestricted net position of \$(89.4) million decreased by \$1.3 million compared with last year's unrestricted net position of \$(88.1) million. The decrease is primarily attributable to the post-retirement benefit obligations and related deferred outflows and inflows of resources. Net investment in capital assets decreased \$1.1 million primarily due to current year fixed asset additions and the paydown of related debt being greater than the current years depreciation expense and addition of new debt.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2022

During 2022, the net position of the Town's business-type activities increased by \$1.0 million. Unrestricted net position increased by \$1.6 million (\$6.5 million in 2021 compared to \$8.1 million in 2022). Contributing factors to the change in total net position and unrestricted net position follows in the next table. The Town generally can only use this net position to finance the continuing operations of the Sewer Authority, Water Authority and Crestbrook Golf Enterprise Funds.

In Thousands

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
<i>General Revenues:</i>						
Property Taxes	\$ 65,360	\$ 62,150	\$ -	\$ -	\$ 65,360	\$ 62,150
Unrestricted Grants & Contributions	1,274	954	-	-	1,274	954
Unrestricted Investment Income	84	43	14	3	98	46
Other General Revenues, Net	192	577	-	-	192	577
<i>Program Revenues:</i>						
Charges for Services	3,820	5,058	5,285	5,225	9,105	10,283
Operating Grants and Contributions	23,953	29,385	-	-	23,953	29,385
Capital Grants and Contributions	299	1,378	-	-	299	1,378
Total Revenues	<u>94,982</u>	<u>99,545</u>	<u>5,299</u>	<u>5,228</u>	<u>100,281</u>	<u>104,773</u>
EXPENSES						
<i>Governmental Activities:</i>						
General Government	23,734	23,067	-	-	23,734	23,067
Public Safety	9,345	9,514	-	-	9,345	9,514
Public Works	7,260	5,987	-	-	7,260	5,987
Parks and Recreation	1,298	1,157	-	-	1,298	1,157
Health and Welfare	198	155	-	-	198	155
Education	54,046	61,223	-	-	54,046	61,223
Interest on Long-Term Debt	1,627	2,152	-	-	1,627	2,152
<i>Business-Type Activities:</i>						
Sewer	-	-	1,760	1,880	1,760	1,880
Water	-	-	1,724	1,618	1,724	1,618
Golf	-	-	745	748	745	748
Total Expenses	<u>97,508</u>	<u>103,255</u>	<u>4,229</u>	<u>4,246</u>	<u>101,737</u>	<u>107,501</u>
Change in Net Position Before Transfers	<u>(2,526)</u>	<u>(3,710)</u>	<u>1,070</u>	<u>982</u>	<u>(1,456)</u>	<u>(2,728)</u>
Transfers	<u>44</u>	<u>(1,046)</u>	<u>(44)</u>	<u>1,046</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(2,482)</u>	<u>(4,756)</u>	<u>1,026</u>	<u>2,028</u>	<u>(1,456)</u>	<u>(2,728)</u>
Beginning Net Position	44,759	49,268	25,072	23,044	69,831	72,312
Restatements (See Note 12)	-	247	-	-	-	247
Ending Net Position	<u>\$ 42,277</u>	<u>\$ 44,759</u>	<u>\$ 26,098</u>	<u>\$ 25,072</u>	<u>\$ 68,375</u>	<u>\$ 69,831</u>

The Town's total revenues were \$100.3 million. The total cost of all programs and services was \$101.7 million. Our analysis below separately considers the operations of the governmental and business-type activities.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2022

Governmental Activities

The Town's governmental activities reported a decrease of \$2.5 million in net position in 2022. The decrease was primarily driven by medical and post-employment benefit expenses. The Town's total governmental revenue for the year was \$95.0 million. Total program expenses were \$97.5 million.

The table below presents the costs of each of the Town's governmental programs, as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

<i>In Thousands</i>	Governmental Activities (in thousands)			
	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
<i>Governmental Activities:</i>				
General Government	\$ 23,734	\$ 23,067	\$ 22,066	\$ 19,756
Public Safety	9,345	9,514	7,901	8,346
Public Works	7,260	5,987	6,407	3,986
Parks and Recreation	1,298	1,157	833	951
Health and Welfare	198	155	74	22
Education	54,046	61,223	30,528	32,220
Interest on Long-Term Debt	1,627	2,152	1,627	2,152
	<u>\$ 97,508</u>	<u>\$ 103,255</u>	<u>\$ 69,436</u>	<u>\$ 67,433</u>

Business-Type Activities

The Town's business-type activities reported an increase of \$1.0 million in net position in 2022. The business-type activities consist of the Water and Sewer Authority and the Crestbrook Golf Operations. The table below presents the cost of the Town's business-type programs as well as the business-type programs net cost (total cost less revenues generated by the activities).

<i>In Thousands</i>	Business-Type Activities (in thousands)			
	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
<i>Business-Type Activities:</i>				
Sewer	\$ 1,760	\$ 1,880	\$ (916)	\$ (653)
Water	1,724	1,618	(113)	(177)
Golf	745	748	(27)	(148)
	<u>\$ 4,229</u>	<u>\$ 4,246</u>	<u>\$ (1,056)</u>	<u>\$ (978)</u>

Financial Analysis of the Government's Funds**Governmental Funds**

As the Town completed the year, its governmental funds reported combined ending fund balances of \$18.8 million, which is an increase of \$2.2 million from the prior year's total. During 2022 the Town's general fund balance increased by \$3.2 million primarily due to revenues coming in greater than anticipated and a savings in the debt service line due to a bond refunding done in fiscal year 2022, the capital improvement fund balance decreased by \$1.6 million due to capital outlay and debt service related to public works projects, and the nonmajor governmental funds increased by \$519 thousand.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2022

Proprietary Funds

Net position of the Town's three self-insured internal service funds decreased by \$1.2 million during the year. Net position of The Health and Dental Benefits Fund decreased by \$525 thousand. Net position of the Town's Workers' Compensation Fund decreased \$652 thousand. Net position of the Town's General Liabilities Deductibles Fund remained unchanged.

The Town operates three enterprise funds that comprise the Town's business-type activities. The enterprise funds account for the operations of providing sewer and water services to Town businesses and residents and to account for the Town's Crestbrook golf course. Analysis of the Town's enterprise funds is included in the above business-type activities section.

General Fund Budgetary Highlights

The original budget did not anticipate the use of fund balance to balance the budget. During the year, there were additional appropriations from fund balance of \$705 thousand. The actual revenues without the use of fund balance exceeded the budgetary revenues of \$79.8 million by \$1.9 million due to tax collections, building permits, town clerk fees, grants, and other local revenues being higher than anticipated. The Town expended \$1.8 million less than the amended appropriations budget amount of \$80.5 million, with a large part of that coming from savings in the debt service category due to a bond refunding that was done during fiscal year 2022.

Capital Asset and Debt Administration

Capital Assets

The Town of Watertown's reported value in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$199,565,350 (net of accumulated depreciation). The reported value in capital assets includes land and buildings, vehicles, machinery and equipment, and infrastructure. Major capital asset events during the current fiscal year included the following:

- Purchase of a new highway and public safety vehicles and equipment.
- Roadway and drainage improvements.
- Disposals of various old public works and public safety vehicles and equipment.

	2022	2021
<i>Governmental Activities:</i>		
Land	\$ 3,147,876	\$ 3,147,876
Buildings and Improvements	123,383,068	127,068,695
Vehicles	418,718	592,380
Machinery and Equipment	2,328,087	1,534,496
Infrastructure	52,162,289	53,278,294
	<u>\$ 181,440,038</u>	<u>\$ 185,621,741</u>

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2022

	2022	Restated 2021
<i>Business-type Activities:</i>		
Land	\$ 1,019,600	\$ 1,019,600
Buildings and Improvements	684,708	717,025
Vehicles	2	2
Machinery and Equipment	38,922	56,686
Infrastructure	16,292,411	16,782,818
Right of Use Equipment	89,669	125,536
	<u>\$ 18,125,312</u>	<u>\$ 18,701,667</u>

Additional information on the Town of Watertown's capital assets can be found in Note 5 on pages 42-43 of this report.

Long-Term Debt

At year-end, the Town had \$51,475,000 in governmental activities bonds outstanding. This is a decrease of \$5,590,000 from the prior year. The Town's general obligation bond rating continues to carry an AA+ rating. Additional information on the Town of Watertown's long-term debt can be found in Note 7 on pages 44-49 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The Town's unemployment now stands at 3.6% versus 5.4% a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 3.8%.

Inflation in the Northeast area continues to be less than the national Consumer Price Index (CPI) increase. The Town required two budget referendums to pass its 2022-2023 budget. The mill rate for fiscal year 2022-2023 is 34.94 mills, which was a 0.38 mill increase from the prior year. The Board of Education budget increased 4.07% and the Town's portion increased 5.23%.

In the Town's 2022-2023 budget, the Town did not use any of the fund balance to balance the budget.

Future budgets will be impacted by health, insurance and debt service.

As for the Town's business-type activities, we expect that the 2022-2023 operating income will increase based on recent decisions. The Water and Sewer Department continues to expand its utilities, which increases users. This expansion program combined with maintaining stable rates and low operating costs should enable an increase in net position.

Request for Information

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Watertown, 61 Echo Lake Road, Watertown, Connecticut 06795.

Basic Financial Statements

TOWN OF WATERTOWN, CONNECTICUT

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 23,745,776	\$ 7,428,993	\$ 31,174,769
Restricted Cash and Cash Equivalents	285,986	-	285,986
Investments	2,122	-	2,122
Receivables, Net	7,933,587	1,755,058	9,688,645
Inventories	23,139	-	23,139
Capital Assets:			
Assets Not Being Depreciated	3,147,876	1,019,600	4,167,476
Assets Being Depreciated, Net	<u>178,292,162</u>	<u>17,105,712</u>	<u>195,397,874</u>
Total Assets	<u>213,430,648</u>	<u>27,309,363</u>	<u>240,740,011</u>
Deferred Outflows of Resources			
Deferred Outflows - Pension	6,511,859	124,485	6,636,344
Deferred Outflows - OPEB	14,665,684	-	14,665,684
Deferred Charge on Refunding	<u>1,406,564</u>	<u>-</u>	<u>1,406,564</u>
Total Deferred Outflows of Resources	<u>22,584,107</u>	<u>124,485</u>	<u>22,708,592</u>
Liabilities			
Accounts Payable and Accrued Items	5,036,249	388,333	5,424,582
Accrued Interest Payable	459,116	-	459,116
Long-Term Claims Payable	3,340,578	-	3,340,578
Unearned Revenue	2,796,099	1,726	2,797,825
Performance Bonds	285,986	-	285,986
Noncurrent Liabilities:			
Due Within One Year	7,463,743	72,757	7,536,500
Due In More Than One Year	<u>142,337,796</u>	<u>462,215</u>	<u>142,800,011</u>
Total Liabilities	<u>161,719,567</u>	<u>925,031</u>	<u>162,644,598</u>
Deferred Inflows of Resources			
Deferred Inflows - Pension	1,762,520	112,757	1,875,277
Deferred Inflows - OPEB	28,956,222	-	28,956,222
Lease Related	<u>1,299,036</u>	<u>298,366</u>	<u>1,597,402</u>
Total Deferred Inflows of Resources	<u>32,017,778</u>	<u>411,123</u>	<u>32,428,901</u>
Net Position			
Net Investment in Capital Assets	130,011,245	18,016,996	148,028,241
Restricted for Community Development	884,938	-	884,938
Restricted for Other Purposes	630,388	-	630,388
Restricted for Purposes of Trust:			
Nonexpendable	97,143	-	97,143
Expendable	75,529	-	75,529
Unrestricted	<u>(89,421,833)</u>	<u>8,080,698</u>	<u>(81,341,135)</u>
Total Net Position	<u>\$ 42,277,410</u>	<u>\$ 26,097,694</u>	<u>\$ 68,375,104</u>

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

TOWN OF WATERTOWN, CONNECTICUT
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Functions/Program Activities						
Governmental Activities:						
General Government	\$ 23,734,034	\$ 1,578,490	\$ 89,677	\$ -	\$ (22,065,867)	\$ -
Public Safety	9,344,765	791,309	652,539	-	(7,900,917)	-
Public Works	7,259,527	193,735	359,189	299,291	(6,407,312)	-
Parks and Recreation	1,298,283	410,162	55,412	-	(832,709)	-
Health and Welfare	198,293	2,872	121,212	-	(74,209)	-
Education	54,046,453	843,108	22,674,803	-	(30,528,542)	-
Interest on Long-Term Debt	1,626,925	-	-	-	(1,626,925)	-
Total Governmental Activities	97,508,280	3,819,676	23,952,832	299,291	(69,436,481)	-
Business-Type Activities:						
Sewer	1,760,495	2,676,445	-	-	-	915,950
Water	1,723,912	1,836,539	-	-	-	112,627
Golf	745,290	772,488	-	-	-	27,198
Total Business-Type Activities	4,229,697	5,285,472	-	-	-	1,055,775
Total Primary Government	\$ 101,737,977	\$ 9,105,148	\$ 23,952,832	\$ 299,291	(69,436,481)	(68,380,706)
General Revenues:						
Property Taxes					65,359,579	-
Grants not Restricted to Specific Programs					1,274,264	-
Unrestricted Investment Earnings					84,355	14,540
Other General Revenues					192,448	-
Transfers					44,356	(44,356)
Total General Revenues and Transfers					66,955,002	(29,816)
Change in Net Position					(2,481,479)	1,025,959
Net Position - Beginning of Year, Restated					44,758,889	25,071,735
Net Position - End of Year					\$ 42,277,410	\$ 26,097,694
						\$ 68,375,104

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

TOWN OF WATERTOWN, CONNECTICUT

Balance Sheet Governmental Funds June 30, 2022

	General Fund	Capital Improvement Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 11,788,328	\$ 4,490,496	\$ 3,193,735	\$ 3,909,127	\$ 23,381,686
Restricted Cash	285,986	-	-	-	285,986
Investments	-	-	-	2,122	2,122
Receivables, Net of Allowance	4,315,707	2,336,988	-	1,263,995	7,916,690
Inventories	-	-	-	23,139	23,139
Due from Other Funds	847,967	-	-	-	847,967
Total Assets	<u>\$ 17,237,988</u>	<u>\$ 6,827,484</u>	<u>\$ 3,193,735</u>	<u>\$ 5,198,383</u>	<u>\$ 32,457,590</u>
Liabilities					
Accounts Payable and Accrued Items	\$ 2,798,692	\$ -	\$ 574,986	\$ 458,031	\$ 3,831,709
Unearned Revenue	-	3,077	2,618,025	174,997	2,796,099
Performance Bonds	285,986	-	-	-	285,986
Due to Other Funds	-	-	-	792,967	792,967
Total Liabilities	<u>3,084,678</u>	<u>3,077</u>	<u>3,193,011</u>	<u>1,425,995</u>	<u>7,706,761</u>
Deferred Inflows of Resources					
Unavailable Revenues:					
Property Taxes and Interest	926,648	-	-	-	926,648
Special Assessments	1,239,119	-	-	-	1,239,119
School Building Grants	-	2,336,988	-	-	2,336,988
Other	138,334	-	-	-	138,334
Lease Related	1,299,036	-	-	-	1,299,036
Total Deferred Inflows of Resources	<u>3,603,137</u>	<u>2,336,988</u>	<u>-</u>	<u>-</u>	<u>5,940,125</u>
Fund Balances					
Nonspendable	101,157	-	-	97,143	198,300
Restricted	-	3,586,016	724	1,590,131	5,176,871
Committed	-	901,403	-	2,164,976	3,066,379
Assigned	529,627	-	-	-	529,627
Unassigned	9,919,389	-	-	(79,862)	9,839,527
Total Fund Balances	<u>10,550,173</u>	<u>4,487,419</u>	<u>724</u>	<u>3,772,388</u>	<u>18,810,704</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,237,988</u>	<u>\$ 6,827,484</u>	<u>\$ 3,193,735</u>	<u>\$ 5,198,383</u>	<u>\$ 32,457,590</u>

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

TOWN OF WATERTOWN, CONNECTICUT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2022

Fund balances reported in governmental funds Balance Sheet \$ 18,810,704

**Amounts reported for governmental activities in the Statement
of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

<i>Capital Assets</i>	292,993,447
<i>Depreciation</i>	(111,553,409)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

<i>Property taxes receivable greater than 60 days</i>	634,880
<i>Interest receivable on property taxes</i>	291,768
<i>Receivable from the State for school construction projects</i>	2,336,988
<i>Assessment receivables</i>	1,239,119
<i>Other accounts receivable</i>	138,334

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Position.

(4,219,131)

Governmental funds report the effect of premiums, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position.

(2,174,206)

Certain changes related to pensions are deferred and amortized over time.

<i>Deferred Outflows - Pension</i>	6,511,859
<i>Deferred Inflows - Pension</i>	(1,762,520)
<i>Deferred Outflows - OPEB</i>	14,665,684
<i>Deferred Inflows - OPEB</i>	(28,956,222)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.

