

**Final Official Statement Dated May 5, 2021**

**REFUNDING ISSUE: BOOK-ENTRY-ONLY**

**RATINGS: S&P Global Ratings: "AA+"**

*In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Series A Bonds are not "private activity bonds" and interest on the Series A Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; interest on the Series B Bonds is not excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See "Tax Matters" herein)*



**Town of Watertown, Connecticut**

**\$5,450,000**

**General Obligation Refunding Bonds, Issue of 2021, Series A  
(Bank-Qualified)**

**Dated: Date of Delivery**

**Due: Serially October 15,  
as shown on the inside cover page.**

The General Obligation Refunding Bonds, Issue of 2021, Series A (the "Series A Bonds") will bear interest payable October 15, 2021 and semiannually thereafter on April 15 and October 15 in each year until maturity.

The Series A Bonds are NOT subject to redemption prior to maturity as more fully described under "Redemption Provisions" herein.

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**\$4,840,000**

**General Obligation Refunding Bonds (Federally Taxable),  
Issue of 2021, Series B**

**Dated: Date of Delivery**

**Due: Serially October 15,  
as shown on the inside cover page.**

The General Obligation Refunding Bonds (Federally Taxable), Issue of 2021, Series B (the "Series B Bonds") will bear interest payable October 15, 2021 and semiannually thereafter on April 15 and October 15 in each year until maturity.

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

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The Series A Bonds and Series B Bonds (collectively, the "Bonds") 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 when due. See "Security and Remedies" herein.

The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. The beneficial owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest payments on, the Bonds will be made by the Town to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owners of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

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

**PIPER | SANDLER**

The Bonds 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 in book-entry-only form will be made to DTC in New York, New York on or about May 19, 2021.

**Town of Watertown, Connecticut**  
**\$5,450,000**  
**General Obligation Refunding Bonds,**  
**Issue of 2021, Series A**

**Dated: Date of Delivery**

**Due: Serially October 15, 2021-2027**  
**as shown below:**

<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP <sup>1</sup></b>	<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP <sup>1</sup></b>
2021	\$ 690,000	4.000%	0.150%	941893T74	2025	\$ 630,000	4.000%	0.450%	941893U31
2022	1,490,000	4.000%	0.170%	941893T82	2026	110,000	4.000%	0.570%	941893U49
2023	1,485,000	4.000%	0.210%	941893T90	2027	110,000	4.000%	0.740%	941893U56
2024	935,000	4.000%	0.330%	941893U23					

**\$4,840,000**  
**General Obligation Refunding Bonds (Federally Taxable),**  
**Issue of 2021, Series B**

**Dated: Date of Delivery**

**Due: Serially October 15, 2021-2038**  
**as shown below:**

<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP <sup>1</sup></b>	<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP <sup>1</sup></b>
2022	\$ 90,000	0.250%	0.250%	941893U64	2031	\$ 305,000	2.050%	2.050%	941893V71
2023	90,000	0.350%	0.350%	941893U72	2032	300,000	2.150%	2.150%	941893V89
2024	375,000	0.550%	0.550%	941893U80	2033	290,000	2.250%	2.250%	941893V97
2025	365,000	0.950%	0.950%	941893U98	2034	285,000	2.350%	2.350%	941893W21
2026	355,000	1.150%	1.150%	941893V22	2035	280,000	2.450%	2.450%	941893W39
2027	350,000	1.450%	1.450%	941893V30	2036	275,000	2.500%	2.500%	941893W47
2028	320,000	1.650%	1.650%	941893V48	2037	270,000	2.600%	2.600%	941893W54
2029	315,000	1.850%	1.850%	941893V55	2038	265,000	2.650%	2.650%	941893W62
2030	310,000	1.950%	1.950%	941893V63					

<sup>1</sup> 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. 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 or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds 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.

No dealer, broker, salesman 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 – “2020 General Purpose Financial Statements Excerpted from the Town’s Comprehensive Annual 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 in Appendices B-1 and B-2 - “Forms of Opinion of Bond Counsel” herein), and makes no representation that it has independently verified the same.

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; and (ix) other factors contained in this Official Statement.

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## **Series A Bond Issue Summary**

*The information in this Series A 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.*

<b>Issuer:</b>	Town of Watertown, Connecticut (the "Town").
<b>Issue:</b>	\$5,450,000 General Obligation Refunding Bonds, Issue of 2021, Series A (the "Series A Bonds").
<b>Dated Date:</b>	Date of Delivery
<b>Principal and Interest Due:</b>	Principal due serially October 15, 2021 through October 15, 2027. Interest due April 15 and October 15 in each year until maturity, commencing October 15, 2021.
<b>Purpose:</b>	The proceeds will be used to refund outstanding bonds originally issued for various public works, school, sewer and water projects. See "Plan of Refunding" herein.
<b>Redemption:</b>	The Series A Bonds are NOT subject to redemption prior to maturity. See "Redemption Provisions" herein.
<b>Security:</b>	The Series A 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.
<b>Credit Rating:</b>	The Series A Bonds are rated "AA+" by S&P Global Ratings ("S&P").
<b>Bond Insurance:</b>	The Town does not expect to purchase a credit enhancement facility.
<b>Tax Matters:</b>	See "Tax Matters" herein.
<b>Bank Qualification:</b>	The Series A Bonds <u>shall</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 Series A Bonds.
<b>Continuing Disclosure:</b>	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 Series A 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 to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent, Escrow Agent and Paying Agent:</b>	U.S. Bank National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
<b>Municipal Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
<b>Legal Opinion:</b>	Pullman & Comley, LLC, of Hartford, Connecticut. See Appendix B-1 – "Form of Opinion of Bond Counsel – Series A Bonds".
<b>Delivery and Payment:</b>	It is expected that delivery of the Series A Bonds in book-entry-only form will be made to The Depository Trust Company on or about May 19, 2021. Delivery of the Series A Bonds will be made against payment in Federal Funds.
<b>Issuer Official:</b>	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.

## **Series B Bond Issue Summary**

*The information in this Series B 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.*

<b>Issuer:</b>	Town of Watertown, Connecticut (the "Town").
<b>Issue:</b>	\$4,840,000 General Obligation Refunding Bonds (Federally Taxable), Issue of 2021, Series B (the "Series B Bonds").
<b>Dated Date:</b>	Date of Delivery
<b>Principal and Interest Due:</b>	Principal due serially October 15, 2022 through October 15, 2038. Interest due April 15 and October 15 in each year until maturity, commencing October 15, 2021.
<b>Purpose:</b>	The proceeds will be used to refund outstanding bonds originally issued for various school projects. See "Plan of Refunding" herein.
<b>Redemption:</b>	The Series B Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein.
<b>Security:</b>	The Series B 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.
<b>Credit Rating:</b>	The Series B Bonds are rated "AA+" by S&P Global Ratings ("S&P").
<b>Bond Insurance:</b>	The Town does not expect to purchase a credit enhancement facility.
<b>Tax Matters:</b>	See "Tax Matters" herein.
<b>Continuing Disclosure:</b>	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 Series B 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 to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent, Escrow Agent and Paying Agent:</b>	U.S. Bank National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
<b>Municipal Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
<b>Legal Opinion:</b>	Pullman & Comley, LLC, of Hartford, Connecticut. See Appendix B-2 – "Form of Opinion of Bond Counsel – Series B Bonds".
<b>Delivery and Payment:</b>	It is expected that delivery of the Series B Bonds in book-entry-only form will be made to The Depository Trust Company on or about May 19, 2021. Delivery of the Series B Bonds will be made against payment in Federal Funds.
<b>Issuer Official:</b>	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.



## **I. Bond Information**

### **Introduction**

This Official Statement, including the cover page, inside 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 \$5,450,000 General Obligation Refunding Bonds, Issue of 2021 (the “Series A Bonds”) and \$4,840,000 General Obligation Refunding Bonds (Federally Taxable), Issue of 2021, Series B (the “Series B Bonds”, together with the Series A Bonds, the “Bonds”) of the Town.

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. Any statements 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 proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

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

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**

#### **Consideration for Bondholders**

In making an investment decision with respect to Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following factor:

#### **The COVID-19 Outbreak**

*The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been 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. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.*

There can be no assurances that the ongoing impact of COVID-19 will not materially affect local, state, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Town. As the situation evolves, states, municipalities, businesses and individuals appear to have altered behaviors in manners that are having negative effects on global, national, state and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19.