<i>Accrued interest payable</i>	(459,116)
<i>Bonds payable</i>	(51,475,000)
<i>Equipment Financing Notes</i>	(1,365,603)
<i>Compensated absences</i>	(2,912,506)
<i>Post-closure landfill costs</i>	(104,898)
<i>Special termination benefits</i>	(98,504)
<i>Pension buy-in payable</i>	(425,746)
<i>Net pension liability</i>	(16,629,221)
<i>OPEB liability</i>	<u>(73,209,291)</u>

Net position of governmental activities \$ 42,277,410

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

TOWN OF WATERTOWN, CONNECTICUT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Capital Improvement Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes, Interest and Lien Fees	\$ 65,471,466	\$ -	\$ -	\$ -	\$ 65,471,466
Intergovernmental Revenues	20,230,826	114,281	574,986	6,127,233	27,047,326
Licenses, Permits, and Charges for Services	2,974,639	-	-	1,176,743	4,151,382
Investment Income	79,561	2,927	724	1,021	84,233
Other Revenue	250,637	3,998	-	186,245	440,880
Total Revenues	<u>89,007,129</u>	<u>121,206</u>	<u>575,710</u>	<u>7,491,242</u>	<u>97,195,287</u>
Expenditures					
Current:					
General Government	2,892,757	-	-	253,373	3,146,130
Public Safety	6,549,136	-	574,986	14,708	7,138,830
Public Works	3,438,059	-	-	462,124	3,900,183
Parks and Recreation	968,766	-	-	275,032	1,243,798
Health and Welfare	150,651	-	-	96,022	246,673
Education	55,115,793	-	-	5,785,651	60,901,444
Other	9,994,908	-	-	-	9,994,908
Debt Service	6,707,692	359,628	-	-	7,067,320
Capital Outlay	744,865	1,369,124	-	185,010	2,298,999
Total Expenditures	<u>86,562,627</u>	<u>1,728,752</u>	<u>574,986</u>	<u>7,071,920</u>	<u>95,938,285</u>
Excess/(Deficiency) of Revenues over Expenditures	2,444,502	(1,607,546)	724	419,322	1,257,002
Other Financing Sources/(Uses)					
Transfers In	387,426	56,485	-	156,000	599,911
Transfers Out	(474,170)	-	-	(56,485)	(530,655)
Issuance of Equipment Financing Notes	744,865	-	-	-	744,865
Issuance of Refunding Bonds	9,430,000	-	-	-	9,430,000
Payment to Refunding Bond Escrow Agent	(10,534,474)	-	-	-	(10,534,474)
Premium on Financing	1,209,460	-	-	-	1,209,460
Total Other Financing Sources/(Uses)	<u>763,107</u>	<u>56,485</u>	<u>-</u>	<u>99,515</u>	<u>919,107</u>
Net Change in Fund Balances	3,207,609	(1,551,061)	724	518,837	2,176,109
Fund Balances at Beginning of Year, Restated	<u>7,342,564</u>	<u>6,038,480</u>	<u>-</u>	<u>3,253,551</u>	<u>16,634,595</u>
Fund Balances at End of Year	<u>\$ 10,550,173</u>	<u>\$ 4,487,419</u>	<u>\$ 724</u>	<u>\$ 3,772,388</u>	<u>\$ 18,810,704</u>

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

TOWN OF WATERTOWN, 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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 2,176,109
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

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 as depreciation expense.

<i>Capital expenditures</i>	2,088,052
<i>Depreciation expense</i>	(6,269,755)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

<i>Property taxes collected accrual basis change</i>	(110,652)
<i>Interest income on property taxes accrual basis change</i>	(1,235)
<i>Assessment revenue accrual basis change</i>	(277,454)
<i>Other revenues accrual basis change</i>	(105,092)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

<i>Proceeds from long-term debt - general obligation refunding bonds</i>	(9,430,000)
<i>Proceeds from long-term debt - equipment financing notes</i>	(744,865)
<i>Principal payments on long-term debt - general obligation bonds</i>	4,635,000
<i>Principal payments on long-term debt - equipment financing notes</i>	552,158
<i>Bonds refunded</i>	10,385,000
<i>Premium on bonds issued</i>	(1,209,460)
<i>Deferred charge on refunding</i>	394,989
<i>Amortization of deferred charge on refunding</i>	(530,559)
<i>Amortization of premiums</i>	552,710

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 the governmental funds.

<i>Accrued interest</i>	20,793
<i>Compensated Absences</i>	167,187
<i>Post-closure landfill costs</i>	46,054
<i>Special termination benefits</i>	31,030
<i>Pension buy-in payable</i>	26,503
<i>Pension obligations and related outflows/inflows</i>	(779,105)
<i>OPEB liability and related outflows/inflows</i>	(2,922,799)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

(1,176,088)

Change in net position of governmental activities	<u>\$ (2,481,479)</u>
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The notes to the financial statements are an integral part of this statement

TOWN OF WATERTOWN, CONNECTICUT

Statement of Net Position

Proprietary Funds

June 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Sewer Authority	Water Authority	Crestbrook Golf Operations	Total	Internal Service
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 4,806,035	\$ 2,622,958	\$ -	\$ 7,428,993	\$ 364,090
Receivables, Net					
Usage	885,977	569,801	-	1,455,778	-
Other	-	-	-	-	16,897
Leases	-	-	48,919	48,919	-
Total Current Assets	5,692,012	3,192,759	48,919	8,933,690	380,987
Noncurrent Assets:					
Leases Receivable	-	-	250,361	250,361	-
Nondepreciable Capital Assets	-	84,600	935,000	1,019,600	-
Capital Assets, Net of Accum. Deprecation	8,422,795	8,327,236	355,681	17,105,712	-
Total Noncurrent Assets	8,422,795	8,411,836	1,541,042	18,375,673	-
Total Assets	14,114,807	11,604,595	1,589,961	27,309,363	380,987
Deferred Outflows of Resources					
Deferred Outflows - Pension	45,936	45,936	32,613	124,485	-
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Items	-	-	388,333	388,333	-
Unearned Revenues	-	-	1,726	1,726	-
Equipment Financing Notes Payable	-	-	8,362	8,362	-
Leases Payable	-	-	35,529	35,529	-
Compensated Absences	10,284	10,284	8,298	28,866	-
Risk Management Claims	-	-	-	-	1,204,540
Due to Other Funds	-	-	-	-	55,000
Total Current Liabilities	10,284	10,284	442,248	462,816	1,259,540
Noncurrent Liabilities:					
Net Pension Liability	114,783	114,783	74,197	303,763	-
Equipment Financing Notes Payable	-	-	8,961	8,961	-
Leases Payable	-	-	55,464	55,464	-
Compensated Absences	34,889	34,889	24,249	94,027	-
Risk Management Claims	-	-	-	-	3,340,578
Total Noncurrent Liabilities	149,672	149,672	162,871	462,215	3,340,578
Total Liabilities	159,956	159,956	605,119	925,031	4,600,118
Deferred Inflows of Resources					
Deferred Inflows - Pension	49,886	49,886	12,985	112,757	-
Lease Related	-	-	298,366	298,366	-
Total Deferred Inflows of Resources	49,886	49,886	311,351	411,123	-
Net Position					
Net Investment in Capital Assets	8,422,795	8,411,836	1,182,365	18,016,996	-
Unrestricted	5,528,106	3,028,853	(476,261)	8,080,698	(4,219,131)
Total Net Position	\$ 13,950,901	\$ 11,440,689	\$ 706,104	\$ 26,097,694	\$ (4,219,131)

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

TOWN OF WATERTOWN, CONNECTICUT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service
	Sewer Authority	Water Authority	Crestbrook Golf Operations	Total	
OPERATING REVENUES					
Charges for Services	\$ 2,674,382	\$ 1,826,454	\$ 772,488	\$ 5,273,324	\$ 14,857,126
Permits and Fees	2,063	10,085	-	12,148	-
Total Operating Revenues	<u>2,676,445</u>	<u>1,836,539</u>	<u>772,488</u>	<u>5,285,472</u>	<u>14,857,126</u>
OPERATING EXPENSES					
Salaries	260,673	259,670	307,707	828,050	-
Benefits	178,779	177,313	96,082	452,174	-
Purchased Services	1,025,441	1,018,507	268,582	2,312,530	-
Depreciation	295,602	268,422	66,076	630,100	-
Claims	-	-	-	-	13,841,683
Premiums and Administrative Charges	-	-	-	-	2,191,653
Total Operating Expenses	<u>1,760,495</u>	<u>1,723,912</u>	<u>738,447</u>	<u>4,222,854</u>	<u>16,033,336</u>
Operating Income/(Loss)	915,950	112,627	34,041	1,062,618	(1,176,210)
NON-OPERATING REVENUE (EXPENSE)					
Interest Income	1,917	872	11,751	14,540	122
Interest Expense	-	-	(6,843)	(6,843)	-
Total Non-Operating Revenues (Expenses)	<u>1,917</u>	<u>872</u>	<u>4,908</u>	<u>7,697</u>	<u>122</u>
Income/(Loss) before Transfers and Capital Contributions	<u>917,867</u>	<u>113,499</u>	<u>38,949</u>	<u>1,070,315</u>	<u>(1,176,088)</u>
Transfers:					
Transfers In	-	318,170	-	318,170	-
Transfers Out	(38,913)	(348,513)	-	(387,426)	-
Total Transfers	<u>(38,913)</u>	<u>(30,343)</u>	<u>-</u>	<u>(69,256)</u>	<u>-</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>24,900</u>	<u>24,900</u>	<u>-</u>
Change in Net Position	878,954	83,156	63,849	1,025,959	(1,176,088)
Net Position - Beginning of Year, Restated	<u>13,071,947</u>	<u>11,357,533</u>	<u>642,255</u>	<u>25,071,735</u>	<u>(3,043,043)</u>
Net Position - End of Year	<u>\$ 13,950,901</u>	<u>\$ 11,440,689</u>	<u>\$ 706,104</u>	<u>\$ 26,097,694</u>	<u>\$ (4,219,131)</u>

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

TOWN OF WATERTOWN, CONNECTICUT

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Sewer Authority	Water Authority	Crestbrook Golf Operations	Total	Internal Service
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 2,590,150	\$ 1,640,776	\$ 773,300	\$ 5,004,226	\$ 14,840,229
Receipts from Interfund Services	1,185	169,848	-	171,033	-
Payments to Employees	(260,673)	(259,670)	(307,707)	(828,050)	-
Payments to Suppliers	(1,055,842)	(1,035,196)	(327,308)	(2,418,346)	-
Payments for Benefits and Claims	(204,299)	(202,833)	(100,847)	(507,979)	(12,770,932)
Premiums and Administrative Charges	-	-	-	-	(2,191,653)
Net Cash Provided by Operating Activities	<u>1,070,521</u>	<u>312,925</u>	<u>37,438</u>	<u>1,420,884</u>	<u>(122,356)</u>
Cash Flows from Noncapital Financing Activities:					
Repayment to General Fund	(38,913)	(348,513)	-	(387,426)	-
Cash Received from General Fund	-	318,170	-	318,170	55,000
Principal Received on Reimbursement Obligation	-	-	-	-	-
Net Cash Used by Noncapital Financing Activities	<u>(38,913)</u>	<u>(30,343)</u>	<u>-</u>	<u>(69,256)</u>	<u>55,000</u>
Cash Flows from Capital and Related Financing Activities:					
Principal Payments on Equipment Financing Notes	-	-	(7,803)	(7,803)	-
Principal Payments on Leases Payable	-	-	(34,543)	(34,543)	-
Purchases of Capital Assets	(9,600)	(19,245)	-	(28,845)	-
Interest Paid on Debt	-	-	(6,843)	(6,843)	-
Net Cash Used by Capital and Related Financing Activities	<u>(9,600)</u>	<u>(19,245)</u>	<u>(49,189)</u>	<u>(78,034)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest Income	<u>1,917</u>	<u>872</u>	<u>11,751</u>	<u>14,540</u>	<u>122</u>
Net Cash Provided by Investing Activities	<u>1,917</u>	<u>872</u>	<u>11,751</u>	<u>14,540</u>	<u>122</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,023,925	264,209	-	1,288,134	(67,234)
Cash and Cash Equivalents at Beginning of Year	<u>3,782,110</u>	<u>2,358,749</u>	<u>-</u>	<u>6,140,859</u>	<u>431,324</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,806,035</u>	<u>\$ 2,622,958</u>	<u>\$ -</u>	<u>\$ 7,428,993</u>	<u>\$ 364,090</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:					
Operating Income/(Loss)	\$ 915,950	\$ 112,627	\$ 34,041	\$ 1,062,618	\$ (1,176,210)
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities:					
Depreciation	295,602	268,422	66,076	630,100	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(33,241)	(25,915)	42,749	(16,407)	(16,897)
(Increase) Decrease in Deferred Outflows	(580)	(580)	(18,537)	(19,697)	-
Increase (Decrease) in Deferred Inflows Pension	(17,013)	(17,013)	(33,268)	(67,294)	-
Increase (Decrease) in Deferred Inflows Leases	-	-	(43,663)	(43,663)	-
Increase (Decrease) in Net Pension Liability	13,782	13,782	50,504	78,068	-
Increase (Decrease) in Accounts Payable	(30,401)	(16,689)	(58,726)	(105,816)	-
Increase (Decrease) in Unearned Revenue	(51,869)	-	1,726	(50,143)	-
Increase (Decrease) in Claims Payable	-	-	-	-	1,070,751
Increase (Decrease) in Compensated Absences	(21,709)	(21,709)	(3,464)	(46,882)	-
Total Adjustments	<u>154,571</u>	<u>200,298</u>	<u>3,397</u>	<u>358,266</u>	<u>1,053,854</u>
Net Cash Provided by Operating Activities	<u>\$ 1,070,521</u>	<u>\$ 312,925</u>	<u>\$ 37,438</u>	<u>\$ 1,420,884</u>	<u>\$ (122,356)</u>
Noncash Capital and Related Financing Activity:					
Capital Contributions from Other Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,900</u>	<u>\$ 24,900</u>	<u>\$ -</u>

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

TOWN OF WATERTOWN, CONNECTICUT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

	Pension and OPEB Trust Funds
Assets	
Cash and Cash Equivalents	\$ 1,447
Investments, at Fair Value	
Guaranteed Deposit Accounts	10,034,202
Mutual Funds	<u>40,568,040</u>
Total Assets	<u>50,603,689</u>
 Deferred Outflows of Resources	 <u>-</u>
 Liabilities	
Payables	<u>-</u>
Total Liabilities	<u>-</u>
 Deferred Inflows of Resources	 <u>-</u>
 Net Position	
Restricted for Pension Benefits	50,602,242
Restricted for OPEB Benefits	<u>1,447</u>
Total Net Position	<u>\$ 50,603,689</u>

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

TOWN OF WATERTOWN, CONNECTICUT

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2022

	Pension and OPEB Trust Funds
Additions	
Contributions:	
Employer	\$ 1,852,553
Plan Members	<u>499,125</u>
Total Contributions	<u>2,351,678</u>
 Investment Income:	
Net Appreciation/(Depreciation) in Fair Value of Investments	(6,390,420)
Interest and Dividends	<u>1,202,817</u>
Total Investment Income	(5,187,603)
Less: Investment Management Fees	<u>(256,112)</u>
Net Investment Income	<u>(5,443,715)</u>
 Total Additions	<u>(3,092,037)</u>
 Deductions	
Pension Benefits	3,305,296
Administrative Expenses	<u>82,166</u>
Total Deductions	<u>3,387,462</u>
 Change in Net Position	(6,479,499)
 Net Position at Beginning of Year, as Restated	<u>57,083,188</u>
Net Position at End of Year	<u>\$ 50,603,689</u>

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

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Watertown, Connecticut (the Town) was settled in 1780 and adopted its current Charter in 1961. The Town operates under a Town Council/Town Manager form of government as prescribed by the Connecticut General Statutes and its Charter. The Town Manager is responsible for presenting fiscal operating budgets to the Town Council for referendum. The Town provides the following services as authorized by its Charter: public safety (police and fire), public works (streets and highway), public health and social services, sewers and water, a free public library and education encompassing grades K-12. The financial statements include all of the funds of the Town that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board (GASB).

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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.

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

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

TOWN OF WATERTOWN, CONNECTICUT
Notes to the 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, with the exception of the agency funds which 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. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town 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 *Capital Improvement Fund* accounts for the proceeds of general obligation bonds and grants for various construction, renovation, and improvement projects.

The *ARPA Grant Fund* is used to account for and report financial resources related to the Federal American Rescue Plan Act grant.

The Town reports the following major proprietary funds:

Sewer Authority accounts for the cost of operations and collection of fees for the Town's sewer activities.

Water Authority accounts for the cost of operations and collection of fees for the Town's water consumption program.

Crestbrook Golf Operations accounts for the operation and maintenance of the Crestbrook Golf Course, which is owned by the Town and is primarily supported through charges to customers.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Additionally, the Town reports the following fund types:

The *Internal Service Funds* account for the Town's risk management program.

The *Pension Trust Funds* account for the activities of the Town's retirement system, which accumulates resources for pension benefit payments to qualified Town employees.

The *OPEB Trust Funds* account for the activities of the Town's postemployment benefits system, which accumulates resources for health benefit payments to qualified Town retirees and their spouses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods 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 sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash Equivalents - The deposit of public funds is controlled by the Connecticut General Statutes. The Town maintains separate accounts with depositories where necessary. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash. Cash and cash equivalents are stated at cost, which approximates market value and have maturities of three months or less. This definition also applies to the proprietary statement of cash flows.

The Short-Term Investment Fund (STIF) is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAm by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Other trust funds may also invest in stocks, bonds, or other securities selected by the Trustee.

Fair Value of Financial Instruments

In accordance with GASB Statement No. 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Investments are carried at fair value based on Level 1 observable inputs and are presented in Note 3.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Inventories - All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets - Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. Infrastructure asset thresholds for additions have been established at \$25,000 for road overlays and \$100,000 for new construction.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment and infrastructure of the Town are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	3
Building Improvements	20
Infrastructure	20-100
Machinery and Equipment	5

Right of Use Lease Asset – The Town has recorded right of use lease assets as a result of implementing GASB 87, *Leases*. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

Leases Receivable – The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town reports the deferred charge on refunding in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Town also reports Deferred Pension and OPEB Expense in this category. Deferred pension and OPEB expense results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and deferred leases in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Also, within the government-wide statement of net position the Town reports as deferred inflows amounts representing the net difference between expected and actual results, changes in assumptions and projected and actual earnings of its pension and OPEB plans. These amounts are deferred and included in pension and OPEB expense over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, school building grants, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period during which the amounts become available.

Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the 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 position. 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the year they are incurred.

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 is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, and discounts are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds, are reported as debt service expenditures.

Compensated Absences – Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Balance and Net Position – Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

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

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the Town, which is not restricted for any project or other purpose.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

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

The equity of the fund financial statements is defined as "fund balance" and is classified in the following five separate categories:

Nonspendable Fund Balance - Indicates amounts that cannot be spent because they are either not in spendable form (inventories) or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including prepaid expenditures and permanent fund principal. Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Restricted Fund Balance - Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Indicates amounts constrained for a specific purpose by a government using its highest level of decision-making authority, the Town Council. The Town Council is the highest level of decision-making authority for the government that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Ordinance remains in place until a similar action is taken (the adoption of another Ordinance) to remove or reverse the limitation.

Assigned Fund Balance – In the General Fund, represents amounts constrained either by policies of the Town Council for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balances in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - Represents the remaining fund balance after amounts are set aside for all other classifications. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town has established a policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance. The Town generally used restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

The Town has adopted a fund balance policy to maintain a minimum General Fund unassigned fund balance of 7% of the ensuing fiscal year operating revenue with a target maximum of 12%.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Property Taxes

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A physical revaluation of all real property is required to be completed every ten years, and a statistical revaluation is required to be completed every five years. The Town had a revaluation of its property as of October 1, 2018. The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. A mill rate was applied to the Grand List. Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. Liens are placed on delinquent accounts in June following the levy date. Taxes are due in two equal installments on the July 1 and January 1 following the levy date, although a 30-day grace period is provided. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year-end. Property taxes receivable not expected to be collected during the available period are reflected in unavailable revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

Encumbrances

In the governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund:

In January, department heads, offices, or agencies of the Town, including the Board of Education, must file estimates of expenditures for the ensuing fiscal year to the Town Manager. In April, the Town Manager submits a proposed budget for the General Fund to the Town Council. After various public hearings, the Town Council recommends these budgets, as revised, for adoption at the referendum in May.

Budget control is established at the department level. Under the Town Charter, no officer of the Town may involve the Town in any obligation to spend money for any purpose in excess of the amount appropriated for the department until such matter has been approved and voted by the Council. Management may make changes to line items within a department without the approval of the Town Council. Town Meeting approval is required for additional appropriations over \$50,000. Additional appropriations of \$705,275 from fund balance were approved during the fiscal year for the General Fund in accordance with Charter requirements.

Formal budgetary integration is employed as a management control device for the General Fund during the year. Formal budgetary integration is not employed in Capital Projects and Special Revenue Funds because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

Generally, all unencumbered appropriations lapse at year-end except those for capital projects funds. Appropriations for capital projects are continued until completion of applicable projects even when projects extend more than one fiscal year.

The budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** – The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut under a special funding situation in its budget. US GAAP requires that the employer municipality recognize payments for salaries and fringe benefits paid under a special funding situation for its employees.
- **Encumbrances** – Unless committed through a formal encumbrance (e.g. purchase orders, signed contracts), all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year-end are reported on the budgetary basis statements as expenditures.
- **Excess Cost Grant** – The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue.
- **Long-Term Debt and Lease Financing** – Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

- **Cash Basis Payroll** – Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

Deficit Fund Equity

The following funds had deficit fund balances as of June 30, 2022:

Internal Service Funds	\$ (4,219,131)
Preservation of Historical Documents	(70,971)
STEAP Grant Fund	(5,967)
Police Asset Forfeiture	(2,924)

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank,” as defined by the Statutes, which is not a “qualified public depository.” The following is a summary of cash and cash equivalents at June 30, 2022.

Detailed Cash Notes on all Funds

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash	\$ 21,031,553	\$ 7,792,736	\$ 1,447	\$ 28,825,736
Cash Equivalents	2,350,133	347	-	2,350,480
Restricted Cash	285,986	-	-	285,986
Total Cash and Cash Equivalents	<u>\$ 23,667,672</u>	<u>\$ 7,793,083</u>	<u>\$ 1,447</u>	<u>\$ 31,462,202</u>

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits will not be returned. The Town's custodial credit risk policy is to only allow the Town to use banks in the State. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio. The following is a reconciliation of the Town's deposits subject to custodial credit risk:

Cash, Cash Equivalents, and Restricted Cash	\$ 31,462,202
Less: Cash Equivalents (STIF)	<u>(2,350,480)</u>
	<u>\$ 29,111,722</u>

At year-end, the Town's carrying amount of deposits was \$29,111,722 and the bank balance was \$29,532,753. Of the bank balance, the Federal Depository Insurance Corporation insured \$1,501,125.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

As of June 30, 2022, \$28,031,628 of the Town's bank balance of \$29,532,753 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 25,663,918
Uninsured and collateral held by pledging bank's Trust department not in the Town's name	<u>2,367,710</u>
Total	<u><u>\$ 28,031,628</u></u>

Cash Equivalents

At June 30, 2022, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$2,350,480. STIF is rated AAAM by Standard & Poor's and has an average maturity of under 60 days.

Investments

Below is a summary of the interest rate risk and credit risk of investments:

Investment Type	Average Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1-10	More Than 10
Guaranteed Deposit Accounts	AA-	\$ 10,034,202	N/A	\$ 10,034,202	N/A
Mutual Funds	N/A	40,568,040	N/A	N/A	N/A
Common Stock	N/A	<u>2,122</u>	N/A	N/A	N/A
Total Investments		<u><u>\$ 50,604,364</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,034,202</u></u>	<u><u>\$ -</u></u>

N/A - Not Applicable

The guaranteed deposit accounts and the mutual funds can be found in the Pension Trust Funds. The common stock can be found in the Governmental Funds.

The following is a summary of assets measured at fair value:

Description	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Guaranteed Deposit Accounts	\$ 10,034,202	\$ 10,034,202	\$ -	\$ -
Mutual Funds	40,568,040	40,568,040	-	-
Common Stock	<u>2,122</u>	<u>2,122</u>	-	-
Total	<u><u>\$ 50,604,364</u></u>	<u><u>\$ 50,604,364</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Credit Risk-Investments - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk - The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer	Water	Crestbrook Golf Operations	Capital Improvement Fund	Nonmajor and Other Funds	Total
Receivables:							
Property taxes	\$ 1,081,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,081,301
Interest, Liens, and Fees	392,050	-	-	-	-	-	392,050
Assessments	1,239,119	-	-	-	-	-	1,239,119
Usage Charges	-	907,669	583,385	-	-	-	1,491,054
Loans	-	-	-	-	-	585,181	585,181
Leases	1,340,276	-	-	299,280	-	-	1,639,556
Intergovernmental	-	-	-	-	2,336,988	678,814	3,015,802
Accounts	542,961	-	-	-	-	-	542,961
Gross Receivables	<u>4,595,707</u>	<u>907,669</u>	<u>583,385</u>	<u>299,280</u>	<u>2,336,988</u>	<u>1,263,995</u>	<u>9,987,024</u>
Less allowance for uncollectibles:							
Property taxes	(187,000)	-	-	-	-	-	(187,000)
Interest, Liens, and Fees	(39,000)	-	-	-	-	-	(39,000)
Usage Charges	-	(21,692)	(13,584)	-	-	-	(35,276)
Accounts	(54,000)	-	-	-	-	-	(54,000)
Total allowance	<u>(280,000)</u>	<u>(21,692)</u>	<u>(13,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,276)</u>
Net Total Receivables	<u>\$ 4,315,707</u>	<u>\$ 885,977</u>	<u>\$ 569,801</u>	<u>\$ 299,280</u>	<u>\$ 2,336,988</u>	<u>\$ 1,263,995</u>	<u>\$ 9,671,748</u>

The assessments receivable of \$1,239,119, the loans receivable of \$585,181, and the leases receivable of \$1,340,276 are long-term receivables and not expected to be collected within one year.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

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

	Governmental Funds
Capital Improvement Fund:	
Advances on Grants	\$ 3,077
ARPA Grant Fund:	
Advances on Grants	2,618,025
Nonmajor Funds:	
Rehab Loans	1,157
Advances on Grants	136,628
Fees Collected in Advance	<u>37,212</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 2,796,099</u>

Leases Receivable

The Town, acting as lessor, has noncancelable lease agreements for cell tower space on Town property. The cell tower leases will expire in 2029 and 2043. Additionally, the Crestbook Golf Course leases a space in a building to a restaurant that will expire in April of 2029.

	Lease Receivable	Deferred inflows of Resources	Lease Revenue	Lease Interest Revenue
Governmental Activities				
Cell Towers	<u>\$ 1,340,276</u>	<u>\$ 1,299,036</u>	<u>\$ 79,243</u>	<u>\$ 50,536</u>
Business-Type Activities				
Restaurant	<u>\$ 299,280</u>	<u>\$ 298,366</u>	<u>\$ 42,749</u>	<u>\$ 11,751</u>

The future minimum lease payments to be received under lease agreements are as follows:

Year(s)	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 81,529	\$ 52,143	\$ 48,919	\$ 11,081	\$ 130,448	\$ 63,224
2024	88,934	48,749	39,727	9,273	128,661	58,022
2025	96,765	45,049	40,308	7,692	137,073	52,741
2026	105,039	41,028	41,951	6,049	146,990	47,077
2027	113,782	36,668	43,660	4,340	157,442	41,008
2028-2032	301,349	130,720	84,715	3,285	386,064	134,005
2033-2037	198,867	92,400	-	-	198,867	92,400
2038-2042	293,953	43,707	-	-	293,953	43,707
2043-2047	60,058	1,110	-	-	60,058	1,110
	<u>\$ 1,340,276</u>	<u>\$ 491,574</u>	<u>\$ 299,280</u>	<u>\$ 41,720</u>	<u>\$ 1,639,556</u>	<u>\$ 533,294</u>

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Restated Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental Activities:</i>				
Capital assets, not being depreciated				
Land	\$ 3,147,876	\$ -	\$ -	\$ 3,147,876
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	<u>3,147,876</u>	<u>-</u>	<u>-</u>	<u>3,147,876</u>
Capital assets, being depreciated				
Buildings and Improvements	178,486,635	-	-	178,486,635
Vehicles	10,355,323	120,439	(288,631)	10,187,131
Machinery & Equipment	8,973,899	1,285,928	(424,977)	9,834,850
Infrastructure	90,655,270	681,685	-	91,336,955
Total capital assets, being depreciated	<u>288,471,127</u>	<u>2,088,052</u>	<u>(713,608)</u>	<u>289,845,571</u>
Less accumulated depreciation for:				
Buildings and Improvements	51,417,940	3,685,627	-	55,103,567
Vehicles	9,762,943	294,101	(288,631)	9,768,413
Machinery & Equipment	7,439,403	492,337	(424,977)	7,506,763
Infrastructure	37,376,976	1,797,690	-	39,174,666
Total accumulated depreciation, net	<u>105,997,262</u>	<u>6,269,755</u>	<u>(713,608)</u>	<u>111,553,409</u>
Total capital assets, being depreciated	<u>182,473,865</u>	<u>(4,181,703)</u>	<u>-</u>	<u>178,292,162</u>
<i>Governmental Activities capital assets, net</i>	<u>\$ 185,621,741</u>	<u>\$ (4,181,703)</u>	<u>\$ -</u>	<u>\$ 181,440,038</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated				
Land	\$ 1,019,600	\$ -	\$ -	\$ 1,019,600
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,019,600</u>	<u>-</u>	<u>-</u>	<u>1,019,600</u>
Capital assets, being depreciated				
Buildings and Improvements	2,867,600	24,900	-	2,892,500
Vehicles	284,522	-	-	284,522
Machinery & Equipment	1,033,435	-	-	1,033,435
Infrastructure	30,092,502	28,845	-	30,121,347
Right of Use Equipment	125,536	-	-	125,536
Total capital assets, being depreciated	<u>34,403,595</u>	<u>53,745</u>	<u>-</u>	<u>34,457,340</u>
Less accumulated depreciation for:				
Buildings and Improvements	2,150,575	57,217	-	2,207,792
Vehicles	284,520	-	-	284,520
Machinery & Equipment	976,749	17,764	-	994,513
Infrastructure	13,309,684	519,252	-	13,828,936
Right of Use Equipment	-	35,867	-	35,867
Total accumulated depreciation	<u>16,721,528</u>	<u>630,100</u>	<u>-</u>	<u>17,351,628</u>
Total capital assets, being depreciated, net	<u>17,682,067</u>	<u>(576,355)</u>	<u>-</u>	<u>17,105,712</u>
<i>Business-Type Activities capital assets, net</i>	<u>\$ 18,701,667</u>	<u>\$ (576,355)</u>	<u>\$ -</u>	<u>\$ 18,125,312</u>

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

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

Governmental Activities:	
General Government	\$ 244,643
Public Safety	711,307
Public Works	2,200,960
Parks and Recreation	79,864
Education	<u>3,032,981</u>
Total Depreciation Expense	
Governmental Activities	<u>\$ 6,269,755</u>
Business-Type Activities:	
Sewer	\$ 295,602
Water	268,422
Golf	<u>66,076</u>
Total Depreciation Expense	
Business-Type Activities	<u>\$ 630,100</u>

Construction Commitments

The Town has several active construction/renovation projects as of June 30, 2022. At year-end, the Town's commitments are as follows:

	Project Authorization	Additional Appropriation	Current Expenditures	Cumulative Expenditures	Project Balance
Town Hall Renovations	\$ 11,900,000	\$ 204,835	\$ 87,080	\$ 11,948,167	\$ 156,668
Roadway and Drainage	2,034,704	-	-	1,867,040	167,664
Road, Bridge and Drainage	4,000,000	-	22,969	3,630,258	369,742
2019 PW Projects	<u>6,000,000</u>	<u>-</u>	<u>1,052,841</u>	<u>3,355,834</u>	<u>2,644,166</u>
	<u>\$ 23,934,704</u>	<u>\$ 204,835</u>	<u>\$ 1,162,890</u>	<u>\$ 20,801,299</u>	<u>\$ 3,338,240</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund transfers is presented below:

Transfer to:	Transfer from:				Total
	General Fund	Sewer Fund	Water Fund	Nonmajor Funds	
General Fund	\$ -	\$ 38,913	\$ 348,513	\$ -	\$ 387,426
Water Fund	318,170	-	-	-	318,170
Capital Improvements Fund	-	-	-	56,485	56,485
Nonmajor Funds	<u>156,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,000</u>
	<u>\$ 474,170</u>	<u>\$ 38,913</u>	<u>\$ 348,513</u>	<u>\$ 56,485</u>	<u>\$ 918,081</u>

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds. The Town pays the debt service of the Water and Sewer Funds. The Town's cost is partially offset by transfer of the homeowner assessment payments collected by the Water and Sewer Authority to the Town General Fund.