### **State and Local Efforts to Mitigate the Ongoing Impact of COVID-19**

On March 10, 2020, the Connecticut Governor declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. State agencies have been directed to use all resources necessary to prepare for and respond to the outbreak. Initially, the Governor cancelled all public-school classes for all students, restricted social and recreational gatherings, suspended activity at the State Capitol and legislative office building, suspended non-exigent operations of the judicial branch, limited restaurants to take-out and delivery only, required all businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ and required closure of all non-essential businesses and not-for-profit entities. Additionally, by executive order, the Governor instituted a 60-day residential rent moratorium and extended the date for adoptions of municipal budgets which fell on or before May 15, 2020 by up to 30 days. The Governor has ordered a phased re-opening of the state, and various activities are in various stages of resumption.

On April 1, 2020, the Connecticut Governor issued Executive Order No. 7S, which, among other things, calls for Connecticut municipalities, including the Town of Watertown, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a three (3) month Deferment Program or a three (3) month Low Interest Rate Program. Both programs are applicable to amounts payable or delinquent during the period from March 10, 2020 to and including July 1, 2020 and apply to taxes on real property, personal property or motor vehicles, and water, sewer and electric rates, charges and assessments. The Deferment Program provides for a three (3) month deferment from the time the amount becomes due and payable. However, financial institutions and mortgage servicers that hold property tax payments in escrow are required to continue to remit property taxes to the Town according to the regular timetable, so long as the borrower remains current on its mortgage or is in a mortgage forbearance or deferment program. The Low Interest Rate Program provides for a three percent (3%) cap on the interest rate due on the principal amount of delinquent payments. The low interest period runs for three (3) months from the date the payment is due and payable. With respect to payments delinquent on or prior to March 10, 2020, interest shall be capped at three percent (3%) for three (3) months from April 1, 2020. Following the three (3) month period, the interest rate may return to that previously established. Executive Order No. 7S required municipalities to select and implement one or both of the tax relief programs, and to notify the Secretary of the Office of Policy and Management no later than April 25, 2020, in which program or programs it is electing to participate.

The Watertown Town Council at a meeting held on April 20, 2020 elected to participate in the three-month deferment program. Under this program eligible taxpayers, businesses, nonprofits, and residents could apply for a three month deferment on any taxes on real property, personal property or motor vehicles, sewer and waste charges and assessments from the time such taxes first became due and payable during the period beginning April 1, 2020 to and including July 1, 2020. Eligible taxpayers, businesses, nonprofits, and residents are defined as those that attest to or document to the Town that they have been significantly adversely affected by the COVID-19 pandemic.

Landlords were eligible for the three month deferment program only if Commensurate Forbearance was offered to their tenants; in accordance with OPM guidance, "Commensurate Forbearance", for purposes of this program, means either a) a deferral of 25% of rent (approximating the property tax portion of rent) for three (3) months after its due date; b) a deferral of one month's rent to be paid over the three (3) month period, or c) forbearance substantially similar to (a) or (b) as determined by the tax collector. Documentation includes, but is not limited to, proof that some tenants or lessees have received forbearance or that the landlord has actively communicated with tenants or lessees to offer forbearance.

The three-month deferment program did not apply to financial institutions, escrow agents, banks, or mortgage service agents. These parties were required to remit escrow payments to the Town for property taxes irrespective of the Town's election of the three-month deferment program.

On April 10, 2020, the Governor issued Executive Order 7X ("Order 7X") requiring landlords to grant 60-day rent extensions to residential tenants for April (automatically) and May (by request due to loss of income). Landlords can satisfy the commensurate forbearance and income decline requirements for tax and other relief under Order 7S for residential properties simply by complying with Order 7X, and for the Deferment Program by confirming they will do so in an e-mail to the tax collector.

The potential long-term impact of the COVID-19 pandemic on the Town cannot be predicted at this time, the continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Town's finances. On March 16, 2020, the Town declared a local state of emergency. This declaration allowed the Town Manager to exercise emergency powers as needed to help the community and better position the Town to access emergency federal aid. All Town buildings were closed

to the public on March 17, 2020. Employees went on a scattered work week starting April 6, 2020 with many working from home. However, the Town continued to provide all basic and essential services. The Town also began conducting council and commission meetings remotely on April 20, 2020. The Town brought employees back to their full working schedule on May 11, 2020. The Town opened the Town Hall building to the public on May 20, 2020.

While the COVID-19 pandemic poses potential risk at any time, the outbreak to date has not had a materially adverse effect on the Town for Fiscal Year 2020. Currently, the Town's finances and financial plans remain stable and the Town collected 100% of budgeted revenues as of June 30, 2020, including the collection of 100% of budgeted property taxes. As of August 24, 2020, the Town has not experienced any negative impact as a result of the three-month deferment program called for by Executive Order No. 7S. As of that date the Town had received 5 deferment applications requesting to deferment of \$78,600 in taxes. Based on tax collections through July 31, 2020, the Town has adequate available, unencumbered General Fund balance sufficient to meet interim cash flow needs.

### **Government Response to COVID-19's Impact on the Economy**

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state will be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act will provide \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved the Connecticut Governor's request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

The extent to which COVID-19 impacts the Town's operations and its financial condition will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others.

### **Municipal Advisor**

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Bonds (the "Municipal Advisor"). The information in this Official Statement has been prepared by the Town of Watertown, with the help of 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 October 15 in each of the years as set forth on the inside cover page hereof. The Bonds will be dated the date of delivery and bear interest at the rates per annum specified on the inside cover page, payable semiannually on April 15 and October 15 in each year until maturity, commencing October 15, 2021. 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 last business day of March and September, 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.

## ***Redemption Provisions***

The Series A Bonds are NOT subject to redemption prior to maturity.

The Series B Bonds maturing on or before October 15, 2029 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2030 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2029 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:

<b><i>Redemption Dates</i></b>	<b><i>Redemption Prices</i></b>
October 15, 2029 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 Series B Bonds at the address of such registered owner as the same shall last appear on the registration books for the Series B 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 Series B Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Series B Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Series B Bonds of any one maturity shall be called for redemption, the particular Series B Bonds or portions of Series B 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 Series B Bonds for redemption, each Bond shall be considered as representing that number of Series B Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Series B 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 Series B Bonds called for redemption. Redemption of a portion of the Series B Bonds of any maturity by the Town will reduce the outstanding principal amount of Series B 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 Series B 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 Series B Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Series B Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Series B Bonds and will not be conducted by or the responsibility of the Town, the Registrar or Paying Agent.

## Authorization and Purpose

The Bonds are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, the Charter of the Town of Watertown, and a refunding resolution adopted by the Town Council at a meeting held March 15, 2021.

## Plan of Refunding

The Bonds are being issued to refund at or prior to maturity all or a portion of certain maturities of certain of the outstanding series of general obligation bonds of the Town as set forth below (the “Refunded Bonds”) which are listed separately as the 2021A Refunding Bonds and the 2021B Refunding Bonds. The refunding is contingent upon delivery of each series of the Bonds.

<b>Issue</b>	<b>Dated Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIPs<sup>1</sup></b>
<b>2021A Refunding Bonds</b>							
2009 Series B	8/27/2009	7/1/2022	4.000%	\$ 275,000	6/21/2021	100.00%	941893WN5
<b>Sub-Total</b> .....				\$ 275,000			
Issue of 2011	8/2/2011	8/1/2021	3.375%	\$ 700,000	n/a	n/a	941893YB9
		8/1/2022	4.000%	1,115,000	8/1/2021	100.00%	941893YC7
		8/1/2023	4.000%	1,390,000	8/1/2021	100.00%	941893YD5
		8/1/2024	3.125%	835,000	8/1/2021	100.00%	941893YE3
		8/1/2025	3.250%	525,000	8/1/2021	100.00%	941893YF0
<b>Sub-Total</b> .....				\$ 4,565,000			
Issue of 2013	3/15/2013	3/15/2022	2.250%	\$ 135,000	6/21/2021	100.00%	941893ZY8
		3/15/2023	2.500%	135,000	6/21/2021	100.00%	941893ZZ5
		3/15/2024	2.500%	130,000	6/21/2021	100.00%	941893A25
		3/15/2025	3.000%	130,000	6/21/2021	100.00%	941893A33
		3/15/2026	3.000%	130,000	6/21/2021	100.00%	941893A41
		3/15/2027	3.000%	130,000	6/21/2021	100.00%	941893A58
		3/15/2028	3.000%	130,000	6/21/2021	100.00%	941893A66
<b>Sub-Total</b> .....				\$ 920,000			
<b>Series A Total</b> .....				\$ 5,760,000			
<b>2021B Refunding Bonds</b>							
Issue of 2018, Series B	10/25/2018	10/15/2024	4.000%	\$ 290,000	10/15/2023	100.00%	941893L64
		10/15/2025	4.000%	290,000	10/15/2023	100.00%	941893L72
		10/15/2026	4.000%	290,000	10/15/2023	100.00%	941893L80
		10/15/2027	4.000%	290,000	10/15/2023	100.00%	941893L98
		10/15/2028	4.000%	290,000	10/15/2023	100.00%	941893M22
		10/15/2029	4.000%	290,000	10/15/2023	100.00%	941893M30
		10/15/2030	4.050%	290,000	10/15/2023	100.00%	941893M48
		10/15/2031	4.100%	290,000	10/15/2023	100.00%	941893M55
		10/15/2032	4.150%	290,000	10/15/2023	100.00%	941893M63
		10/15/2033	4.200%	290,000	10/15/2023	100.00%	941893M71
		10/15/2034	4.250%	290,000	10/15/2023	100.00%	941893M89
		10/15/2035	4.300%	290,000	10/15/2023	100.00%	941893M97
		10/15/2036	4.350%	290,000	10/15/2023	100.00%	941893N21
		10/15/2037	4.400%	290,000	10/15/2023	100.00%	941893N39
		10/15/2038	4.450%	290,000	10/15/2023	100.00%	941893N47
<b>Series B Total</b> .....				\$ 4,350,000			