Interfund receivables and payables are a result of temporary loans and/or advances to various funds. The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. The outstanding balances owed between funds as of June 30, 2022, were:

Payable Fund	Receivable Fund	Total
Governmental Funds:		
Nonmajor Governmental Funds	General Fund	\$ 792,967
Proprietary Funds:		
Internal Service Funds	General Fund	\$ 55,000

NOTE 7 – LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Governmental Activities long-term liabilities for the year ended June 30, 2022, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 57,065,000	\$ 9,430,000	\$ 15,020,000	\$ 51,475,000	\$ 5,470,000
Unamortized Premiums	2,924,020	1,209,460	552,710	3,580,770	315,208
Total Bonds Payable	59,989,020	10,639,460	15,572,710	55,055,770	5,785,208
Equipment Financing Notes	1,172,896	744,865	552,158	1,365,603	432,090
Compensated Absences	3,079,693	651,162	818,349	2,912,506	1,097,135
Post-Closure Landfill Costs	150,952	-	46,054	104,898	41,232
Special Termination Benefits	129,534	62,270	93,300	98,504	79,375
Pension Buy-In	452,249	-	26,503	425,746	28,703
Net Pension Liability	7,511,855	9,117,366	-	16,629,221	-
OPEB Liability	94,085,803	-	20,876,512	73,209,291	-
Governmental Activities Long-Term Liabilities	\$ 166,572,002	\$ 21,215,123	\$ 37,985,586	\$ 149,801,539	\$ 7,463,743

Each governmental funds liability is liquidated by the respective fund to which it relates, primarily the General Fund and the Capital Improvement Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2022, consisted of the following:

Purpose	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2022
Education, Sewer*	2013	1/15/2033	2.5-4.5%	\$ 8,600,000	\$ 5,350,000
Education*	2015	9/15/2029	2-4%	5,550,000	2,950,000
Sewer*	2015	9/15/2027	1.5-3.0%	715,000	300,000
General, Education	2017	4/15/2029	2.0-2.75%	1,075,000	700,000
General, Sewer	2018	10/15/2038	4-5%	11,000,000	9,840,000
Education	2018	10/15/2038	4-5%	5,810,000	580,000
General, Sewer	2019	10/15/2040	2.5-5%	7,200,000	6,840,000
General	2020	10/15/2041	1-4%	6,000,000	6,000,000
General, Education and Sewer*	2021	10/15/2027	4%	5,450,000	4,760,000
Education*	2021	10/15/2038	.25-2.65%	4,840,000	4,840,000
General, Education and Sewer*	2022	3/15/2035	2-4%	9,430,000	9,315,000
Total General Obligation Bonds				<u>\$ 65,670,000</u>	<u>\$ 51,475,000</u>

*Refunding Bonds

Payments to maturity on general obligation bonds are as follows:

Fiscal Year Ending	Principal	Interest
2023	\$ 5,470,000	\$ 1,898,789
2024	5,470,000	1,667,450
2025	4,920,000	1,278,486
2026	4,575,000	1,109,921
2027	4,040,000	950,371
2028-2032	13,905,000	2,895,895
2033-2037	8,470,000	1,241,067
2038-2042	4,625,000	210,644
	<u>\$ 51,475,000</u>	<u>\$ 11,252,623</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2022, totaled \$1,726,906.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Advance Refunding

During the fiscal year 2022, the Town issued \$9,430,000 of general obligation refunding bonds with interest rates ranging from 2.0% to 4.0%. The Town issued the bonds to advance refund \$10,385,000 of general obligation bonds with interest rates ranging from 2.0% to 4.0%. The Town used the net proceeds to purchase U.S. Government securities. These securities were deposited into an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the portion of the refunded bonds is considered defeased and the Town has removed the liability from its financial statements. The Town advance refunded the bonds to reduce its total debt service payments over the next 14 years by \$733,163 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$722,756. The difference between the reacquisition price (the amount placed in escrow) and the net carrying amount of the refunded bonds resulted in a deferred amount on refunding of \$394,989. At June 30, 2022, the balance in escrow was \$4,598,003, and the balance of the refunded bonds was \$4,350,000.

Pension Buy-In

The Town has a note outstanding totaling \$425,746 on the buy-in to the State pension plan with an interest rate of 8.0%. Annual debt service requirements to maturity for this payable are as follows:

Fiscal Year Ending	Principal	Interest
2023	\$ 28,703	\$ 33,022
2024	31,085	30,640
2025	33,665	28,060
2026	36,459	25,266
2027	39,485	22,240
2028-2032	150,115	71,403
2033-2035	106,234	13,610
	\$ 425,746	\$ 224,241

Interest incurred and expensed on the buy-in for the year ended June 30, 2022, totaled \$35,222.

Equipment Financing Notes

The Town has entered into equipment financing notes for the purchase of various vehicles and equipment with interest rates ranging from 3.30% to 5.55%. The leases expire at various dates through 2028. The annual debt service requirements of the Town's equipment financing notes are as follows:

Year(s)	Principal	Interest	Total
2023	\$ 432,090	\$ 53,702	\$ 485,792
2024	350,872	35,379	386,251
2025	238,635	21,071	259,706
2026	200,843	12,157	213,000
2027	118,456	5,185	123,641
2028	24,707	919	25,626
Total	\$ 1,365,603	\$ 128,413	\$ 1,494,016

Interest paid and expensed on the notes for the year ended June 30, 2022, totaled \$48,269.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Bonds Authorized/Unissued

Bonds authorized/unissued are as follows:

Description	Authorized	Bonds/ Notes	Grants/ Paydowns	Authorized Unissued
Watertown High School Renovations and Additions	\$ 56,157,000	\$ 29,510,000	\$ 26,617,988	\$ 29,012
Judson Elementary School Renovations and Additions	15,859,000	8,400,000	7,389,408	69,592
Polk School Renovation Renovations and Additions	12,517,000	5,500,000	5,030,678	1,986,322
Swift School Construction	33,768,919	14,425,000	18,979,591	364,328
Capital Improvements	4,000,000	2,000,000	-	2,000,000
	<u>\$ 122,301,919</u>	<u>\$ 59,835,000</u>	<u>\$ 58,017,665</u>	<u>\$ 4,449,254</u>

Compensated Absences

Under the terms of various Town Employee Union contracts, the following reflects the compensated absences for each contract group:

- Non-Organized – accumulate up to 200 days, pay out of ½ up to 100 days
- Police – accumulate up to 150 days, pay out of the full 150 days
- White Collar – accumulate up to 175 days, pay out of ½ up to 87.5 days
- Supervisors – accumulate up to 200 days, pay out of ½ up to 100 days
- Communications – accumulate up to 150 days, pay out of ½ up to 87.5 days
- Highway – accumulate up to 200 days, pay out of ½ up to 100 days

The Board of Education's policy states that after twenty (20) years of teaching service in the Town of Watertown and upon death or retirement of a member of the professional staff, the payment shall be based on the teacher's existing per diem rate, and ten (10%) percent of the days in excess of one hundred fifty days at that teacher's existing per diem rate, over and above their regular compensation. No teacher hired after May 1, 1997 will be entitled to such pay. The total of such pay, per diem rate and accumulated days is capped on the amount of each teacher hired prior to May 1, 1997, as of July 2000.

Post-Closure Landfill Costs

Solid waste landfill closure and post-closure care requirements have been established by the State of Connecticut Department of Environmental Protection Agency and the Federal Environmental Protection Agency. The costs associated with monitoring and maintaining the landfill area during the post closure period are the responsibility of the Town. The landfill was closed in 1996. The estimated project costs of this post-closure period are \$104,898. The cost estimate is subject to change due to inflation, technology, or changes in cost estimate components. Current year costs amounted to \$35,831.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Special Termination Benefits

The liability for special termination benefits for Board of Education employees as of June 30, 2022, is \$98,504. This amount consists of payments due to retired individuals for retirement incentives that have been amortized over the following years:

	Amount
Year ending June 30:	
2023	\$ 79,375
2024	10,695
2025	8,434
Total	<u>\$ 98,504</u>

Business-Type Activities

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Net Pension Liability	\$ 225,695	\$ 78,068	\$ -	\$ 303,763	\$ -
Equipment Financing Notes	25,126	-	7,803	17,323	8,362
Leases Payable	125,536	-	34,543	90,993	35,529
Compensated Absences	169,775	15,959	62,841	122,893	28,866
Business-Type Activities					
Long-Term Liabilities	<u>\$ 546,132</u>	<u>\$ 94,027</u>	<u>\$ 105,187</u>	<u>\$ 534,972</u>	<u>\$ 72,757</u>

Equipment Financing Notes

The Town has an equipment financing note for the acquisition of a Toro 3150 lawnmower to be used by the Crestbrook Golf Course. The final payment will be in October of 2023. The original amount of the mower was \$41,770 and has an interest rate of 6.94%. The Principal Outstanding amount at June 30, 2022 is \$17,323.

Annual Debt Service Requirements on equipment financing notes as of June 30, 2022 are as follows:

Year(s)	Principal	Interest	Total
2023	\$ 8,362	\$ 1,241	\$ 9,603
2024	8,961	642	9,603
Total	<u>\$ 17,323</u>	<u>\$ 1,883</u>	<u>\$ 19,206</u>

Interest paid and expensed on the notes for the year ended June 30, 2022, totaled \$1,883.

Leases Payable

The Town leases Golf Carts for the Crestbrook Golf Course under a long-term, noncancelable lease agreement. The lease qualifies under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the GASB No. 87 implementation date of July 1, 2021. The agreement requires monthly payments, varying in amounts through August 2024. The lease liability has a stated interest rate of 4.60%. As a result of the lease, the Town has recorded a right of use asset with a net book value of \$89,669.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

The annual debt service requirements of the Town's leases payable are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 35,529	\$ 3,433	\$ 38,962
2024	36,560	1,777	38,337
2025	18,904	109	19,013
Total	<u>\$ 90,993</u>	<u>\$ 5,319</u>	<u>\$ 96,312</u>

NOTE 8 – NET POSITION AND FUND BALANCE COMPONENTS

Restricted Net Position

Restrictions on net position at year-end are summarized as follows:

	<u>Expendable</u>	<u>Nonexpendable</u>
Purposes of Trust	\$ 75,529	\$ 97,143
Small Cities Loans	884,938	-
General Government	724	-
Public Safety	3,348	-
Public Works	304,612	-
Parks and Recreation	46,601	-
Health and Welfare	5,826	-
Education	265,275	-
Capital	4,002	-
Total	<u>\$ 1,590,855</u>	<u>\$ 97,143</u>

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

The components of fund balance for the governmental funds at June 30, 2022 are as follows:

	General Fund	Capital Improvement Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Trust Principal	\$ -	\$ -	\$ -	\$ 97,143	\$ 97,143
Leases	101,157	-	-	-	101,157
Total Nonspendable	\$ 101,157	\$ -	\$ -	\$ 97,143	\$ 198,300
Restricted for:					
General Government	\$ -	\$ -	\$ 724	\$ 34,958	\$ 35,682
Public Safety	-	-	-	4,425	4,425
Public Works	-	-	-	304,612	304,612
Parks and Recreation	-	-	-	46,601	46,601
Health and Welfare	-	-	-	920,705	920,705
Education	-	-	-	274,828	274,828
Capital	-	3,586,016	-	4,002	3,590,018
Total Restricted	\$ -	\$ 3,586,016	\$ 724	\$ 1,590,131	\$ 5,176,871
Committed to:					
General Government	\$ -	\$ -	\$ -	\$ 72,929	\$ 72,929
Public Safety	-	-	-	21,920	21,920
Public Works	-	-	-	810	810
Parks and Recreation	-	-	-	422,340	422,340
Health and Welfare	-	-	-	185,696	185,696
Education	-	-	-	593,061	593,061
Capital	-	901,403	-	868,220	1,769,623
Total Committed	\$ -	\$ 901,403	\$ -	\$ 2,164,976	\$ 3,066,379
Assigned-Encumbrances:					
General Government	\$ 49,695	\$ -	\$ -	\$ -	\$ 49,695
Public Safety	142,442	-	-	-	142,442
Public Works	210,748	-	-	-	210,748
Parks and Recreation	34,773	-	-	-	34,773
Education	18,855	-	-	-	18,855
Miscellaneous	73,114	-	-	-	73,114
Total Assigned	\$ 529,627	\$ -	\$ -	\$ -	\$ 529,627
Unassigned:	\$ 9,919,389	\$ -	\$ -	\$ (79,862)	\$ 9,839,527

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

NOTE 9 - EMPLOYEE RETIREMENT PLANS

The Town accounts for activity relating to four defined benefit pension plans, (1) the Town Employees Retirement Plan, 2) the Police Department Pension Plan, 3) the Municipal Employees Retirement System, and 4) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2022, the plans had the following balances reported in the Town's government-wide financial statements:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	Pension Expense
Town Employees Retirement Plan	\$ 5,188,608	\$ 2,280,690	\$ 908,026	\$ -	\$ 710,728
Police Department Pension Plan	11,249,547	4,081,927	495,157		1,935,992
Municipal Employees Retirement System	494,829	273,727	472,094	-	29,868
Connecticut Teachers' Retirement System	-	-	-	4,406,537	4,406,537
	<u>\$ 16,932,984</u>	<u>\$ 6,636,344</u>	<u>\$ 1,875,277</u>	<u>\$ 4,406,537</u>	<u>\$ 7,083,125</u>

Detailed disclosures of each plan follow.

Defined Benefit Pension Plans

The Town is the administrator of two single employer public employee retirement systems ("PERS") established and administered by the Town to provide pension benefits for its regular and former employees (excluding teachers covered under the CT State Teachers' Retirement System ("TRS")). These are considered to be part of the Town of Watertown's financial reporting entity and are included in the Town's financial statement as a pension trust fund. Separate stand-alone financial reports are not issued. Benefits may be changed by the Town Council through union agreements. These plans cover:

- Town of Watertown – General Town Employees
- Police Benefit Fund – Police Employees

General Town Employees

Plan Description - The Town of Watertown Retirement System covers all full-time employees other than police officers, supervisors, certified Board of Education teachers and Water and Sewer Authority employees hired prior to February 1986.

Benefits Provided - All employees working at least 30 hours per week and 40 weeks per year are eligible under the plan. All eligible employees are 100% vested after 10 years of continuous service. The retirement benefit is 2% of final earnings per year of credited service, subject to a maximum percentage offset of the social security benefit defined by division group. Final earnings are defined as the average earnings during the highest three full earnings computation periods prior to normal retirement. Normal retirement date is the first month coinciding with or next following the employee's 65th birthday, except for the Highway Division. The normal retirement date for the Highway Division is the first month coinciding with or next following the earlier of the employee's age of 55 and 25 years of service or age 65. For early retirement, the normal accrued benefit is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date. Disabled employees are entitled to receive normal pension benefits based on service and final pay at the time of disability.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Police Employees

Plan Description - The Police Benefit Fund is open to all police employees represented by the union for collective bargaining purposes.

Benefits Provided - All policemen who work more than 20 hours per week and 5 months per calendar year are eligible to participate in the plan. All employees are 100% vested after 10 years of continuous service. The retirement benefit is 2.5% of final earnings per year of credited service, less 17.5% of social security. Final earnings are defined as the average earnings received in the last three full calendar years before retirement date. A temporary retirement annuity equal to 17.5% of the social security benefit shall be paid from normal retirement date at age 65. The normal retirement age is 55 or 25 years of service. An employee may accumulate up to 30 years of service. For early retirement, age 50 with 10 years of service, the normal benefit accrued is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date.

Pension provisions include disability and death benefits to all eligible employees. Disabled employees are entitled to 75% of their salary at disability, less workman's compensation and long-term disability payments.

Pre-payment death benefits include: 1) non-service connected death benefits which include a lump-sum payment based on employee contributions with interest. Spouse's benefits include the greater of \$120 or 35% of the ultimate yearly amount of retirement income that the participant would have received had his date of death been his normal retirement date assuming his earnings remain the same, 2) service connected benefits which include 50% of the annual basic rate of pay at death to spouse or dependent children, and 3) postretirement death benefits that include a refund of employee contributions with interest less benefits paid.

Plan Membership

As of the date of the latest actuarial valuation (January 1, 2021), membership consisted of the following:

	Town	Police
Inactive plan members or beneficiaries receiving payments	115	33
Inactive plan members entitled but not yet receiving payments	25	1
Active Members	89	35
	<u>229</u>	<u>69</u>

Contribution Policy

The contribution requirements of plan members are established and may be amended by the Town Council, subject to union contract negotiation. Plan members of the Town of Watertown Retirement System are required to contribute 3% of their salary up to \$7,800 plus 4.5% of their salary in excess of \$7,800, except for Highway Division employees who are required to contribute 7.1% of their salary up to \$7,800 plus 7.6% of their salary in excess of \$7,800.

Plan members of the Police Benefit fund are required to contribute 6.25% of their earnings. The Town is required to contribute the remaining amounts necessary to finance administrative costs and benefits for its employees.

Funding Policy

The Town's contributions are actuarially determined by Prudential Retirement on an annual basis. The current rate for the Town's contribution is 10.4% for the Town Retirement System and 34.3% for the Police Benefit Fund.

Summary of Significant Accounting Policies

Basis of Accounting - The Town of Watertown Pension Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues in the period in which employee services are performed.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the plan and additions/deductions to/from the Town's fiduciary net position have been determined on the same basis as they are reported by the Town's Pension Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The value of the Guaranteed Deposit account for the calculation of plan net position and the net pension liability is as of the valuation date (January 1, 2021). In the fiduciary fund financial statements, the Guaranteed Deposit account is recorded at fair value as of June 30, 2022 which is the reason for the difference in value reported in the Pension Trust Funds versus the notes to the financial statements.

Investment Policy – The Town's pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Town Manager at any time. It is the policy of the Town Manager to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the asset allocation policies of the pension plans as of June 30, 2022:

Target Allocation and Expected Rate of Return June 30, 2022

Town			
	Target	Long-Term	
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected Real</u>	<u>Weighting</u>
		<u>Rate of Return</u>	
Large Cap Equity	31.00%	7.50%	2.33%
Small Cap Equity	8.00%	8.50%	0.68%
Mid Cap Equity	4.00%	8.25%	0.33%
International Equity	12.00%	7.00%	0.84%
Fixed Income	24.00%	5.75%	1.38%
Real Estate	5.00%	6.50%	0.33%
Stable Value	16.00%	4.35%	0.70%
	100.00%		6.58%
Long-Term Inflation Expectation			2.50%
Long-Term Expected Nominal Return			9.08%

Police			
	Target	Long-Term	
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected Real</u>	<u>Weighting</u>
		<u>Rate of Return</u>	
Large Cap Equity	26.00%	7.50%	1.95%
Small Cap Equity	7.00%	8.50%	0.60%
Mid Cap Equity	7.00%	8.25%	0.58%
International Equity	10.00%	7.00%	0.70%
Fixed Income	27.00%	5.75%	1.55%
Real Estate	5.00%	6.50%	0.33%
Stable Value	18.00%	4.35%	0.78%
	100.00%		6.48%
Long-Term Inflation Expectation			2.50%
Long-Term Expected Nominal Return			8.98%

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Long-Term Expected Rate of Return – The long term expected rate of return on the Pension plans assets have been determined by applying the most recent capital market assumptions, as developed by Prudential Retirement, to the asset allocation strategy of the Plan using a building block approach. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation.

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the cash flow of the changing amounts actually invested during the period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expense as:

Town - Net money-weighted rate of return for the year ended June 30, 2022	-11.40%
Police - Net money-weighted rate of return for the year ended June 30, 2022	-11.20%

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2022, were as follows:

	Town	Police
Total pension liability	\$ 29,689,334	\$ 36,733,512
Plan fiduciary net position	<u>24,500,726</u>	<u>25,483,965</u>
Net pension liability (asset)	5,188,608	11,249,547
Plan fiduciary net position as a percentage of total pension liability	82.52%	69.38%
Covered payroll	5,066,634	3,511,018
Net pension liability as a % of covered payroll	102.41%	320.41%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2021 valuation and projected forward to a measurement date of June 30, 2022:

Valuation timing	Actuarially determined contribution rates are calculated as of January 1, 2021, six months prior to the beginning of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level Cost
Asset valuation method	
Smoothing period	5 year
Recognition method	20% per year
Inflation	2.50%
Payroll growth	Town used 3.5%
	Police used 4.0%
Investment rate of return	Town - 7.00% net of investment and contract fees
	Police - 7.00% net of investment and contract fees
Retirement age	Town - The earlier of age 55 with 25 years of service or age 65
	Police - Age 55 or the completion of 25 years, if later
Post-retirement mortality	Town - RP-2014 Blue Collar Mortality Table with no projection scale
	Police - RP-2014 Blue Collar Mortality Table with Scale MP-2014

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

Discount Rate – A single rate of return has been determined and applied to all projected benefit payments to arrive at an actuarial present value. This single rate of return has been determined by projecting all future benefit payments of the covered group on a closed group basis and discounting them at the long-term expected rate of return on plan assets if the pension plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be less than the benefit payments that are projected to be made in that period, those future benefit payments are discounted at an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher. In projecting whether the future benefit payments of this pension plan will be covered by plan assets, we have assumed that 100% of the actuarially determined contribution will be contributed by the sponsor based on the most recent 5-year history of actual contributions.

Sensitivity Analysis – The following presents the net pension liability of the Town, calculated using the current discount rate, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

		1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Town	Net Pension Liability	\$ 8,009,922	\$ 5,188,608	\$ 2,653,278
Police	Net Pension Liability	\$ 15,021,409	\$ 11,249,547	\$ 7,790,830

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Town			
Balance at June 30, 2021	\$ 30,140,345	\$ 28,591,778	\$ 1,548,567
Changes for the year:			
Service Cost	449,303	-	449,303
Interest	2,054,893	-	2,054,893
Changes in Benefit Terms	41,531	-	41,531
Differences Between Expected and Actual Experience			
including Changes in Assumptions	(1,400,277)	-	(1,400,277)
Employer Contributions	-	546,415	(546,415)
Member Contributions	-	207,516	(207,516)
Net Investment Income	-	(3,197,310)	3,197,310
Benefit Payments	(1,596,461)	(1,596,461)	-
Administrative Expenses	-	(51,212)	51,212
Net Changes	(451,011)	(4,091,052)	3,640,041
Balance at June 30, 2022	\$ 29,689,334	\$ 24,500,726	\$ 5,188,608
Plan fiduciary net position as a percentage of the total pension liability			82.52%
Covered Payroll			\$ 5,066,634
Net pension liability as a percentage of covered payroll			102.41%

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Police	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2021	\$ 34,079,900	\$ 28,924,100	\$ 5,155,800
Changes for the year:			
Service Cost	612,962	-	612,962
Interest	2,327,069	-	2,327,069
Differences Between Expected and Actual Experience including Changes in Assumptions	1,414,471	-	1,414,471
Employer Contributions	-	1,254,215	(1,254,215)
Member Contributions	-	256,429	(256,429)
Net Investment Income	-	(3,218,935)	3,218,935
Benefit Payments	(1,700,890)	(1,700,890)	-
Administrative Expenses	-	(30,954)	30,954
Net Changes	2,653,612	(3,440,135)	6,093,747
Balance at June 30, 2022	\$ 36,733,512	\$ 25,483,965	\$ 11,249,547
Plan fiduciary net position as a percentage of the total pension liability			69.38%
Covered Payroll			\$ 3,511,018
Net pension liability as a percentage of covered payroll			320.41%

For the year ended June 30, 2022, the total pension expense recognized was \$710,728 for the Town plan and \$1,935,992 for the Police plan. As of June 30, 2022, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town Plan		
Differences between projected and actual earnings	\$ 1,932,363	\$ -
Differences between expected and actual experience	258,459	908,026
Changes in assumptions	89,868	-
Total	\$ 2,280,690	\$ 908,026
Police Plan		
Differences between projected and actual earnings	\$ 2,369,253	\$ -
Differences between expected and actual experience	1,465,208	495,157
Changes in assumptions	247,466	-
Total	\$ 4,081,927	\$ 495,157

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Amounts reported as deferred outflows and inflows of resources related to pension will be recognized in the pension expense as follows:

Year ended June 30:	<u>Town Plan</u>	<u>Police Plan</u>	<u>Total</u>
2023	\$ 208,453	\$ 933,052	\$1,141,505
2024	(27,902)	860,587	832,685
2025	161,703	477,871	639,574
2026	1,030,410	1,315,260	2,345,670
	<u>\$ 1,372,664</u>	<u>\$3,586,770</u>	<u>\$4,959,434</u>

Connecticut Teachers Retirement Board

Plan Description: Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (the "System"). The System is a cost sharing multiple-employer defined benefit pension plan administered by the Connecticut State Teachers' Retirement Board (CTRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the CTRB Board. The CTRB issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions: The Plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times years of credited service (maximum benefit is 75% of average annual salary during the 3 highest years of salary). In addition, amounts derived from the accumulation of the 6% contributions made prior to July 1, 1989, and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement: Employees are eligible for service-related disability regardless of length of service. Five years of credited service is required for non-service-related disability or eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the plan, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions: Per Connecticut General Studies Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended, and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts): School District employers are not required to make contributions to the plan. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount, that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees: Participants are required to contribute 7% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2022 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$1,508,558. Covered payroll for the Town for the year ended June 30, 2022 was approximately \$21,550,829.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2022 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>68,263,025</u>
Total	<u>\$ 68,263,025</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2022, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2022, the Town recognized benefits expense and contribution revenue of \$5,715,931 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$4,406,537 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50 Percent
Salary increases, including inflation	3.00-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	6.90 Percent

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

Future Cost-of-Living increases for members who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

The long-term expected rate of return on pension investments was determined using a log-normal distributions analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Market Intl. Stock Fund	9.00%	7.90%
Core Fixed Income Fund	16.00%	2.10%
Inflation Linked Bond Fund	5.00%	1.10%
Emerging Market Debt Fund	5.00%	2.70%
High Yield Bond Fund	6.00%	4.00%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternative Investments	7.00%	2.90%
Liquidity Fund	1.00%	0.40%

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The Town's proportionate share of the net pension liability is \$0 and therefore the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Municipal Employees' Retirement System

Plan Description: All Town employees not covered by the Town pension plan or the teacher retirement system participate in the Municipal Employees' Retirement System (MERS). This is a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating local government authorities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

Benefit Provisions: The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. In addition, compulsory retirement is at age 65 for police and fire members.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Normal Retirement: For members not covered by social security, retirement benefits are calculated as 2% of average final compensation times the years of service. For members covered by social security, retirement benefits are calculated as 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

Early Retirement: Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement – Service Connected: Employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability.

Disability Retirement – Non-Service Connected: Employees who have 10 years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit: The plan offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

Contributions - Member: Contributions for members not covered by social security are 6% of compensation; for members covered by social security, 3.25% of compensation up to the social security taxable wage base plus 6%, if any, in excess of such base.

Contributions – Employer: Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions. In addition, there is also an annual administrative fee per active and retired member.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2022 the Town reports a total liability of \$494,829 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2021, the Town's proportion was 0.209%.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

For the year ended June 30, 2022, the Town recognized pension expense of \$29,868. As of June 30, 2022, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town contributions subsequent to the measurement date	\$ 114,641	\$ -
Difference between projected and actual earnings	-	211,991
Difference between expected and actual experience	43,075	72,322
Change in assumptions	66,563	-
Change in proportional share	49,448	187,781
Total	<u>\$ 273,727</u>	<u>\$ 472,094</u>

Amounts reported as deferred outflows of resources related to Town contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Amounts reported as deferred outflows of resources related to pension will be recognized in the pension expense as follows:

Year ended June 30:

2023	\$ (48,630)
2024	(99,225)
2025	(79,588)
2026	(85,565)
	<u>\$ (313,008)</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases, including inflation	3.50-10.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	7.00 Percent

Mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees for the period after retirement and for dependent beneficiaries. The RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB is used by Police and Fire for the period after retirement and for dependent beneficiaries. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table projected to 2020 by Scale BB is used.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2017.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

The long-term expected rate of return on pension investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	20.00%	5.30%
Developed Market International	11.00%	5.10%
Emerging Market International	9.00%	7.40%
Core Fixed Income	16.00%	1.60%
Inflation Linked Bond	5.00%	1.30%
Emerging Market Bond	5.00%	2.90%
High Yield Bonds	6.00%	3.40%
Real Estate	10.00%	4.70%
Private Equity	10.00%	7.30%
Alternative Investments	7.00%	3.20%
Liquidity Fund	1.00%	0.90%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.0%</u>	<u>7.0%</u>	<u>8.0%</u>
Net Pension Liability as of June 30, 2022	<u>\$ 825,890</u>	<u>\$ 494,829</u>	<u>\$ 209,777</u>

Defined Contribution Plan

As of July 1, 2015, eligible on-call firefighters are eligible to participate in a Defined Contribution retirement plan (Town of Watertown FF 401a) administered by the Town. The Town contributed \$51,923 to this plan during the year ended June 30, 2022. Participants are 100% vested, and are not required to contribute.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

The Town accounts for activity relating to two other post-employment benefit plans, The Board of Education OPEB Benefit plan and the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2022, the plans had the following balances reported in the Town's government-wide financials statements:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	OPEB Expense
Board of Education OPEB Plan	\$ 73,209,291	\$ 14,665,684	\$ 28,956,222	\$ -	\$ 2,922,799
Connecticut Teachers' Retirement System	-	-	-	(274,630)	(274,630)
	<u>\$ 73,209,291</u>	<u>\$ 14,665,684</u>	<u>\$ 28,956,222</u>	<u>\$ (274,630)</u>	<u>\$ 2,648,169</u>

Detailed disclosures for each plan follow.

Board of Education Plan

Plan Description: The Town, in accordance with collective bargaining agreements, is committed to providing medical benefits to eligible retirees and their spouses. The retiree welfare plan ("RWP") covers Town and Board of Education retired employees. Employees become eligible to retire under the plan upon attainment of age 55 as an active member and completion of 10 years of service. Police may retire with the completion of 25 years of service regardless of age. The plan provides for a self-insured plan administered by the Blue Cross including options such as BC65 High Option, Century Preferred HSA, Lumenos HSA, Hospital Plans and more. Also, the Town offers Group Term Life Insurance in varying amounts based on contract and retirement date.

The RWP is a single-employer defined-benefit plan. The plan is considered part of the Town's financial reporting entity and is included in the Town's financial report as the Other Post-Employment Benefits ("OPEB") Trust Fund. The plan does not issue stand-alone financial statements.

Funding Policy: All retired program members receiving benefits are required to contribute up to 15% of premiums for medical (teachers & BOE administrators pay 100% of premiums). Life insurance is 100% employer paid. The percentage contribution of the employees and retirees for these benefits vary and are detailed in the Town's various bargaining agreements. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The Town does not expect to contribute beyond the pay-as-you-go payments in the future. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. For the 2022 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$2,122,597.

Employees Covered by Benefit Terms: At June 30, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	251
Active plan members	422
	<u>673</u>

Total OPEB Liability: The Town's total OPEB liability of \$73,210,738 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2020.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Actuarial Assumptions and Other Inputs: The total OPEB liability in the July 1, 2020 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2022 for June 30, 2022 Reporting Date	
Actuarial Cost Method	Individual Entry Age Normal	
Actuarial Value of Assets	Fair Value	
Discount Rate	4.09% (previously 2.25%)	
Salary Increases	3.00%	
Inflation	2.50%	
Municipal Bond Rate	4.09%	
Mortality Rates	RP-2014 mortality table projected generationally with scale MP-2016 for males and females.	
Healthcare Cost Trend Rates	FYE	Medical
	2020+	4.5%

Changes in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2021	\$ 94,087,249	\$ 1,446	\$ 94,085,803
Changes for the year:			
Service Cost	3,644,061	-	3,644,061
Interest	2,175,208	-	2,175,208
Changes in Assumptions	(24,573,183)	-	(24,573,183)
Differences Between Expected and Actual Experience	-	-	-
Net Investment Income	-	-	-
Employer Contributions	-	2,122,597	(2,122,597)
Benefit Payments including Implicit Costs	(2,122,597)	(2,122,597)	-
Net Changes	(20,876,511)	-	(20,876,511)
Balance at June 30, 2022	\$ 73,210,738	\$ 1,446	\$ 73,209,292

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
Total OPEB Liability	\$ 86,576,536	\$ 73,209,291	\$ 62,713,281

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current healthcare cost trend rates:

	1% Decrease 3.50%	Current Trend Rate 4.50%	1% Increase 5.50%
Total OPEB Liability	\$ 61,800,781	\$ 73,209,291	\$ 87,964,530

OPEB Expense: For the year ended June 30, 2022, the Town recognized OPEB expense of \$2,922,799. As of June 30, 2022, deferred inflows and outflows of resources related to OPEB are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings	\$ 70	\$ -
Difference between expected and actual experience	1,000,311	8,246,747
Changes in assumptions	13,665,303	20,709,475
Total	<u>\$ 14,665,684</u>	<u>\$ 28,956,222</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year ended June 30:

2023	\$ (1,143,824)
2024	(2,144,141)
2025	(2,839,448)
2026	(3,179,086)
2027	(3,593,104)
Thereafter	(1,390,935)
	<u>\$ (14,290,538)</u>

Connecticut Teachers' Retirement System - OPEB

Plan Description - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System—a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Any member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the system. If they elect to remain in the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

Contributions - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

School district employers are not required to make contributions to the Plan. The State of Connecticut's estimated allocated contribution to the Plan on behalf of the Town was \$134,507.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
<u>Municipal bond index rate:</u>	
Measurement Date	2.17%
Prior Measurement Date	2.21%

The projected fiduciary net position is projected to be depleted in 2023.

Single equivalent interest rate

Measurement Date	2.17%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	2.21%, net of OPEB plan investment expense, Including price inflation

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Healthcare cost trend rates:

Medicare 5.125% for 2020 decreasing to an ultimate Rate of 4.50% by 2023

Mortality rates were based on the PubT-2010 Health Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

Long-Term Rate of Return - The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	-0.42%	1.78%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		2.00%	

Discount Rate - The discount rate used to measure the total OPEB liability was 2.17%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2023 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the total OPEB liability, calculated using current cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than current healthcare cost trend rates:

	1% Lower Trend Rates	Current Trend Rates	1% Higher Trend Rates
Initial Healthcare Cost Trend Rate	4.125%	5.125%	6.125%
Ultimate Healthcare Cost Trend Rate	3.50%	4.50%	5.50%
Total OPEB Liability	\$ 6,228,522	\$ 7,437,131	\$ 9,088,527

Sensitivity of the Net OPEB Liability to Changes in Discount Rates - The following presents the net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (1.17%)	Current Discount Rate (2.17%)	1% Increase (3.17%)
Net OPEB liability	\$ 9,102,095	\$ 7,437,131	\$ 6,138,324

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2022 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>7,437,131</u>
Total	<u>\$ 7,437,131</u>

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2022, the Town had no proportionate share of the net OPEB liability.