<sup>1</sup> 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. 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 or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds 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.

Upon delivery of the Bonds, the proceeds of the Bonds will be placed in an irrevocable escrow deposit fund (the “Escrow Deposit Fund”) established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under an escrow agreement (the “Escrow Agreement”) to be dated as of the date of delivery between the Escrow Agent and the Town. The Escrow Agent will either hold such proceeds in the form of cash or use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the United States of America, which may include, without limitation, United States Treasury securities, United States Treasury State and Local Government Series securities (“SLGS”), Federal National Mortgage Association securities and Federal Home Loan Mortgage Corporation securities, or other investments permitted by Section 7-400 of the Connecticut General Statutes, as amended, all of which shall not be callable or prepayable at the option of the issuer thereof (the “Government Obligations”). The principal of and interest on the Government Obligations, when due, together with cash held in the Escrow Deposit Fund, will provide amounts sufficient to meet principal, interest and redemption payments on the Refunded Bonds on the dates such payments are due. All investment income on, and the maturing principal of, the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal of, interest and redemption prices, on the Refunded Bonds will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay certain costs of issuance, including Underwriter’s discount.

### **Verification of Mathematical Computations**

AMTEC of West Hartford, Connecticut (the “Verification Agent”) will verify from the information provided to it the mathematical accuracy as of the date of the closing on the Bonds of (1) the adequacy of the maturing principal amounts of the Government Obligations, together with interest income thereon, and uninvested cash, if any, set forth in the Underwriter’s schedules, will be sufficient to pay, when due, the principal, interest and applicable premium, if any, for the Refunded Bonds, (2) the computation of yield on the Series A Bonds and the Government Obligations contained in the provided schedules for purposes of determining compliance with certain requirements of the Code, and (3) net present value savings as contained in the provided schedules. AMTEC will express no opinion on the information and assumptions provided to it. Such verification, information and assumptions will be relied upon by Bond Counsel in rendering its opinions described herein.

### **Sources and Uses of Bond Proceeds:**

	<b>Series A</b>	<b>Series B</b>	<b>Total</b>
<b>Sources:</b>			
Par Amount of the Bonds .....	\$ 5,450,000.00	\$ 4,840,000.00	\$ 10,290,000.00
Net Original Issue Premium .....	481,803.50	-	481,803.50
<b>Total Sources .....</b>	<b>\$ 5,931,803.50</b>	<b>\$ 4,840,000.00</b>	<b>\$ 10,771,803.50</b>
<b>Uses:</b>			
Deposit to Escrow Deposit Fund .....	\$ 5,855,421.74	\$ 4,778,528.15	\$ 10,633,949.89
Costs of Issuance .....	49,131.76	37,271.85	86,403.61
Underwriter’s Discount .....	27,250.00	24,200.00	51,450.00
<b>Total Uses .....</b>	<b>\$ 5,931,803.50</b>	<b>\$ 4,840,000.00</b>	<b>\$ 10,771,803.50</b>

## **Tax Matters**

### **Tax Exemption of the Series A Bonds**

**Federal Taxes.** In the opinion of Bond Counsel, under existing law, (i) interest on the Series A 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.

Bond Counsel's opinion with respect to the Series A Bonds 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 Series A Bonds in order that interest on the Series A Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series A Bonds irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement with respect to the Series A Bonds, which will be delivered concurrently with the issuance of the Series A Bonds, 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 Series A Bond proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Series A Bonds 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 Series A Bonds.

**Original Issue Discount.** The initial public offering prices of certain maturities of the Series A 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 certain maturities of the Series A Bonds may be more than their stated principal amounts payable at maturity (the "OIP Bonds"). In general, an owner who purchases an OIP Bond 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 for federal income tax purposes. Prospective purchasers of OIP Bonds 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 Series A Bonds should be aware that ownership of the Series A Bonds 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 Series A Bonds should consult their tax advisors regarding collateral federal income tax consequences. Prospective purchasers of the Series A Bonds 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 Series A 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. Interest on the Series A Bonds 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 Series A Bonds 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 Series A Bonds.

**Changes in Federal and State Tax Law.** Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Series A Bonds will not have an adverse effect on the tax status of interest on the Series A Bonds or the market value or marketability of the Series A Bonds. 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 Series A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Series A Bonds should be aware that future legislative 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 Series A Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series A Bonds may be adversely affected and the ability of holders to sell their Series A Bonds in the secondary market may be reduced. The Series A Bonds are not subject to special mandatory redemption, and the interest rates on the Series A Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series A Bonds.

**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 Series A Bonds. Prospective owners of the Series A Bonds, 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 Series A Bonds.

### **Tax Status of the Series B Bonds**

**Federal Income Taxes.** In the opinion of Bond Counsel, under existing law, interest on the Series B Bonds is included in gross income for federal income tax purposes pursuant to the Code.

**United States Tax Consequences.** The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the Series B Bonds by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the Series B Bonds, and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Bond at its issue price, which is the first price at which a substantial amount of the Series B Bonds is sold to the public, and who hold Series B Bonds as "capital assets" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series B Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprising a bond and one or more other investments, or United States Holders (as defined below) that have a "functional currency" other than the United States dollar. This summary



is applicable only to a person (a “United States Holder”) who or that is the beneficial owner of Series B Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

### ***United States Holders***

***Payments of Stated Interest.*** In general, for a United States Holder, interest on a Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner’s method of accounting for tax purposes.

***Series B Bonds Purchased at a Market Discount.*** A Bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the Bond is less than the Bond’s adjusted issue price, unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the Bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service (“IRS”). If an election is made to include market discount in income currently, the tax basis of the Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elected to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the Bond in an amount not exceeding the accrued market discount on such Bond until maturity or disposition of the Bond.

Prospective United States Holders should consult their tax advisors regarding the federal, state and local tax consequences concerning the purchase, holding and disposition of a Bond purchased at a discount, whether at the date of original issue or subsequent thereto.

***Series B Bonds Purchased at Original Issue Premium.*** The initial public offering price of certain maturities of the Series B Bonds are greater than the principal amount payable on such Series B Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these Series B Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The offering prices relating to the yields set forth on the inside cover page of this Official Statement are expected to be the initial public offering prices at which a substantial amount of each maturity of the Series B Bonds were ultimately sold to the public. Under Section 171 of the Code, a holder of a Bond may elect to treat such excess as “amortizable bond premium”, in which case the amount of interest required to be included in the taxpayer’s income each year with respect to interest on the Bond will be reduced by the amount of amortizable bond premium allocable (based on the Bond’s yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer’s adjusted basis in the Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the IRS. Prospective United States Holders should consult their tax advisors regarding the federal, state and local tax consequences concerning the purchase, holding and disposition of a Bond purchased at a premium.

***Purchase, Sale, Exchange, and Retirement of Series B Bonds.*** A United States Holder’s tax basis in a Series B Bond generally will equal its cost, increased by any market discount included in the United States Holder’s income with respect to the Series B Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Series B Bonds. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Series B Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder’s tax adjusted basis in the Series B Bond. Except to the extent described above under *Series B Bonds Purchased at a Market Discount*, gain or loss

recognized on the sale, exchange or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the Bond was held for more than one year. The material modification of the terms of any Bond may result in a deemed reissuance thereof, in which event a United States Holder may recognize taxable gain or loss without any corresponding receipt of proceeds.

***Backup Withholding.*** United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Series B Bonds, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

***Medicare Tax Affecting United States Holders.*** For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) the United States Holder's "net investment income" for the taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold. A United States Holder's net investment income will generally include its interest income and its net gains from the disposition of the Series B Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A United States Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Medicare tax.

***Information Reporting.*** In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the Series B Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the Series B Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the IRS that it has failed properly to report payments of, interest and dividends, a backup withholding tax (currently at a rate of 24%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the Series B Bonds.

Any payments of interest and original issue discount on the Series B Bonds to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences of the purchase, ownership, and disposition of the Series B Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

## ***State Taxes***

In the opinion of Bond Counsel, under existing statutes, interest on the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Series B Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Prospective owners of the Series B Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Series B Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Series B Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

## ***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 or the interpretation thereof that may occur after the date of its opinion. The discussion above does not purport to address all aspects of federal, state or local taxation that may be relevant to a particular owner of a Bond. Prospective owners of the Series B Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Series B Bonds.

## ***Book-Entry-Only Transfer System***

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds 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 Standard & Poor’s highest 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds 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 the Bonds 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; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town 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 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 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 the 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 Bonds 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, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the 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 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 certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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 the Town 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 will 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***

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

## ***Security and Remedies***

The Bonds 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 when due. Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut statutes to levy ad valorem taxes on all taxable property in 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 or qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of the tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the Bonds 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.

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 or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefor or, in the absence thereof, to order the 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 may 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 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 in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

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

## ***Qualification for Financial Institutions***

The Series A Bonds shall 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.

## ***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 a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement ("Form of Continuing Disclosure Agreement"), 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 (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 underwriter's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the 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 past five years, the Town has not failed to comply in any material respect with its undertakings under such agreements.

## ***Ratings***

The Bonds have been rated "AA+" 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.

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 Insurance***

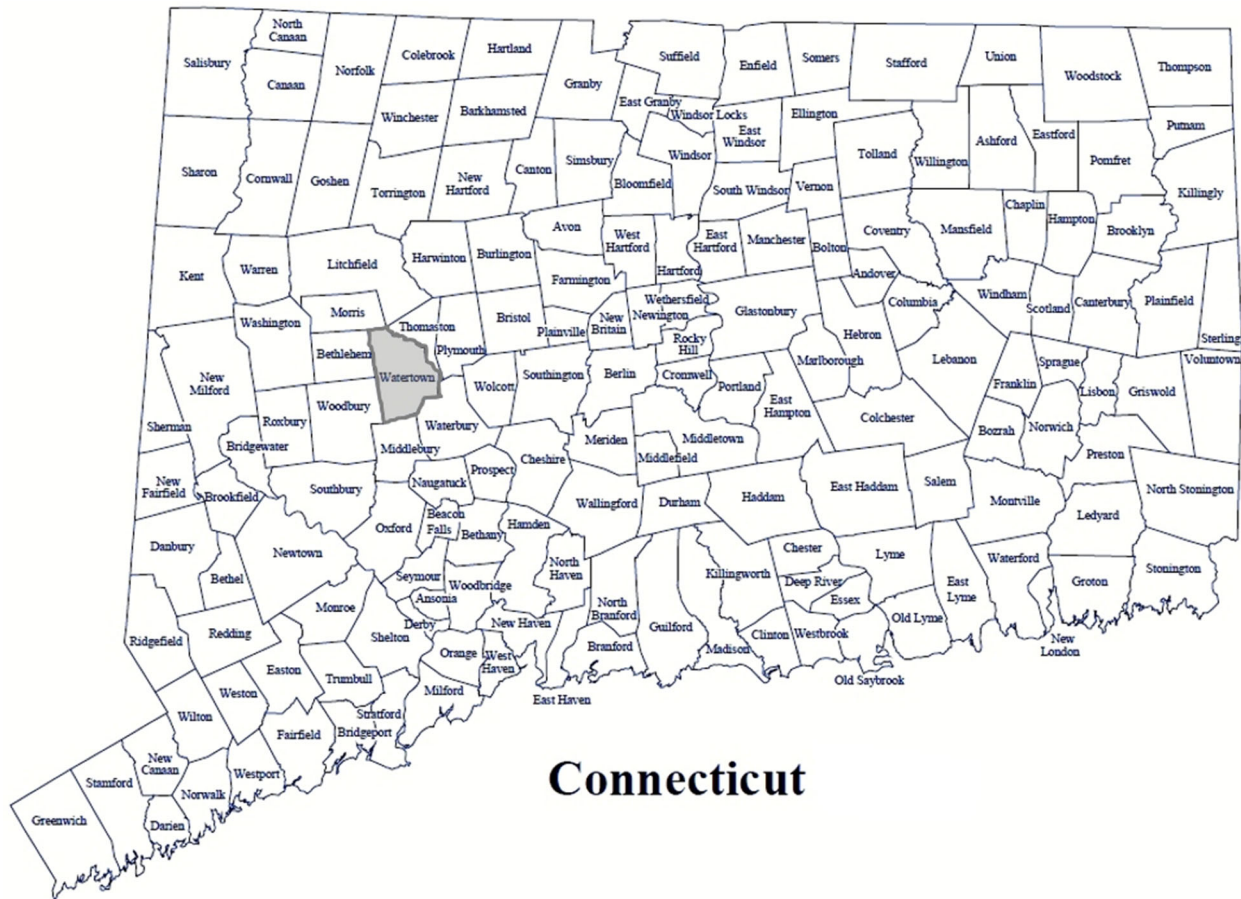
The Town does not expect to purchase a credit enhancement facility for the Bonds.

## ***Underwriting***

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter") pursuant to a bond purchase agreement with the Town (the "Bond Purchase Agreement"). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds from the Town at the net aggregate purchase price of \$5,904,553.50 (consisting of the par amount of \$5,450,000.00 plus original issue premium of \$481,803.50, less underwriter's discount of \$27,250.00). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed, subject to certain conditions, to purchase the Series B Bonds from the Town at the net aggregate purchase price of \$4,815,800.00 (consisting of the par amount of \$4,840,000.00 less underwriter's discount of \$24,200.00). The Underwriter will be obligated to purchase all of the Bonds, if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has entered into a distribution agreement (the "CS&Co. Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS&Co. Distribution Agreement, CS&Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

## ***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 2011. 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**

<b>Office</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Expiration of Term</b>
Chairman, Town Council.....	Mary Ann Rosa	Elected	23-Nov
Town Manager.....	Mark A. Raimo	Appointed	-
Finance Director.....	Susan E. Zappone	Appointed	-
Treasurer.....	Joan Mondak	Appointed	-
Tax Collector.....	Carla Hamel	Appointed	-
Assessor.....	Faith Richmond	Appointed	-
Town Clerk.....	Lisa Dalton	Elected	21-Nov
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 Watertown 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.

MIRA is required to accept and dispose of solid waste in accordance with the Municipal Services Agreement and with acceptable business standards. Each municipality retains the responsibility for the collection, disposal and treatment of solid waste which does not meet the requirements of or which MIRA refuses or is unable to accept under the Municipal Services Agreement.

MIRA is required to calculate and impose Service Payments for all solid waste accepted at the System, such that the aggregate of all such Service Payments received by MIRA shall be sufficient to pay for the net cost of operation of the System as defined in the Municipal Services Agreement. Service Payments shall be at a uniform rate per ton for all municipalities. If a municipality delivers less than its Minimum Commitment (as defined in the Municipal Services Agreement) such rate shall be applied to its Minimum Commitment amount. For fiscal year 2019-20, the Town's cost was \$81.35 per ton for municipal solid waste and was only valid until January 1, 2020 at which time it changed to \$92.00 per ton. MIRA does not accept bulky solid waste anymore, and is currently sent to Frost Bridge Associates, LLC at \$85.00 per ton. The Town does not currently have a contract with Frost Bridge Associates, LLC.



MIRA is required to submit bills to the participating municipalities on or before the fifteenth day following the end of a billing period. Municipalities are required to pay Service Payments within 30 days of the date of invoice.

**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 64 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.

## 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, 2020 was 2,609. The rated capacity of the system facilities is 4,037.

### School Enrollment

<b>School Year</b>	<b>Grades Pre-K - 6</b>	<b>Grades 7 - 8</b>	<b>Grades 9 - 12</b>	<b>Total</b>
<b>Historical</b>				
2011-12	1,625	506	944	3,075
2012-13	1,592	504	926	3,022
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
<b>Projected</b>				
2021-22	1,416	461	779	2,656
2022-23	1,403	456	772	2,631

Source: Town of Watertown, Board of Education.