For the year ended June 30, 2022, the Town recognized OPEB expense and revenue of \$134,507 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized (\$274,630) for OPEB expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Combining Schedule of Pension and Other Employee Benefit Trust Funds

Combining Statement of Net Position:

	Town Retirement System	Police Pension Fund	OPEB Trust Fund	Deferred Compensation Fund	Total
Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,447	\$ -	\$ 1,447
Investments, at Fair Value					
Guaranteed Deposit Accounts	4,516,351	5,517,851	-	-	10,034,202
Mutual Funds	20,100,689	20,121,111	-	346,240	40,568,040
Total Assets	<u>\$ 24,617,040</u>	<u>\$ 25,638,962</u>	<u>\$ 1,447</u>	<u>\$ 346,240</u>	<u>\$ 50,603,689</u>
Net Position					
Restricted for Pension Benefits	\$ 24,617,040	\$ 25,638,962	\$ -	\$ 346,240	\$ 50,602,242
Restricted for OPEB Benefits	-	-	1,447	-	1,447
Total Net Position	<u>\$ 24,617,040</u>	<u>\$ 25,638,962</u>	<u>\$ 1,447</u>	<u>\$ 346,240</u>	<u>\$ 50,603,689</u>

Combining Statement of Revenues, Expenses and Changes in Net Position:

	Town Retiremet System	Police Pension Fund	OPEB Trust Fund	Deferred Compensation Fund	Total
Additions					
Contributions:					
Employer	\$ 546,415	\$ 1,254,215	\$ -	\$ 51,923	\$ 1,852,553
Plan Members	207,516	291,609	-	-	499,125
Total Contributions	<u>753,931</u>	<u>1,545,824</u>	<u>-</u>	<u>51,923</u>	<u>2,351,678</u>
Investment Income					
Net Appreciation/(Depreciation)					
in Fair Value of Investments	(3,410,106)	(2,920,088)	-	(60,226)	(6,390,420)
Interest and Dividends	609,877	592,939	1	-	1,202,817
Total Investment Income	(2,800,229)	(2,327,149)	1	(60,226)	(5,187,603)
Less: Investment Management Fees	(136,545)	(119,567)	-	-	(256,112)
Net Investment Income	<u>(2,936,774)</u>	<u>(2,446,716)</u>	<u>1</u>	<u>(60,226)</u>	<u>(5,443,715)</u>
Total Additions	<u>(2,182,843)</u>	<u>(900,892)</u>	<u>1</u>	<u>(8,303)</u>	<u>(3,092,037)</u>
Deductions					
Pension Benefits	1,596,461	1,700,890	-	7,945	3,305,296
Administrative Expenses	51,212	30,954	-	-	82,166
Total Deductions	<u>1,647,673</u>	<u>1,731,844</u>	<u>-</u>	<u>7,945</u>	<u>3,387,462</u>
Change in Net Position	(3,830,516)	(2,632,736)	1	(16,248)	(6,479,499)
Net Position at Beginning of Year	28,447,556	28,271,698	1,446	362,488	57,083,188
Net Position at End of Year	<u>\$ 24,617,040</u>	<u>\$ 25,638,962</u>	<u>\$ 1,447</u>	<u>\$ 346,240</u>	<u>\$ 50,603,689</u>

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

NOTE 11 - OTHER INFORMATION

Risk Management

The Town 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 Town carries commercial insurance except as noted below. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town self-insures for employee medical, dental and workers compensation claims through the use of internal service funds. Maximum liability to the Town per covered participant is \$150,000. The Town retains insurance policies for employee claims in excess of the maximum liability amounts. A third party administers the plans in exchange for an administrative fee. The plans are funded monthly by the budget appropriations and employee contributions, as required.

The following is a summary of changes in claims liability for the Workers' Compensation Fund:

Year Ended	Beginning Claims Payable	Current Year Claim and Changes in Estimates	Claim Payments	Ending Claims Payable
2022	\$ 2,755,165	\$ 1,351,856	\$ (766,443)	\$ 3,340,578
2021	2,436,191	1,049,782	(730,808)	2,755,165
2020	1,896,314	1,115,430	(575,553)	2,436,191

The following is a summary of changes in claims liability for the Health and Dental Benefits Fund:

Year Ended	Beginning Claims Payable	Current Year Claim and Changes in Estimates	Claim Payments	Ending Claims Payable
2022	\$ 719,202	\$ 12,489,827	\$ (12,004,489)	\$ 1,204,540
2021	1,066,187	11,841,193	(12,188,178)	719,202
2020	514,321	14,503,971	(13,952,105)	1,066,187

The internal service funds are substantially funded by the General Fund based on estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liabilities, reported in the internal service funds at June 30, 2022, are based on the requirements of U.S. GAAP, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

Contingent Liabilities

Litigation - There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the Town's financial position.

Grants - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

School Building Grants – Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes, or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, the Town will owe a portion of the State funding back to the State. For projects with a cost of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

Water Agreement with City of Waterbury – The Town had an agreement with the City of Waterbury (“City”) through June 30, 2018, whereby the Town agreed to pay operation and maintenance costs to the city based on the Town’s metered water usage. The Town and the City of Waterbury are currently negotiating a new contract. In the event that the City’s waterworks plant may require improvements, modifications and/or enlargements in the future, the Town has agreed to share in their portion of the capital costs.

Other Information

Minimum Budget Requirement – The State of Connecticut has established a Minimum Budget Requirement (“MBR”) for education expenditures. The MBR prohibits a town from budgeting less for education than it did in the previous year unless, and with limits, the town can demonstrate (1) a decrease in school enrollment or (2) savings through increased efficiencies. If the Town receives an increase or decrease in their Education Cost Sharing grant, the MBR will increase or decrease by the same amount.

GASB Pronouncements Issued, But Not Yet Effective

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. 91 – Conduit Debt Obligations – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2022.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2022

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2022.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

GASB Statement No. 99 – *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for the Town's reporting period beginning July 1, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Town's reporting period beginning July 1, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2023.

GASB Statement No. 101 – *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2024.

Subsequent Events

In November 2022, at a referendum, the Town approved the appropriation of \$1,500,000 for the acquisition of a Fire Truck, \$5,000,00 for various road improvements and related work, and \$12,861,000 for various school capital improvements through authorizing the issue of bonds or notes to finance the appropriations.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

NOTE 12 – ADOPTION OF NEW ACCOUNTING STANDARD

As a result of the implementation of GASB No. 87, *Leases*, as of July 1, 2021, the Town made the following reporting changes: leases receivable were added to receivables, deferred leases are now reported under deferred inflows of resources, leases payable were added to long-term liabilities and lease assets are now reported under capital assets as right of use equipment. In addition to the restatements from adopting GASB No. 87, the Town also now reports the Student Activities Fund as a special revenue fund instead of as a Custodial Fund. The results of the changes to the fund balance and net position are as follows:

	Governmental Activities	Business-Type Activities	Crestbrook Golf Operations	General Fund	Nonmajor Governmental Funds	Custodial Funds
Net position/fund balance as reported at June 30, 2021	\$ 44,512,545	\$ 25,071,735	\$ 642,255	\$ 7,342,564	\$ 3,007,207	\$ 246,344
Adoption of GASB 87 as lessee:						
Capital Assets	-	125,536	125,536	-	-	-
Long-Term Liabilities	-	(125,536)	(125,536)	-	-	-
Adoption of GASB 87 as lessor:						
Receivables	1,419,519	342,029	342,029	1,419,519	-	-
Deferred inflows	(1,419,519)	(342,029)	(342,029)	(1,419,519)	-	-
Reclassify student activity fund to proper fund type	246,344	-	-	-	246,344	(246,344)
Net position/fund balance as restated at July 1, 2021	<u>\$ 44,758,889</u>	<u>\$ 25,071,735</u>	<u>\$ 642,255</u>	<u>\$ 7,342,564</u>	<u>\$ 3,253,551</u>	<u>\$ -</u>

Required Supplementary Information

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2022

Page 1 of 5

	Budgeted Amounts		Actual	
	Original	Amended	Budgetary Basis	Variance
REVENUES				
Property Taxes				
Current Year	\$ 63,684,262	\$ 63,684,262	\$ 64,552,122	\$ 867,860
Prior Year	575,000	575,000	541,286	(33,714)
Interest and Lien Fees	325,000	325,000	377,108	52,108
Scholarship Fund	1,600	1,600	950	(650)
Total Property Taxes	64,585,862	64,585,862	65,471,466	885,604
Intergovernmental				
State of Connecticut - Education				
Nonpublic Health and Social Services	32,661	32,661	43,674	11,013
Equalization (ECS)	11,780,186	11,780,186	11,859,346	79,160
Total State of Connecticut - Education	11,812,847	11,812,847	11,903,020	90,173
Federal and State of Connecticut - Other				
PILOT State Property	9,723	9,723	409,206	399,483
Mashantucket Pequot	11,631	11,631	11,631	-
Elderly Tax Relief	2,200	2,200	2,370	170
Tax Relief for Veterans	28,262	28,262	28,283	21
FEMA/CRF Reimbursement	30,000	30,000	146,195	116,195
Telephone Access	38,114	38,114	34,298	(3,816)
Municipal Aid Adjustment	642,281	642,281	642,281	-
Total Federal and State of Connecticut - Other	762,211	762,211	1,274,264	512,053
Total Intergovernmental	12,575,058	12,575,058	13,177,284	602,226
Departmental				
Local Revenues				
Communication Tower Rental	180,028	180,028	157,124	(22,904)
Municipalities Nips Fees	-	-	12,378	12,378
Equipment and Scrap Sales	2,000	2,000	19,088	17,088
Scrap Iron, Oil, Glass	15,000	15,000	25,639	10,639
Water and Sewer Authority	1,000	1,000	-	(1,000)
Miscellaneous Town Clerk Fees	48,000	48,000	58,414	10,414
Miscellaneous Fishing and Hunting	10,000	10,000	7,352	(2,648)
Town Clerk Dog Licenses	10,000	10,000	9,078	(922)
Conveyance Tax	260,000	260,000	344,614	84,614
Town Clerk Recording	200,000	200,000	226,773	26,773
Assessor Photocopies	650	650	684	34

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2022

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	Budgeted Amounts		Actual	
	Original	Amended	Budgetary	Variance
			Basis	
Local Revenues (Continued)				
Supplemental Dog Licenses	\$ 700	\$ 700	\$ 586	\$ (114)
Supplemental Marriage Licenses	2,000	2,000	2,872	872
Animal Population Control	2,400	2,400	2,380	(20)
3-LOCIP Preservation	7,500	7,500	8,520	1,020
Pool Fees	8,500	8,500	8,700	200
Damage Claims and Settlements	5,000	5,000	16,572	11,572
Miscellaneous Local Revenue	35,000	35,000	28,785	(6,215)
Recreation Mini-Bus	300	300	-	(300)
Town Vehicle Use	10,500	10,500	6,433	(4,067)
Transfer Station Fees	30,000	30,000	38,170	8,170
Landfill Fees	95,000	95,000	125,326	30,326
Total Local Revenues	923,578	923,578	1,099,488	175,910
Permits and Fees				
Zoning Board of Appeals	3,000	3,000	4,275	1,275
Planning and Zoning	12,000	12,000	10,865	(1,135)
Zoning Compliance Fees	35,000	35,000	41,964	6,964
Soil/Water State Fee	22,000	22,000	27,969	5,969
Inland - Wetlands	2,500	2,500	6,751	4,251
Building Permits	310,000	310,000	422,783	112,783
Building Inspection Education Fee	3,300	3,300	6,624	3,324
Blasting Permits	400	400	240	(160)
Street Opening Permits	4,300	4,300	4,600	300
Miscellaneous Permits and Fees	500	500	128	(372)
Total Permits and Fees	393,000	393,000	526,199	133,199
Police				
Parking Tickets	3,000	3,000	3,640	640
Pistol Permits	40,000	40,000	16,800	(23,200)
Police Reports	4,000	4,000	3,279	(721)
Solicitor Permits	1,500	1,500	1,793	293
Bingo and Raffle	500	500	115	(385)
Alarm Charges	15,000	15,000	22,900	7,900
Police Service	689,750	689,750	784,976	95,226
Miscellaneous Police Service	55,500	55,500	82,141	26,641
DEA Reimbursement	15,000	15,000	16,999	1,999
FBI Reimbursement	15,000	15,000	21,532	6,532
Animal Control Fees	1,200	1,200	105	(1,095)
Total Police	840,450	840,450	954,280	113,830

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2022

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	Budgeted Amounts		Actual	
	Original	Amended	Budgetary Basis	Variance
Board of Education				
Latchkey Program	\$ 5,000	\$ 5,000	\$ 2,013	\$ (2,987)
Miscellaneous School	5,000	5,000	153,708	148,708
Community Service Reimbursement	6,000	6,000	-	(6,000)
Total Board of Education	16,000	16,000	155,721	139,721
Total Departmental	2,173,028	2,173,028	2,735,688	562,660
Investment Income	165,000	165,000	29,025	(135,975)
Other				
Taft Contributions	180,000	180,000	190,000	10,000
Other Miscellaneous Revenue	77,825	77,825	80,274	2,449
Heritage Bond Reimbursement	58,188	58,188	58,189	1
Sale of Town Property	-	-	-	-
Total Other	316,013	316,013	328,463	12,450
Other Financing Sources				
Use of Fund Balance	-	705,275	-	(705,275)
Total Revenues	79,814,961	80,520,236	81,741,926	1,221,690
EXPENDITURES				
General Government				
Town Council	7,200	7,200	2,006	5,194
Town Manager	296,549	299,932	293,627	6,305
Economic Development	55,744	55,744	48,501	7,243
Finance Department:				
Administration	592,162	583,708	571,856	11,852
Treasurer	66,932	70,398	70,110	288
Tax Collector	230,599	235,931	233,413	2,518
Assessor	225,247	231,520	229,699	1,821
Town Clerk	221,757	228,656	228,021	635
Elections	87,806	78,396	65,124	13,272
Planning and Zoning	307,362	311,351	299,948	11,403
Board of Appeals	5,680	5,898	4,427	1,471
Historic Districts	900	900	75	825
Public Building	731,138	788,202	688,980	99,222
Building Inspections	200,862	203,480	155,524	47,956
Conservation Commission	4,950	6,893	5,763	1,130
Total General Government	3,034,888	3,108,209	2,897,074	211,135

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2022

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	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Amended</u>		
Public Safety				
Fire Department:				
Administration	\$ 240,510	\$ 244,035	\$ 241,131	\$ 2,904
Suppression and Rescue	434,021	433,721	413,888	19,833
Maintenance and Support	314,464	334,566	331,918	2,648
Police Department:				
Administration	571,492	504,460	441,642	62,818
Patrol and Detectives	4,306,665	4,475,590	4,441,367	34,223
Maintenance and Support	180,767	181,884	170,891	10,993
Traffic	6,500	7,738	7,613	125
Animal Control	91,933	104,802	98,799	6,003
Communications	670,647	678,923	672,301	6,622
Total Public Safety	<u>6,816,999</u>	<u>6,965,719</u>	<u>6,819,550</u>	<u>146,169</u>
Public Works				
Engineering and Administration	620,255	556,779	522,810	33,969
Highway	2,265,193	2,549,163	2,428,394	120,769
Snow Removal	498,386	565,698	563,314	2,384
Solid Waste Disposal	293,427	287,083	261,364	25,719
Street Lighting	174,500	145,203	117,623	27,580
Tree Removal	55,868	55,868	32,000	23,868
Total Public Works	<u>3,907,629</u>	<u>4,159,794</u>	<u>3,925,505</u>	<u>234,289</u>
Parks and Recreation				
Parks Administration	452,295	451,038	437,195	13,843
Recreation Administration	400,071	408,862	401,643	7,219
Senior Center	140,115	136,220	134,872	1,348
Total Parks and Recreation	<u>992,481</u>	<u>996,120</u>	<u>973,710</u>	<u>22,410</u>
Health and Welfare				
Social Services	25,680	26,588	26,588	-
Health Services	124,063	124,064	124,063	1
Total Health and Welfare	<u>149,743</u>	<u>150,652</u>	<u>150,651</u>	<u>1</u>
Education				
Board of Education	<u>48,089,863</u>	<u>48,089,863</u>	<u>48,089,185</u>	<u>678</u>
Miscellaneous				
Legal	174,600	174,600	153,808	20,792
Employee Benefits	6,979,105	6,932,142	6,839,820	92,322
Centralized Services	853,040	914,381	863,412	50,969

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2022

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	Budgeted Amounts		Actual	
	Original	Amended	Budgetary	Variance
			Basis	
Miscellaneous (Continued)				
Non-Town Agencies	\$ 1,967,672	\$ 2,153,684	\$ 2,115,224	\$ 38,460
Reserved for Wages and Benefits	161,043	193,492	193,492	-
Reserved for Contingency	35,000	28,682	20,000	8,682
Total Miscellaneous	10,170,460	10,396,981	10,185,756	211,225
Debt Service	6,652,898	6,652,898	5,692,679	960,219
Total Expenditures	79,814,961	80,520,236	78,734,110	1,786,126
Excess (Deficiency) of Revenues over				
Expenditures - Budgetary Basis	\$ -	\$ -	3,007,816	\$ 3,007,816
Adjustments to Generally Accepted Accounting Principles (GAAP):				
Payments on Behalf of the Town not Recorded on a Budgetary Basis:				
Revenues from Teachers' Retirement and OPEB			5,850,438	
Expenditures from Teachers' Retirement and OPEB			(5,850,438)	
Payments on Behalf of the Town not Recorded on a Budgetary Basis:				
Revenues from Excess Cost Grant			1,133,181	
Expenditures from Excess Cost Grant			(1,133,181)	
Encumbrances Recorded on a Budget Basis, but not on the Modified Accrual Basis:				
Prior Year Encumbrances			(338,512)	
Current Year Encumbrances			529,627	
Town Budgets for Payroll on a Cash Basis:				
Prior Year Accrued Payroll			127,342	
Current Year Accrued Payroll			(159,904)	
Issuance of Refunding Bonds not Recorded on a Budgetary Basis:				
Proceeds from Sale of Refunding Bonds			9,430,000	
Bond Premium on Refunding Bonds			1,209,460	
Payment to Refunding Bond Escrow Agent			(10,534,474)	
Issuance Costs on Bond Refunding			(104,986)	
Other Financing Sources - Difference in Treatment of Lease Financing:				
Proceeds from Lease Financing			744,865	
Purchase of Equipment with Lease Financing			(744,865)	
Adjustment for Leases Receivable			41,240	
Excess (Deficiency) of Revenues and Other Financing Sources				
over Expenditures and Other Financing Uses - GAAP Basis			\$ 3,207,609	