### School Facilities

<b>School</b>	<b>Grades</b>	<b>Date of Construction (Latest Additions)</b>	<b>Type of Construction</b>	<b>Number of Classrooms</b>	<b>Enrollment as of 10/1/2020</b>	<b>Operating Capacity</b>
Watertown High School .....	9-12	1972	Brick	48	773	1,123
Swift Junior High School .....	6-8	1972	Brick	76	648	1,000
Judson Elementary School .....	3-5	1971	Brick	31	260	452
Polk Elementary School .....	3-5	1990	Brick	28	317	512
John Trumbull Primary School ....	Pre-K-2	2000	Brick	35	611	950
<b>Total .....</b>				218	2,609	4,037

## **Employee Relations and Collective Bargaining Municipal Employees**

	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
General Government .....	133	120	119	129	136
Board of Education .....	477	462	445	457	445
<b>Total .....</b>	<b>610</b>	<b>582</b>	<b>564</b>	<b>586</b>	<b>581</b>

## **Employee Relations**

<b>Bargaining Unit</b>	<b>Number of Members</b>	<b>Contract Expiration Date</b>
<b><u>General Government</u></b>		
American Fed. of State, County and Municipal Employees – Local 1303 - Highway.....	30	6/30/2022
American Fed. of State, County and Municipal Employees – Local 541 - Police.....	38	6/30/2022
The United Public Service Employees Union Unit 083 - Communications.....	10	6/30/2021
The United Public Service Employees Union - White Collar.....	36	6/30/2020 <sup>1</sup>
Connecticut State Employees Association/SEIU, Local 2001 - Supervisors.....	8	6/30/2022
Total Organized .....	122	
Non-Union .....	11	
<b>Sub-Total .....</b>	<b>133</b>	
<b><u>Board of Education</u></b>		
Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO.....	92	8/31/2022
Watertown Education Association.....	256	8/31/2021
American Federation of State, County and Municipal Employees – Local 1049.....	40	6/30/2021
American Federation of State, County and Municipal Employees – Local 1303.....	30	6/30/2021
Watertown Principals Association.....	14	6/30/2023
American Federation of State, County and Municipal Employees – Local 1049.....	27	6/30/2021
Watertown School Nurses Association.....	11	6/30/2021
Total Organized .....	470	
Non-Union .....	7	
<b>Sub-Total .....</b>	<b>477</b>	
<b>Total .....</b>	<b>610</b>	

<sup>1</sup> 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 teachers' contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less 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

<b>Year</b>	<b>Actual Population<sup>1</sup></b>	<b>% Increase</b>	<b>Density<sup>2</sup></b>
2019 <sup>3</sup>	21,751	-3.4%	729.9
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
1960	14,800	--	496.6

<sup>1</sup> U.S. Department of Commerce, Bureau of Census.

<sup>2</sup> Per square mile: 29.8 square miles.

<sup>3</sup> American Community Survey 2015-2019

#### Age Distribution of the Population

<b>Age</b>	<b>Town of Watertown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Under 5 years .....	953	4.4%	183,808	5.1%
5 to 9 years .....	1,168	5.4	198,000	5.5%
10 to 14 years .....	1,131	5.2	221,325	6.2%
15 to 19 years .....	1,057	4.9	244,249	6.8%
20 to 24 years .....	1,345	6.2	244,597	6.8%
25 to 34 years .....	2,692	12.4	441,742	12.4%
35 to 44 years .....	2,243	10.3	424,739	11.9%
45 to 54 years .....	3,679	16.9	508,428	14.2%
55 to 59 years .....	1,840	8.5	264,804	7.4%
60 to 64 years .....	1,484	6.8	242,329	6.8%
65 to 74 years .....	2,246	10.3	336,422	9.4%
75 to 84 years .....	1,260	5.8	174,887	4.9%
85 years and over .....	653	3.0	89,744	2.5%
<b>Total.....</b>	<b>21,751</b>	<b>100%</b>	<b>3,575,074</b>	<b>100%</b>
Median Age (Years) 2019.....	45.8		41.0	
Median Age (Years) 2010 <sup>1</sup> .....	42.4		40.0	

<sup>1</sup> U.S. Department of Commerce, Bureau of Census, 2010.

Source: American Community Survey 2015-2019

### Income Distribution

<b>Income</b>	<b>Town of Watertown</b>		<b>State of Connecticut</b>	
	<b>Families</b>	<b>Percent</b>	<b>Families</b>	<b>Percent</b>
\$ 0 - \$ 9,999.....	66	1.1%	24,799	2.8%
10,000 - 14,999.....	50	0.8	16,037	1.8%
15,000 - 24,999.....	57	1.0	38,364	4.3%
25,000 - 34,999.....	428	7.3	48,110	5.4%
35,000 - 49,999.....	442	7.5	77,010	8.6%
50,000 - 74,999.....	983	16.7	123,980	13.9%
75,000 - 99,999.....	925	15.7	116,676	13.1%
100,000 - 149,999.....	1,626	27.6	186,246	20.8%
150,000 - 199,999.....	546	9.3	109,258	12.2%
200,000 and over.....	764	13.0	152,958	17.1%
<b>Total.....</b>	<b>5,887</b>	<b>100.0%</b>	<b>893,438</b>	<b>100.0%</b>

Source: American Community Survey 2015-2019

### Income Levels

	<b>Town of Watertown</b>	<b>State of Connecticut</b>
Per Capita Income, 2019.....	\$ 41,419	\$ 44,496
Median Family Income, 2019.....	\$ 99,864	\$ 100,418
Median Household Income, 2019.....	\$ 79,576	\$ 78,444

Source: American Community Survey 2015-2019

### Educational Attainment Years of School Completed Age 25 and Over

	<b>Town of Watertown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th grade.....	607	3.8%	99,837	4.0%
9th to 12th grade.....	766	4.8	132,826	5.3
High School graduate.....	4,859	30.2	666,828	26.9
Some college, no degree.....	2,635	16.4	416,175	16.8
Associate's degree .....	1,793	11.1	191,964	7.7
Bachelor's degree.....	3,266	20.3	541,380	21.8
Graduate or professional degree.....	2,171	13.5	434,085	17.5
<b>Total.....</b>	<b>16,097</b>	<b>100.0%</b>	<b>2,483,095</b>	<b>100.0%</b>
Total high school graduate or higher (%).....		91.5%		90.6%
Total bachelor's degree or higher (%).....		33.8%		39.3%

Source: American Community Survey 2015-2019

**Major Employers  
As of April 2021**

<b>Employer</b>	<b>Type of Business</b>	<b>Approximate Number of Employees</b>
The Siemon Company.....	Manufacturer	300
ALBEA.....	Manufacturer	300
Emerson Automated Solutions.....	Manufacturer	300
The Taft School.....	Private school	235
Super Stop & Shop.....	Supermarket	210
PM Engineered Solutions.....	Manufacturer	191
Braxton Manufacturing.....	Manufacturer	180
Crystal Rock.....	Manufacturer	175
Apple Rehab.....	Healthcare	138
Global Steering System.....	Manufacturer	130

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

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

<b>Sector</b>	<b>Town of Watertown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Agriculture, forestry, fishing and hunting, and mining.....	62	0.5%	7,057	0.4%
Construction.....	591	4.9	109,467	6.0
Manufacturing.....	1,492	12.4	189,162	10.4
Wholesale trade.....	173	1.4	44,344	2.4
Retail trade.....	1,509	12.5	191,756	10.6
Transportation warehousing, and utilities.....	523	4.3	76,439	4.2
Information.....	202	1.7	39,585	2.2
Finance, insurance, real estate, and leasing...	740	6.1	162,153	8.9
Professional, scientific, management, administrative, and waste management.....	972	8.0	208,379	11.5
Education, health and social services.....	3,752	31.1	484,166	26.7
Arts, entertainment, recreation, accommodation and food services.....	853	7.1	152,041	8.4
Other services (except public admin.).....	748	6.2	84,915	4.7
Public Administration.....	463	3.8	66,172	3.6
<b>Total Labor Force, Employed.....</b>	<b>12,080</b>	<b>100.0%</b>	<b>1,815,636</b>	<b>100.0%</b>

*Source: American Community Survey 2015-2019*

### **Employment Data By Place of Residence**

<b>Period</b>	<b>Town of Watertown</b>		<b>Percentage Unemployed</b>		
	<b>Employed</b>	<b>Unemployed</b>	<b>Town of Watertown</b>	<b>Waterbury Labor Market</b>	<b>State of Connecticut</b>
February 2021.....	10,677	835	7.3	10.1	8.5
<b>Annual Average</b>					
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
2012.....	10,965	795	6.8	9.2	8.3
2011.....	11,226	1,069	8.7	11.6	8.8

Source: State of Connecticut, Department of Labor.