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf; 2. The excess cost grant for special education costs is net with expenditures; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Town payroll is budgeted on a cash basis; 5. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Retirement Income Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 449,303	\$ 489,791	\$ 489,375	\$ 505,750	\$ 512,203	\$ 534,404	\$ 488,264	\$ 505,034	\$ 493,898
Interest	2,054,893	1,962,282	1,925,606	1,839,139	1,717,052	1,620,129	1,540,877	1,489,691	1,421,610
Changes in Benefit Terms	41,531	-	-	-	382,996	-	19,822	-	-
Differences Between Expected and Actual Experience									
Including Assumption Changes	(1,400,277)	435,826	552,039	302,557	486,806	486,567	107,640	531,097	(225,659)
Benefit Payments, Including Refunds of Member Contributions	(1,596,461)	(1,534,351)	(1,455,161)	(1,454,437)	(1,377,117)	(1,201,225)	(1,074,321)	(1,070,456)	(958,346)
Net Change in Total Pension Liability	(451,011)	1,353,548	1,511,859	1,193,009	1,721,940	1,439,875	1,082,282	1,455,366	731,503
Total Pension Liability - Beginning	30,140,345	28,786,797	27,274,938	26,081,929	24,359,989	22,920,114	21,837,832	20,382,466	19,650,963
Total Pension Liability - Ending (a)	\$ 29,689,334	\$ 30,140,345	\$ 28,786,797	\$ 27,274,938	\$ 26,081,929	\$ 24,359,989	\$ 22,920,114	\$ 21,837,832	\$ 20,382,466
Plan Fiduciary Net Position									
Contributions - Employer	\$ 546,415	\$ 721,026	\$ 702,930	\$ 606,363	\$ 538,056	\$ 446,566	\$ 411,648	\$ 372,789	\$ 364,691
Contributions - Member	207,516	236,705	254,416	269,484	276,657	300,260	286,125	301,598	319,890
Net Investment Income	(3,197,310)	5,935,655	707,707	1,373,185	1,466,341	2,201,418	162,277	866,764	2,802,274
Benefit Payments, Including Refunds of Member Contributions	(1,596,461)	(1,534,351)	(1,455,161)	(1,454,437)	(1,377,117)	(1,201,225)	(1,074,321)	(1,070,456)	(958,346)
Administrative Expenses	(51,212)	(58,051)	(53,376)	(54,170)	(55,404)	(60,412)	(71,158)	(53,019)	(52,566)
Net Change in Pension Fiduciary Net Position	(4,091,052)	5,300,984	156,516	740,425	848,533	1,686,607	(285,429)	417,676	2,475,943
Plan Fiduciary Net Position - Beginning	28,591,778	23,290,794	23,134,278	22,393,853	21,545,320	19,858,713	20,144,142	19,726,466	17,250,523
Plan Fiduciary Net Position - Ending (b)	\$ 24,500,726	\$ 28,591,778	\$ 23,290,794	\$ 23,134,278	\$ 22,393,853	\$ 21,545,320	\$ 19,858,713	\$ 20,144,142	\$ 19,726,466
Net Pension Liability - Ending: (a) - (b)	\$ 5,188,608	\$ 1,548,567	\$ 5,496,003	\$ 4,140,660	\$ 3,688,076	\$ 2,814,669	\$ 3,061,401	\$ 1,693,690	\$ 656,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.52%	94.86%	80.91%	84.82%	85.86%	88.45%	86.64%	92.24%	96.78%
Covered Payroll	\$ 5,066,634	\$ 5,773,751	\$ 5,689,468	\$ 6,167,542	\$ 6,249,539	\$ 6,363,036	\$ 6,326,497	\$ 6,505,288	\$ 6,409,573
Net Pension Liability as a Percentage of Covered Payroll	102.41%	26.82%	96.60%	67.14%	59.01%	44.23%	48.39%	26.04%	10.23%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

Town of Watertown Retirement Income Plan

Schedule of Contributions

Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Employer Contribution (ADEC)	\$ 546,415	\$ 721,026	\$ 702,930	\$ 606,363	\$ 538,056	\$ 446,566	\$ 411,648	\$ 372,789	\$ 364,691
Contributions in Relation to the ADEC	546,415	721,026	702,930	606,363	538,056	446,566	411,648	372,789	364,691
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	5,066,634	5,773,751	5,689,468	6,167,542	6,249,539	6,363,036	6,326,497	6,505,288	6,409,573
Contributions as a Percentage of Covered Payroll	10.78%	12.49%	12.35%	9.83%	8.61%	7.02%	6.51%	5.73%	5.69%

Notes to Schedule

Valuation Date:

1/1/2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Cost
Remaining amortization period	20 yrs
Asset valuation method	5-year Smoothed Market
Salary increases	3.50%
Investment rate of return	7.00%
Normal Retirement	Earlier of age 55 with 25 years of service or age 65
Mortality	RP-2014 Blue Collar Mortality Table

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

Town of Watertown Retirement Income Plan

Schedule of Investment Returns

Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return,									
Net of Investment Expense	-11.40%	25.80%	3.10%	6.20%	6.90%	11.20%	0.80%	4.40%	16.40%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Police Department Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 612,962	\$ 606,483	\$ 570,722	\$ 552,159	\$ 538,120	\$ 471,622	\$ 457,058	\$ 343,549	\$ 329,808
Interest	2,327,069	2,247,120	2,126,767	2,060,519	2,039,799	1,836,955	1,652,133	1,646,496	1,600,613
Differences Between Expected and Actual Experience									
Including Changes of Assumptions	1,414,471	(23,741)	1,288,416	(124,552)	(423,677)	1,705,330	1,606,784	7,870	317,189
Benefit Payments, Including Refunds of Member Contributions	(1,700,890)	(1,675,015)	(1,584,352)	(1,539,580)	(1,404,319)	(1,294,672)	(1,181,881)	(1,130,152)	(1,115,817)
Net Change in Total Pension Liability	2,653,612	1,154,847	2,401,553	948,546	749,923	2,719,235	2,534,094	867,763	1,131,793
Total Pension Liability - Beginning	<u>34,079,900</u>	<u>32,925,053</u>	<u>30,523,500</u>	<u>29,574,954</u>	<u>28,825,031</u>	<u>26,105,796</u>	<u>23,571,702</u>	<u>22,703,939</u>	<u>21,572,146</u>
Total Pension Liability - Ending (a)	<u>\$ 36,733,512</u>	<u>\$ 34,079,900</u>	<u>\$ 32,925,053</u>	<u>\$ 30,523,500</u>	<u>\$ 29,574,954</u>	<u>\$ 28,825,031</u>	<u>\$ 26,105,796</u>	<u>\$ 23,571,702</u>	<u>\$ 22,703,939</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ 1,254,215	\$ 1,165,983	\$ 1,177,609	\$ 983,828	\$ 980,141	\$ 981,681	\$ 875,571	\$ 780,140	\$ 770,262
Contributions - Member	256,429	268,674	262,156	243,012	252,446	247,888	226,756	218,034	186,890
Net Investment Income	(3,218,935)	5,854,791	641,315	1,261,265	1,316,031	1,931,673	180,904	826,329	2,422,469
Benefit Payments, Including Refunds of Member Contributions	(1,700,890)	(1,675,015)	(1,584,352)	(1,539,580)	(1,404,319)	(1,294,672)	(1,181,881)	(1,130,152)	(1,115,817)
Administrative Expenses	(30,954)	(26,879)	(29,035)	(27,665)	(27,680)	(28,923)	(34,663)	(30,002)	(25,288)
Net Change in Pension Fiduciary Net Position	<u>(3,440,135)</u>	<u>5,587,554</u>	<u>467,693</u>	<u>920,860</u>	<u>1,116,619</u>	<u>1,837,647</u>	<u>66,687</u>	<u>664,349</u>	<u>2,238,516</u>
Plan Fiduciary Net Position - Beginning	<u>28,924,100</u>	<u>23,336,546</u>	<u>22,868,853</u>	<u>21,947,993</u>	<u>20,831,374</u>	<u>18,993,727</u>	<u>18,927,040</u>	<u>18,262,691</u>	<u>16,024,175</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 25,483,965</u>	<u>\$ 28,924,100</u>	<u>\$ 23,336,546</u>	<u>\$ 22,868,853</u>	<u>\$ 21,947,993</u>	<u>\$ 20,831,374</u>	<u>\$ 18,993,727</u>	<u>\$ 18,927,040</u>	<u>\$ 18,262,691</u>
Net Pension Liability - Ending: (a) - (b)	<u>\$ 11,249,547</u>	<u>\$ 5,155,800</u>	<u>\$ 9,588,507</u>	<u>\$ 7,654,647</u>	<u>\$ 7,626,961</u>	<u>\$ 7,993,657</u>	<u>\$ 7,112,069</u>	<u>\$ 4,644,662</u>	<u>\$ 4,441,248</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.38%	84.87%	70.88%	74.92%	74.21%	72.27%	72.76%	80.30%	80.44%
Covered Payroll									
	\$ 3,511,018	\$ 3,308,561	\$ 3,299,771	\$ 3,387,490	\$ 3,368,353	\$ 3,460,441	\$ 3,220,197	\$ 2,909,407	\$ 3,059,132
Net Pension Liability as a Percentage of Covered Payroll	320.41%	155.83%	290.58%	225.97%	228.43%	231.00%	220.86%	159.64%	145.18%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Police Department Pension Plan
Schedule of Contributions
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Employer Contribution (ADEC)	\$ 1,254,215	\$ 1,165,983	\$ 1,177,609	\$ 983,828	\$ 980,141	\$ 981,681	\$ 875,571	\$ 780,140	\$ 770,262
Contributions in Relation to the ADEC	<u>1,254,215</u>	<u>1,165,983</u>	<u>1,177,609</u>	<u>983,828</u>	<u>980,141</u>	<u>981,681</u>	<u>875,571</u>	<u>780,140</u>	<u>770,262</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	3,511,018	3,308,561	3,299,771	3,387,490	3,368,353	3,460,441	3,220,197	2,909,407	3,059,132
Contributions as a Percentage of Covered Payroll	35.72%	35.24%	35.69%	29.04%	29.10%	28.37%	27.19%	26.81%	25.18%

Notes to Schedule

Valuation Date: 1/1/2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Cost
Remaining amortization period	20 yrs. open
Asset valuation method	5-year smoothed market
Salary increases	4.00%
Investment rate of return	7.00%
Normal Retirement	Later of age 55 or 25 years of service.
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2014

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Police Department Pension Plan
Schedule of Investment Returns
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return,									
Net of Investment Expense	-11.20%	23.00%	2.90%	5.80%	6.40%	10.20%	1.00%	4.50%	15.20%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Five Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 3,644,061	\$ 3,389,770	\$ 2,831,861	\$ 2,155,078	\$ 1,841,510
Interest	2,175,208	2,428,290	2,375,885	2,483,561	2,080,341
Differences Between Expected and Actual Experience	-	(7,060,630)	(1,098,876)	(7,548,927)	7,851,771
Changes of Assumptions	(24,573,183)	11,841,332	-	14,832,443	-
Benefit Payments, Including Implicit Cost	<u>(2,122,597)</u>	<u>(2,827,249)</u>	<u>(2,695,875)</u>	<u>(2,542,856)</u>	<u>(1,906,242)</u>
Net Change in Total OPEB Liability	<u>(20,876,511)</u>	<u>7,771,513</u>	<u>1,412,995</u>	<u>9,379,299</u>	<u>9,867,380</u>
Total OPEB Liability - Beginning	<u>94,087,249</u>	<u>86,315,736</u>	<u>84,902,741</u>	<u>75,523,442</u>	<u>63,114,489</u>
Total OPEB Liability - Ending (a)	<u>\$ 73,210,738</u>	<u>\$ 94,087,249</u>	<u>\$ 86,315,736</u>	<u>\$ 84,902,741</u>	<u>\$ 72,981,869</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 2,122,597	\$ 2,827,249	\$ 2,695,875	\$ 2,542,856	\$ 1,906,242
Net Investment Income	1	-	1	14	7
Benefit Payments, Including Implicit Cost	<u>(2,122,597)</u>	<u>(2,827,249)</u>	<u>(2,695,875)</u>	<u>(2,542,856)</u>	<u>(1,906,242)</u>
Net Change in Plan Fiduciary Net Position	<u>1</u>	<u>-</u>	<u>1</u>	<u>14</u>	<u>7</u>
Plan Fiduciary Net Position - Beginning**	<u>1,446</u>	<u>1,446</u>	<u>1,445</u>	<u>1,431</u>	<u>1,409</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,447</u>	<u>\$ 1,446</u>	<u>\$ 1,446</u>	<u>\$ 1,445</u>	<u>\$ 1,416</u>
Net OPEB Liability - Ending: (a) - (b)	<u>\$ 73,209,291</u>	<u>\$ 94,085,803</u>	<u>\$ 86,314,290</u>	<u>\$ 84,901,296</u>	<u>\$ 72,980,453</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 29,925,404	\$ 29,053,790	\$ 26,454,361	\$ 25,683,844	\$ 28,286,748
Net OPEB Liability as a Percentage of Covered Payroll	244.64%	323.83%	326.28%	330.56%	258.00%

**Restated for change in the measurement date.

Notes to Schedule

Measurement Date	June 30, 2022
Valuation Date	July 1, 2020
Inflation Rate	2.50%
Actuarial Cost Method	Individual Entry Age Normal
Salary Increases	3.00%
Healthcare Cost Trend Rates	FYE Medical
	2023 7.00%
	2024 6.00%
	2025 5.80%
	2026 5.60%
	2027 5.40%
	2028 5.20%
	2029 5.00%
	2030-2041 4.80%
	2055 4.00%
	2061+ 3.60%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Connecticut Municipal Employees' Retirement System
Proportionate Share of the Net Pension Liability and Schedule of Contributions
Last Eight Fiscal Years*

Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 Fiscal Years or Since Inception of GASB 68

	2022	2021	2020	2019	2018	2017	2016	2015
Town's Percentage of Collective Net Pension Liability	0.209%	0.263%	0.236%	0.268%	0.439%	0.439%	0.573%	0.611%
Town's Portion of Net Pension Liability	\$ 494,829	\$ 1,033,183	\$ 872,062	\$ 1,024,852	\$ 725,068	\$ 860,942	\$ 836,477	\$ 628,487
Town's Covered Payroll	<u>\$ 566,137</u>	<u>\$ 673,792</u>	<u>\$ 607,507</u>	<u>\$ 754,267</u>	<u>\$ 812,706</u>	<u>\$ 1,044,159</u>	<u>\$ 1,355,765</u>	<u>\$ 1,283,958</u>
Town's Portion of Net Pension Liability as a % of Covered Payroll	87.40%	153.34%	143.55%	135.87%	89.22%	82.45%	61.70%	48.95%
Plan Fiduciary Net Position as a % of Total Pension Liability	82.59%	71.18%	72.69%	73.60%	91.68%	88.29%	92.72%	90.48%

Schedule of Employer Contributions
Since Inception of GASB 68

	2022	2021	2020	2019	2018	2017	2016	2015
Town's Contractually Required Contribution	\$ 114,641	\$ 93,265	\$ 73,939	\$ 85,164	\$ 95,411	\$ 118,825	\$ 154,637	\$ 153,818
Town's Contributions in Relation to the Contractually Required Contribution	<u>114,641</u>	<u>93,265</u>	<u>73,939</u>	<u>85,164</u>	<u>95,411</u>	<u>118,825</u>	<u>154,637</u>	<u>153,818</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	566,137	673,792	607,507	754,267	812,706	1,044,159	1,355,765	1,283,958
Town's Contributions as a Percentage of Covered Payroll	20.25%	13.84%	12.17%	11.29%	11.74%	11.38%	11.41%	11.98%

Notes to Schedule

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Asset Valuation Method	5-year smoothed market
Single equivalent amortization period	20 years
Inflation	2.50%
Salary Increases	3.50% - 10.00%
Investment Rate of Return	7.00%, net of investment related expense

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WATERTOWN, CONNECTICUT
State Teacher's Retirement System
Proportionate Share of Net Pension Liability
Last Eight Fiscal Years*

Schedule of Proportionate Share of Net Pension Liability		2022	2021	2020	2019	2018	2017	2016	2015
Town's percentage of the net pension liability		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town		68,263,025	86,189,766	73,943,493	57,014,729	59,204,351	62,461,044	48,464,850	44,796,041
Total		<u>\$ 68,263,025</u>	<u>\$ 86,189,766</u>	<u>\$ 73,943,493</u>	<u>\$ 57,014,729</u>	<u>\$ 59,204,351</u>	<u>\$ 62,461,044</u>	<u>\$ 48,464,850</u>	<u>\$ 44,796,041</u>
Town's covered-employee payroll		\$ 21,550,829	\$ 20,565,971	\$ 18,954,157	\$ 18,781,605	\$ 18,559,222	\$ 17,963,928	\$ 17,085,880	\$ 16,464,299
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability		60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percent of pay closed, grading to a level dollar amortization method for the June 30, 2024 valuation.
Single equivalent amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	3.25% - 6.50% average, including inflation
Investment rate of return	6.90% net of investment related expense

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

State Teacher's Retirement System

Proportionate Share of Net OPEB Liability

Last Five Fiscal Years*

Schedule of Proportionate Share of Net OPEB Liability

	2022	2021	2020	2019	2018
Town's percentage of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Town	7,437,131	12,855,207	11,531,904	11,397,595	15,238,515
Total	<u>\$ 7,437,131</u>	<u>\$ 12,855,207</u>	<u>\$ 11,531,904</u>	<u>\$ 11,397,595</u>	<u>\$ 15,238,515</u>
Town's covered-employee payroll	\$ 21,550,829	\$ 20,565,971	\$ 18,954,157	\$ 18,781,605	\$ 18,559,222
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	6.11%	2.50%	2.08%	1.49%	1.79%

Notes to Schedule

Actuarial Cost Method	Entry age
Amortization Method	Level percent of payroll over an open period
Amortization Period	30 years
Asset Valuation Method	Market value of assets
Investment Rate of Return	3.00%, net of investment related expense including price inflation
Price Inflation	2.50%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

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Appendix B-1

Form of Opinion of Bond Counsel – The Bonds

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APPENDIX B-1: FORM OF OPINION OF BOND COUNSEL – THE BONDS

August __, 2023

Town of Watertown
61 Echo Lake Road
Watertown, CT 06795

We have acted as Bond Counsel in connection with the issuance by the Town of Watertown, Connecticut (the “Town”), of its \$_____ General Obligation Bonds, Issue of 2023 (the “Bonds”) dated August __, 2023. In such capacity, we have examined a record of proceedings of the Town authorizing the Bonds, a Tax Regulatory Agreement of the Town dated the date hereof (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Bonds are duly certified by U.S. Bank Trust Company, National Association, the Bonds will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town 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 pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds.