### **Age Distribution of Housing**

<b>Year Built</b>	<b>Town of Watertown</b>		<b>State of Connecticut</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
1939 or earlier.....	1,575	17.5%	334,845	22.1%
1940 to 1969.....	3,427	38.0	532,280	35.1
1970 to 1979.....	1,508	16.7	203,700	13.4
1980 to 1989.....	890	9.9	188,655	12.4
1990 to 1999.....	752	8.3	116,028	7.7
2000 or 2009.....	652	7.2	103,075	6.8
2010 or later.....	209	2.3	38,046	2.5
<b>Total Housing Units .....</b>	<b>9,013</b>	<b>100.0%</b>	<b>1,516,629</b>	<b>100.0%</b>

Source: American Community Survey 2015-2019

### **Housing Inventory**

<b>Housing Units</b>	<b>Town of Watertown</b>		<b>State of Connecticut</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
1-unit, detached.....	7,077	78.5%	893,531	58.9%
1-unit, attached.....	209	2.3	81,832	5.4
2 units.....	622	6.9	124,082	8.2
3 or 4 units.....	709	7.9	130,863	8.6
5 to 9 units.....	269	3.0	82,695	5.5
10 to 19 units.....	49	0.5	57,281	3.8
20 or more units.....	78	0.9	134,093	8.8
Mobile home.....	-	-	11,826	0.8
Boat, RV, van, etc.....	-	-	426	0.0
<b>Total Inventory.....</b>	<b>9,013</b>	<b>100.0%</b>	<b>1,516,629</b>	<b>100.0%</b>

Source: American Community Survey 2015-2019

### Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	122	1.8%	17,522	1.9%
\$50,000 to \$99,000.....	131	1.9	28,440	3.1
\$100,000 to \$149,999.....	568	8.4	78,467	8.7
\$150,000 to \$199,000.....	1,435	21.3	137,944	15.2
\$200,000 to \$299,999.....	2,737	40.6	248,431	27.4
\$300,000 to \$499,999.....	1,411	21.0	244,855	27.0
\$500,000 to \$999,999.....	288	4.3	107,504	11.9
\$1,000,000 or more.....	43	0.6	42,518	4.7
<b>Total.....</b>	<b>6,735</b>	<b>100.0%</b>	<b>905,681</b>	<b>100.0%</b>
<b>Median Value.....</b>	<b>\$234,900</b>		<b>\$275,400</b>	

Source: American Community Survey 2015-2019

### Building Permits

Ending 6/30	Residential		Commercial / Industrial		Other		All Categories	
	No.	Value	No.	Value	No.	Value	No.	Value
2021 <sup>1</sup>	79	\$ 2,730,284	17	\$ 705,151	697	\$ 10,247,869	793	\$ 13,683,304
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
2013	184	7,924,437	39	4,115,165	2,230	15,490,639	2,453	27,530,241
2012	207	8,047,756	19	1,054,105	1,208	5,822,305	1,434	14,924,166

<sup>1</sup> As of December 31, 2020.

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 October 1, 2018 (the fiscal year ending June 30, 2020), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 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, 2021 is 33.19 mills.

For the fiscal year ending June 30, 2020, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 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 (%)						
2020	65.9	13.0	0.2	10.0	10.9	\$ 1,944,348	\$ 85,877	\$ 1,858,471	0.18%
2019	66.6	13.1	0.2	10.0	10.1	1,924,732	69,640	1,855,092	1.07
2018 <sup>1</sup>	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 <sup>1</sup>	69.3	13.1	0.1	7.5	10.0	1,773,933	55,272	1,718,661	(12.24)
2012	72.9	11.8	0.1	6.5	8.7	2,007,488	49,217	1,958,271	0.81
2011	72.8	11.9	0.1	6.7	8.5	2,002,926	60,477	1,942,449	1.00

<sup>1</sup> 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 6/30/2020
2021	2019	\$ 1,855,092	33.19	\$ 60,832,438	IN COLLECTION		
2020 <sup>1</sup>	2018	1,835,363	33.19	60,609,506	99.01%	0.99%	0.99%
	2017	1,771,996	33.59	59,521,344	98.93%	1.07%	0.40%
	2016	1,767,974	31.88	56,356,316	98.56%	1.44%	0.19%
	2015	1,745,276	30.89	53,911,545	98.62%	1.38%	0.10%
	2014	1,737,686	30.10	52,539,751	98.71%	1.29%	0.08%
	2013 <sup>1</sup>	1,718,661	29.12	50,047,408	99.36%	0.64%	0.06%
	2012	1,958,271	25.09	49,217,960	98.80%	1.20%	0.05%
	2011	1,942,449	24.23	47,146,848	98.37%	1.63%	0.04%
	2010	1,923,262	23.32	44,928,338	98.53%	1.47%	0.02%

<sup>1</sup> Revaluation.

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

### **Property Tax Receivables**

<b>Fiscal Year</b>	<b>Current Year Levy</b>	<b>Total</b>
<b>Ending 6/30</b>	<b>Uncollected</b>	<b>Uncollected</b>
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
2012	671,301	1,117,865
2011	625,854	982,505

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

### **Ten Largest Taxpayers**

<b>Name</b>	<b>Nature of Business</b>	<b>Taxable Valuation</b>	<b>Percent of Net Taxable Grand List <sup>1</sup></b>
Connecticut Light & Power.....	Utility	\$ 58,891,000	3.17%
JSD Partners.....	Manufacturing	7,441,000	0.40%
Greenbriar Associates, LLC.....	Real Estate	7,406,000	0.40%
Yankee Gas Services .....	Utility	6,908,000	0.37%
The Siemon Company.....	Manufacturing	6,526,000	0.35%
Siemon Realty Company.....	Real Estate	6,526,000	0.35%
Straits Commercial Assoc. LTD.....	Supermarket	6,994,000	0.38%
Global Steering System.....	Manufacturing	5,669,000	0.31%
United Parcel Services.....	Shipping	4,442,000	0.24%
ACAR Leasing.....	Auto Dealership	4,442,000	0.24%
<b>Total.....</b>		<b>\$ 115,245,000</b>	<b>6.20%</b>

<sup>1</sup> Based on October 1, 2020 Net Taxable Grand List of \$1,858,471,000.

Source: Tax Assessor, Town of Watertown

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**V. Debt Summary**  
**Principal Amount of Indebtedness**  
**As of May 19, 2021**  
**(Pro Forma)**

**Long-Term Debt**<sup>1</sup>

<b>Dated</b>	<b>Purpose</b>	<b>Rate %</b>	<b>Amount of Original Issue</b>	<b>Outstanding After This Issue</b>	<b>Final Maturity</b>
08/27/09	Public Improvement .....	3.00–5.00	\$ 6,290,000	\$ 500,000	2022
08/27/09	School .....	3.00–5.00	11,160,000	210,000	2022
08/27/09	Sewer .....	3.00–5.00	470,000	35,000	2022
08/27/09	Water .....	3.00–5.00	840,000	105,000	2022
05/29/12	Public Improvement .....	2.00–3.00	652,400	478,200	2027
05/29/12	School .....	2.00–3.00	8,433,300	7,460,800	2029
05/29/12	Sewer .....	2.00–3.00	419,300	326,000	2029
02/15/13	School .....	2.50–4.50	8,549,700	6,535,000	2033
02/15/13	Sewer .....	2.50–4.50	50,300	40,000	2025
03/26/15	Public Improvement .....	2.00–4.00	3,000,000	2,120,000	2035
04/30/15	Refunding - Series B (Schools) .....	2.00–4.00	5,550,000	3,320,000	2029
04/30/15	Refunding - Series C (Sewer) .....	1.50–3.00	715,000	355,000	2027
04/25/17	Public Improvement .....	2.00–2.75	550,000	400,000	2029
04/25/17	School .....	2.00–2.75	525,000	400,000	2029
10/25/18	Public Improvement - Series A.....	4.00–5.00	7,500,000	7,105,000	2039
10/25/18	Sewer - Series A.....	4.00–5.00	2,140,000	2,027,000	2039
10/25/18	Water - Series A.....	4.00–5.00	1,360,000	1,288,000	2039
10/25/18	School - Series B (Taxable) .....	4.00–5.00	5,810,000	870,000	2024
10/24/19	Public Improvement .....	2.50–5.00	4,370,000	4,370,000	2041
10/24/19	Sewer .....	2.50–5.00	1,730,000	1,730,000	2041
10/24/19	Water .....	2.50–5.00	1,100,000	1,100,000	2041
10/23/20	Public Improvement .....	1.00–4.00	6,000,000	6,000,000	2042
<b>Total.....</b>			<b>\$ 77,215,000</b>	<b>\$ 46,775,000</b>	
<b><u>This Issue</u></b>					
05/19/21	Public Improvement - Series A.....	4.00	\$ 1,445,000	\$ 1,445,000	2026
05/19/21	School - Series A.....	4.00	3,690,000	3,690,000	2028
05/19/21	Sewer - Series A.....	4.00	82,000	82,000	2024
05/19/21	Water - Series A.....	4.00	233,000	233,000	2024
05/19/21	School - Series B (Taxable).....	0.25–2.65	4,840,000	4,840,000	2039
<b>Sub-Total This Issue.....</b>			<b>\$ 10,290,000</b>	<b>\$ 10,290,000</b>	
<b>Total.....</b>			<b>\$ 87,505,000</b>	<b>\$ 57,065,000</b>	

<sup>1</sup> Excludes refunded bonds.

**Short-Term Debt**  
**As of May 19, 2021**  
**(Pro Forma)**

As of May 19, 2021, the Town does not have any outstanding short-term debt.

**Annual Bonded Debt Maturity Schedule <sup>1</sup>**  
**As of May 19, 2021**  
**(Pro Forma)**

<b>Fiscal Year Ended 6/30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>	<b>This Issue:</b>		<b>Total Principal</b>	<b>Cumulative Principal Retired %</b>
				<b>Series A Bonds</b>	<b>Series B Bonds</b>		
2022	\$ 4,520,000	\$ 1,565,168	\$ 6,085,168	\$ 690,000	\$ -	\$ 5,210,000	9.13%
2023	3,975,000	1,391,131	5,366,131	1,490,000	90,000	5,555,000	18.86%
2024	3,975,000	1,227,094	5,202,094	1,485,000	90,000	5,550,000	28.59%
2025	3,680,000	1,075,044	4,755,044	935,000	375,000	4,990,000	37.33%
2026	3,645,000	949,513	4,594,513	630,000	365,000	4,640,000	45.47%
2027	3,620,000	825,488	4,445,488	110,000	355,000	4,085,000	52.62%
2028	3,375,000	701,288	4,076,288	110,000	350,000	3,835,000	59.34%
2029	3,095,000	585,038	3,680,038	-	320,000	3,415,000	65.33%
2030	2,165,000	487,913	2,652,913	-	315,000	2,480,000	69.67%
2031	1,800,000	424,813	2,224,813	-	310,000	2,110,000	73.37%
2032	1,795,000	368,688	2,163,688	-	305,000	2,100,000	77.05%
2033	1,790,000	314,138	2,104,138	-	300,000	2,090,000	80.71%
2034	1,390,000	259,250	1,649,250	-	290,000	1,680,000	83.66%
2035	1,390,000	216,063	1,606,063	-	285,000	1,675,000	86.59%
2036	1,235,000	172,750	1,407,750	-	280,000	1,515,000	89.25%
2037	1,235,000	134,075	1,369,075	-	275,000	1,510,000	91.90%
2038	1,235,000	94,800	1,329,800	-	270,000	1,505,000	94.53%
2039	1,235,000	55,900	1,290,900	-	265,000	1,500,000	97.16%
2040	660,000	29,175	689,175	-	-	660,000	98.32%
2041	660,000	13,725	673,725	-	-	660,000	99.47%
2042	300,000	3,000	303,000	-	-	300,000	100.00%
<b>Total.....</b>	<b>\$ 46,775,000</b>	<b>\$ 10,894,054</b>	<b>\$ 57,669,054</b>	<b>\$ 5,450,000</b>	<b>\$ 4,840,000</b>	<b>\$ 57,065,000</b>	

<sup>1</sup> Excludes refunded bonds.

**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 May 19, 2021**  
**(Pro Forma)**

**Long-Term Debt Outstanding:** <sup>1</sup>

General Purpose (Includes this issue).....	\$ 22,418,200
Schools (Includes this issue).....	27,325,800
Sewer (Includes this issue).....	4,595,000
Water (Includes this issue).....	2,726,000
<b>Total Long-Term Debt</b> .....	<b>57,065,000</b>
<b>Short-Term Debt</b> .....	<b>-</b>
<b>Total Direct Debt</b> .....	<b>57,065,000</b>
Less: School Construction Grants Receivable (As of June 30, 2020) <sup>2</sup> .....	-
Less: Self-Supporting Sewer Debt .....	-
<b>Total Direct Net Debt</b> .....	<b>57,065,000</b>
<b>Overlapping/Underlying Debt</b> .....	<b>-</b>
<b>Total Overall Net Debt</b> .....	<b>\$ 57,065,000</b>

<sup>1</sup> Excludes refunded bonds.

<sup>2</sup> 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 May 19, 2021**  
**(Pro Forma)**

Population <sup>1</sup> .....	21,751
Net Taxable Grand List at 70% of Full Value (10/1/20) .....	\$ 1,858,471,000
Estimated Full Value .....	\$ 2,654,958,571
Equalized Net Taxable Grand List (10/1/18) <sup>2</sup> .....	\$ 2,621,860,887
Money Income per Capita (2019) <sup>1</sup> .....	\$ 41,419

	<b>Total Direct Debt: \$57,065,000</b>	<b>Total Net Direct Debt / Overall Net Debt: \$57,065,000</b>
Debt per Capita.....	\$2,623.56	\$2,623.56
Ratio to Net Taxable Grand List.....	3.07%	3.07%
Ratio to Estimated Full Value.....	2.15%	2.15%
Ratio to Equalized Grand List.....	2.18%	2.18%
Debt per Capita to Money Income per Capita.....	6.33%	6.33%

<sup>1</sup> American Community Survey 2015-2019.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

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## ***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 the end of the third year 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 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 by which temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their 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 sewer 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 following the original date of issue (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 Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and 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 levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

**Statement of Debt Limitation**  
**As of May 19, 2021**  
**(Pro Forma)**

**Total Tax Collections** (including interest and lien fees)

For the year ended June 30, 2020 <sup>1</sup>..... \$ 60,301,677

**Reimbursement For Revenue Loss:**

Tax relief for elderly..... 2,200

**Base for Debt Limitation Computation**..... \$ 60,303,877

	<b>General Purpose</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Unfunded Pension</b>
<b>Debt Limitation:</b>					
2 1/4 times base.....	\$ 135,683,723	-	-	-	-
4 1/2 times base.....	-	\$ 271,367,447	-	-	-
3 3/4 times base.....	-	-	\$ 226,139,539	-	-
3 1/4 times base.....	-	-	-	\$ 195,987,600	-
3 times base.....	-	-	-	-	\$ 180,911,631
<b>Total Debt Limitation</b> .....	\$ 135,683,723	\$ 271,367,447	\$ 226,139,539	\$ 195,987,600	\$ 180,911,631

**Indebtedness:**

Bonds Outstanding <sup>2</sup> .....	\$ 20,973,200	\$ 18,795,800	\$ 4,513,000	\$ -	\$ -
Bonds (This Issue) <sup>3</sup> .....	1,445,000	8,530,000	82,000	-	-
Debt Authorized But Unissued .....	2,177,672	2,449,254	36,980	-	-
<b>Total Indebtedness</b> .....	24,595,872	29,775,054	4,631,980	-	-

Less:

State School Grants Receivable <sup>4</sup> .....	-	-	-	-	-
Self-Supporting Debt .....	-	-	-	-	-

**Total Net Indebtedness**..... 24,595,872 29,775,054 4,631,980 - -

**DEBT LIMITATION IN EXCESS**

**OF OUTSTANDING INDEBTEDNESS**..... \$ 111,087,851 \$ 241,592,393 \$ 221,507,559 \$ 195,987,600 \$ 180,911,631

<sup>1</sup> Excludes tax collections of coterminous municipalities.

<sup>2</sup> Excludes refunded bonds.

<sup>3</sup> Excludes \$2,493,000 of outstanding water bonds and \$215,000 of water bonds from this issue as allowed under the Connecticut General Statutes.

<sup>4</sup> 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.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$422,127,139.