In rendering the below opinions regarding the federal treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of

intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

In our opinion, under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

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

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Preliminary Official Statement, the Official Statement and other offering material relating to the Bonds.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the Bonds.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix B-2

Form of Opinion of Bond Counsel – The Notes

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APPENDIX B-2: FORM OF OPINION OF BOND COUNSEL – THE NOTES

August __, 2023

Town of Watertown
61 Echo Lake Road
Watertown, CT 06795

We have acted as Bond Counsel in connection with the issuance by the Town of Watertown, Connecticut (the “Town”), of its \$_____ General Obligation Bond Anticipation Notes (the “Notes”) dated August __, 2023. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated the date hereof (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank Trust Company, National Association, the Notes will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town 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 pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

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

In our opinion, under existing statutes and court decisions, (i) interest on the Notes is excluded from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

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 for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Preliminary Official Statement, the Official Statement and other offering material relating to the Notes.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix C-1

Form of Continuing Disclosure Agreement – The Bonds

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APPENDIX C-1: FORM OF CONTINUING DISCLOSURE AGREEMENT – THE BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of August __, 2023 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$ _____ General Obligation Bonds, Issue of 2023, (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated July __, 2023 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement. "SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2023) as follows:

(i) Financial statements of the Issuer's general fund and, any special revenue, capital projects, permanent enterprise, internal service and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

(A) amounts of the gross and the net taxable grand list applicable to the fiscal year,

- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
- (F) total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (G) ratios of the total direct debt, total net direct debt and total overall net debt of the Issuer to the Issuer's applicable net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) 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 bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

Events (o) and (p). The term "financial obligation" is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Finance Director is Watertown Town Hall, 61 Echo Lake Road, Watertown, Connecticut 06795.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional

information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

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

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF WATERTOWN, CONNECTICUT

By _____
MARK A. RAIMO
Town Manager

By _____
SUSAN E. ZAPPONE
Finance Director

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Appendix C-2

Form of Continuing Disclosure Agreement – The Notes

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APPENDIX C-2: FORM OF CONTINUING DISCLOSURE AGREEMENT- THE NOTES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreements to be executed by the Town substantially in the following form, to provide, or cause to be provided, notice of the occurrence of certain events with respect to the Notes.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of August __, 2023 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$_____ General Obligation Bond Anticipation Notes, dated as of August __, 2023 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) 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;

- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer, any of which reflect financial difficulties.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Notes is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Notes will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Note to be redeemed as required under the terms of the Notes, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Note purchases.

Events (o) and (p). The term "financial obligation" is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

Section 3. Use of Agents.

Notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 4. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Finance Director is Town Hall, 61 Echo Lake Road, Watertown, Connecticut 06795.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Section 2 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such information, data or additional notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide any such information, data or additional notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further information, data or additional notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer 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 of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as

of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF WATERTOWN, CONNECTICUT

By _____
MARK A. RAIMO
Town Manager

By _____
SUSAN E. ZAPPONE
Finance Director

Appendix D-1

Notice of Sale – The Bonds

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APPENDIX D-1: NOTICE OF SALE – THE BONDS

NOTICE OF SALE

TOWN OF WATERTOWN, CONNECTICUT \$9,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2023 BOOK-ENTRY-ONLY

NOTICE IS GIVEN that ELECTRONIC BIDS solely via **PARITY**® will be received by the TOWN OF WATERTOWN, CONNECTICUT (the “Issuer”), until 11:30 A.M. (EASTERN TIME) on TUESDAY,

JULY 18, 2023

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$9,000,000 General Obligation Bonds, Issue of 2023, dated August 1, 2023 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on August 1 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)</u>	<u>Maturity</u>	<u>Amount (\$)</u>
2024	450,000	2034	450,000
2025	450,000	2035	450,000
2026	450,000	2036	450,000
2027	450,000	2037	450,000
2028	450,000	2038	450,000
2029	450,000	2039	450,000
2030	450,000	2040	450,000
2031	450,000	2041	450,000
2032	450,000	2042	450,000
2033	450,000	2043	450,000

The Bonds will bear interest commencing February 1, 2024 and semiannually thereafter on February 1 and August 1 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

Optional Redemption

The Bonds maturing on or before August 1, 2030 are not subject to redemption prior to maturity. The Bonds maturing August 1, 2031 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on or after August 1, 2030, either in whole or in part at any time, in such order of maturity and amount as the Issuer may determine, and by lot within a maturity, at the respective prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

Period During Which Redeemed
August 1, 2030 and thereafter

Redemption Price
100.0%

Nature of Obligation

The Bonds will constitute general obligations of the Issuer, and the Issuer will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit 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 pursuant to provisions of the Connecticut General Statutes, as amended.

Bank Qualification

The Bonds SHALL NOT be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Registration

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple 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 purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Issuer or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC 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 Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Issuer fails to identify another qualified securities depository to replace DTC, or (b) the Issuer determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Issuer will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the

registration books of the Issuer as of the close of business on the record date preceding each interest payment date. The record dates for the Bonds will be the fifteenth day of January and July, or the preceding business day if such fifteenth day is not a business day, in each year.

Proposals

Each bid must be for the entire \$9,000,000 of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent ($1/20$ of 1%) or one-eighth of one percent ($1/8$ of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than three (3) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on **PARITY**® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost (“TIC”) to the Issuer, as described under “Basis of Award” below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the bidder whose bid proposes the lowest true interest cost (“TIC”) to the Issuer. The TIC will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one bidder making said offer at the same lowest TIC, the Bonds will be sold to the bidder whose proposal is selected by the Issuer by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of TIC computed and rounded to six decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in immediately available federal funds.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

CUSIP Numbers

The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of Phoenix Advisors, LLC to obtain CUSIP numbers for the Bonds prior to delivery, and Phoenix Advisors, LLC, will provide the CUSIP Service Bureau with the final details of the sale, including the identity of the winning bidder. The Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of Phoenix Advisors, LLC to obtain such numbers and to supply them to the Issuer in a timely manner. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Issuer; provided, however, that the Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY®**. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY®**, the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of **PARITY®** prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer nor **PARITY®** shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or **PARITY®** shall be responsible for a bidder's failure to make a bid or for the proper

operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Issuer is using **PARITY®** as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY®** at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY®**, this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY®** shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Bonds will be authenticated by U.S. Bank Trust Company, National Association, Hartford, Connecticut. U.S. Bank Trust Company, National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Bonds the purchaser shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel ("Bond Counsel") (see "Bond Counsel Opinion" below); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Issuer to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Issuer Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds.

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer ("FAST") on or about August 1, 2023 (the "Closing Date").

The Issuer will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Issuer's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B-1 to the Official Statement. The opinion will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: grybacki@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Rule”) because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (E.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those

Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated July 10, 2023 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser twenty-five (25) copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official

Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C-1. The purchaser’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

TOWN OF WATERTOWN, CONNECTICUT

MARK A. RAIMO
Town Manager

SUSAN E. ZAPPONE
Finance Director

July 10, 2023

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(If Competitive Sale Rule Met)

TOWN OF WATERTOWN, CONNECTICUT
\$ _____ GENERAL OBLIGATION BONDS, ISSUE OF 2023
Dated August 1, 2023

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF WATERTOWN, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about August 1, 2023, the Bonds at a price of par (\$ _____), plus an aggregate net premium of \$ _____ and less an underwriter’s discount of \$ _____, resulting in an aggregate net purchase price of \$ _____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of July 18, 2023 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Pullman & Comley, LLC, bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of July 18, 2023.

[UNDERWRITER]

By: _____

Name:

Title:

Schedule A to Issue Price Certificate

<u>Maturity, August 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			

Schedule B to Issue Price Certificate

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Appendix D-2

Notice of Sale – The Notes

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APPENDIX D-2: NOTICE OF SALE – THE NOTES

NOTICE OF SALE

TOWN OF WATERTOWN, CONNECTICUT \$6,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

NOTICE IS GIVEN that TELEPHONE BIDS and ELECTRONIC BIDS via **PARITY®** (as described herein) will be received by the TOWN OF WATERTOWN, CONNECTICUT (the “Issuer”), until 11:00 A.M. (EASTERN TIME) on TUESDAY,

JULY 18, 2023

(the “Sale Date”) for the purchase of the Issuer’s \$6,000,000 General Obligation Bond Anticipation Notes (the “Notes”). Telephone bids will be received by an authorized agent of Phoenix Advisors, LLC, the Issuer’s municipal advisor (see “Telephone Bidding Procedures”). Electronic bids must be submitted via **PARITY®** (see “Electronic Bidding Procedures”).

The Notes

The Notes are expected to be dated August 1, 2023 and will mature and be payable to the registered owner on July 31, 2024 as further described in the Preliminary Official Statement (as hereinafter defined). The Notes will bear interest (which interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

Nature of Obligation

The Notes will constitute general obligations of the Issuer, and the Issuer 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 ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit 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 pursuant to provisions of the Connecticut General Statutes, as amended. The information in this Notice of Sale is only a brief summary of certain provisions of the Notes. For further information about the Notes, reference is hereby made to the Preliminary Official Statement.

Bank Qualification

The Notes SHALL NOT be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b)(3) 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 ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 or any integral multiple 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 purchaser(s), as a condition to delivery of the Notes, will be required to deposit the Note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Issuer or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC 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 Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Notes directly to DTC so long as DTC or its nominee, Cede & Co, is the Noteholder.

Bid Specifications; Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms

Each bid for the purchase of the Notes must, (i) if submitted by telephone, provide the information in the form of the Proposal for Notes attached hereto or, (ii) 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 at least \$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. Unless all bids are rejected, the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost ("NIC"), computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the Issuer, 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 Issuer 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 Issuer with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to six decimal places. The purchase price must be paid in immediately available federal funds.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

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 Issuer 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 Issuer. By submitting a bid for the Notes via **PARITY**[®], the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice of Sale. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY**[®], or the inaccuracies of any information, including bid information or worksheets supplied by **PARITY**[®], the use of **PARITY**[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

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, 36th Street, 2nd Floor, New York, NY 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: www.parity@i-deal.com).

For purposes of the telephone bidding 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 bids the net interest cost to the Issuer, as described under "Bid Specifications; Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms" above, 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 form of Proposal for Notes.

Disclaimer. Each **PARITY**[®] prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY**[®] for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Issuer nor **PARITY**[®] shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer nor **PARITY**[®] shall be responsible for a bidder's failure to make a bid or for proper operation

of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**[®]. The Issuer is using **PARITY**[®] as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Notes. The Issuer is not bound by any advice and determination of **PARITY**[®] to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**[®] are the sole responsibility of the bidders; and the Issuer is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone **PARITY**[®] at (212) 849-5021.

Telephone Bidding Procedures

Telephone bids will be received until 11:00 A.M. (EASTERN TIME) on the Sale Date by an authorized agent of Phoenix Advisors, LLC, the Issuer's municipal advisor. All telephone bids must be made to (203) 283-1110 and be completed by 11:00 A.M. (EASTERN TIME) on the Sale Date. Bidders should be prepared to provide the information set forth in the "Proposal for Notes" attached hereto.

Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Issuer 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 Issuer by the time required. A bid received after the time specified, as determined in the Issuer's sole discretion, will not be reviewed or honored by the Issuer.

CUSIP Numbers

The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of Phoenix Advisors LLC to obtain CUSIP numbers for the Notes prior to delivery, and Phoenix Advisors, LLC, will provide the CUSIP Service Bureau with the final details of the sale, including the identity of the winning bidder(s). The Issuer will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of Phoenix Advisors, LLC to obtain such numbers and to supply them to the Issuer in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Issuer; provided, however, that the Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Notes will be authenticated by U.S. Bank Trust Company, National Association, Hartford, Connecticut. U.S. Bank Trust Company, National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Notes the winning bidder shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel (“Bond Counsel”); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Issuer to levy and collect taxes to pay them; (c) a copy of the Official Statement prepared for this note issue; (d) a certificate of Issuer Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes.

The Notes will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer (“FAST”) on or about August 1, 2023 (the “Closing Date”).

The Issuer will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Issuer’s costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B-2 to the Official Statement. The opinion will state that the Notes are valid and binding obligations of the Issuer. Bond Counsel will require as a precondition to release of its opinion that the purchaser of such Notes deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Notes awarded to such bidder, as described below under “Establishment of Issue Price”. In rendering such legal opinion, Pullman & Comley, LLC 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 Issuer for the benefit of the owners of the Notes, and further, will assume compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Notes an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: grybacki@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds or notes who have established industry reputations for underwriting new issuances of municipal bonds or notes.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds or notes such as the Notes, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Rule”) because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds or notes who have established industry reputations for underwriting new issuances of municipal bonds or notes; and
- (4) the Issuer anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest net interest cost, as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. The winning bidder will be required to deliver to Bond Counsel on behalf of the Issuer prior to the delivery of the Notes a completed “Certificate as to Issue Price” (in form satisfactory to Bond Counsel) for such Notes, setting forth the Initial Offering Price.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Notes (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Notes as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (EASTERN TIME) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Notes shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Notes subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Notes (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Notes to the Public on or before the date of award at the Initial Offering Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Notes, that each Underwriter will neither offer nor sell unsold Notes of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price

for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Notes with the same credit and payment terms. Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the Public).

Official Statement

For more information regarding the Notes or the Issuer, reference is made to the Preliminary Official Statement dated July 10, 2023 (the “Official Statement”) describing the Notes and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser five (5) copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Notes or by the seventh (7th) business day after the day bids on the Notes are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Notes, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide notice of the occurrence of certain events with respect to the Notes within ten (10) business days of such event. A form of the Agreement is attached to the Official Statement as Appendix C-2. The purchaser’s obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to delivery of the Notes, an executed Agreement.

TOWN OF WATERTOWN, CONNECTICUT

MARK A. RAIMO
Town Manager

SUSAN E. ZAPPONE
Finance Director

July 10, 2023

(See attached for form of Proposal for Notes)

PROPOSAL FOR NOTES

MARK A. RAIMO, Town Manager
SUSAN E. ZAPPONE, Finance Director
Town of Watertown
c/o Phoenix Advisors, LLC
Telephone No. (203) 283-1110

Watertown Town Officials:

Subject to the provisions of the Notice of Sale dated July 10, 2023, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$6,000,000 General Obligation Bond Anticipation Notes of the Town of Watertown, Connecticut (the "Issuer"), dated August 1, 2023 and maturing on July 31, 2024 (the "Notes"), specified below at the stated interest rate (provided not less than \$100,000 of principal amount per interest rate is bid and the total of all principal amounts bid does not exceed \$6,000,000) 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, carried to six decimals, and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

For \$ _____ of the Notes, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (six decimals).

For \$ _____ of the Notes, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (six decimals).

For \$ _____ of the Notes, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (six decimals).

This undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in immediately available federal funds on the date of the Notes.

Dated: July 18, 2023

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)

(E-mail Address)