**Authorized but Unissued Debt**  
**As of May 19, 2021**  
**(Pro Forma)**

<b>Project</b>	<b>Aggregate Amount Authorized</b>	<b>Bonds Issued</b>	<b>Grants / Paydowns</b>	<b>Authorized but Unissued</b>
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
<b>Total</b> .....	\$ 140,326,791	\$ 77,345,000	\$ 58,317,665	\$ 4,664,126



## 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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value (000s)</b>	<b>Estimated Full Value <sup>1</sup> (000s)</b>	<b>Net Long-Term Debt (000s)</b>	<b>Ratio of Net Long-Term Debt to Assessed Value (%)</b>	<b>Ratio of Long-Term Debt to Estimated Full Value (%)</b>	<b>Population <sup>2</sup></b>	<b>Net Long-Term Debt per Capita</b>	<b>Ratio of Net Long-Term Debt per Capita to Per Capita Income <sup>3</sup> (%)</b>
2020	\$ 1,835,363	\$ 2,621,947	\$ 60,890	3.32%	2.32%	21,751	\$ 2,799.41	6.76%
2019	1,771,996	2,531,423	53,455	3.02%	2.11%	21,751	2,457.59	5.93%
2018	1,767,974	2,525,677	41,765	2.36%	1.65%	21,751	1,920.14	4.64%
2017	1,745,276	2,493,251	46,795	2.68%	1.88%	21,751	2,151.40	5.19%
2016	1,737,686	2,482,409	50,675	2.92%	2.04%	21,751	2,329.78	5.62%

<sup>1</sup> Assessment Ratio: 70%.

<sup>2</sup> American Community Survey, 2015-2019.

<sup>3</sup> Money Income per Capita: American Community Survey 2015-2019 data: \$41,419 used for all calculations.

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

<b>Fiscal Year Ended 6/30</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures <sup>1</sup></b>	<b>Ratio of General Fund Debt Service To Total General Fund Expenditures</b>
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%
2013	6,811,471	69,222,035	9.84%
2012	7,345,894	66,627,690	11.03%
2011	7,103,314	61,826,647	11.49%

<sup>1</sup> GAAP basis of accounting. Includes Transfers out.

Source: Annual Audited Financial Statements.

## ***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, 2020. The budgeted fiscal year 2020–21 annual required contributions ("ARCs") is \$721,026 for the Town Retirement System and \$1,165,983 for the Police Benefit Fund for a total ARC of \$1,887,009. 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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>		<b>Actuarial Accrued Liability (AAL)</b>		<b>Overfunded (Unfunded)</b>	<b>Funded Ratio</b>
	<b>(a)</b>		<b>(b)</b>		<b>AAL (b-a)</b>	<b>(a/b)</b>
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%
1/1/2017		21,480,644		24,680,632	(3,199,988)	87.0%
1/1/2016		20,832,645		22,908,314	(2,075,669)	90.9%

<b>Fiscal Year Ended</b>	<b>Actual Contribution</b>		<b>Annual Required Contribution (ARC)</b>		<b>% of ARC Contributed</b>
6/30/2021 <sup>1</sup>	\$	721,026	\$	721,026	100.0%
6/30/2020		702,930		702,930	100.0%
6/30/2019		606,363		606,363	100.0%
6/30/2018		538,056		538,056	100.0%
6/30/2017		446,566		446,566	100.0%

<sup>1</sup> Budgeted amounts.

## 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 Value of Assets		Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL	Funded Ratio	
Actuarial Valuation Date	(a)		(b)	(b-a)	(a/b)	
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%
1/1/2017		20,986,225		27,901,430	(6,915,205)	75.2%
1/1/2016		18,993,727		26,105,796	(7,112,069)	72.8%

<b>Fiscal Year Ended</b>	<b>Annual Required</b>		
	<b>Actual Contribution</b>	<b>Contribution (ARC)</b>	<b>% of ARC Contributed</b>
6/30/2021 <sup>1</sup>	\$ 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%
6/30/2018	980,141	980,141	100.0%
6/30/2017	981,681	981,681	100.0%

<sup>1</sup> Budgeted amounts.

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, 2020 containing information to assist the Town in meeting the requirements of GASB 67. These reports indicated the following results as of June 30, 2020 in accordance with GASB 67:

	<b><i>Town</i></b>	<b><i>Police</i></b>
Total Pension Liability .....	\$ 28,786,797	\$ 32,925,053
Plan Fiduciary Net Position .....	23,290,794	23,336,546
Total Net Pension Liability .....	<u>\$ 5,496,003</u>	<u>\$ 9,588,507</u>
Plan Fiduciary Net Position as a		
Percentage of the Total Pension Liability ....	80.91%	70.88%
Covered Payroll.....	\$ 5,689,468	\$ 3,299,771
Net Pension Liability as a Percentage		
of Covered Payroll.....	96.60%	290.58%

The report for the Town of Watertown Retirement Income Program as of June 30, 2020 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:

	<b><i>1% Decrease</i></b>	<b><i>Current</i></b>	<b><i>1% Increase</i></b>
	<b><i>(6.00%)</i></b>	<b><i>Discount Rate</i></b>	<b><i>(8.00%)</i></b>
		<b><i>(7.00%)</i></b>	
Town Net Pension Liability .....	\$ 6,563,387	\$ 5,496,003	\$ 1,462,658

The report for the Town of Watertown Police Retirement Income Program as of June 30, 2020 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:

	<b><i>1% Decrease</i></b>	<b><i>Current</i></b>	<b><i>1% Increase</i></b>
	<b><i>(6.00%)</i></b>	<b><i>Discount Rate</i></b>	<b><i>(8.00%)</i></b>
		<b><i>(7.00%)</i></b>	
Police Net Pension Liability .....	\$ 12,129,035	\$ 9,588,507	\$ 5,339,619

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 \$86,315,736 was measured as of June 30, 2020 and was determined by an actuarial valuation as of January 1, 2018. The following table shows the changes in Net OPEB Liability:

	<b><i>Increase (Decrease)</i></b>		
	<b><i>Total OPEB Liability</i></b>	<b><i>Plan Fiduciary Net Position</i></b>	<b><i>Net OPEB Liability</i></b>
	<b><i>(a)</i></b>	<b><i>(b)</i></b>	<b><i>(a) - (b)</i></b>
Balance at June 30, 2019.....	\$ 84,902,741	\$ 1,445	\$ 84,901,296
Changes for the Year			
Service Cost.....	2,831,861	-	2,831,861
Interest.....	2,375,885	-	2,375,885
Change in Assumptions.....	-	-	-
Differences Between Expected and Actual Experience.....	(1,098,876)	-	(1,098,876)
Net Investment Income.....	-	1	(1)
Employer Contributions.....	-	2,695,875	(2,695,875)
Benefit Payments Including Implicit Costs....	(2,695,875)	(2,695,875)	-
Net Changes.....	1,412,995	1	1,412,994
Balance at June 30, 2020.....	\$ 86,315,736	\$ 1,446	\$ 86,314,290

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 2019-2020 totaled \$6,980,358 and the Town contributed \$2,695,875.

	<b><i>2020</i></b>	<b><i>2019</i></b>	<b><i>2018</i></b>	<b><i>2017</i></b>	<b><i>2016</i></b>
Actuarially Determined Contribution.....	\$ 6,980,358	\$ 6,235,663	\$ 5,199,688	\$ 4,632,000	\$ 3,657,120
Contributions in Relation to the Actuarially Determined Contribution.....	2,695,875	2,542,856	2,089,308	1,906,242	1,254,259
Contribution Deficiency (Excess).....	\$ 4,284,483	\$ 3,692,807	\$ 3,110,380	\$ 2,725,758	\$ 2,402,861
Contributions as a Percentage of ADC.....	38.62%	40.78%	40.18%	41.15%	34.30%
Covered Payroll.....	\$ 26,454,361	\$ 25,683,844	\$ 28,286,748	N/A	N/A
Contributions as a Percentage of Covered Payroll.....	10.19%	9.90%	7.39%	N/A	N/A

***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, 2020, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	<b>Current</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>1.75%</b>	<b>2.75%</b>	<b>3.75%</b>
Total OPEB Liability .....	\$ 101,514,078	\$ 86,315,736	\$ 74,975,509
Plan Fiduciary Net Position .....	1,446	1,446	1,446
Net OPEB Liability .....	\$ 101,512,632	\$ 86,314,290	\$ 74,974,063

***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, 2020, 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:

	<b>Current</b>		
	<b>1% Decrease</b>	<b>Trend Rate</b>	<b>1% Increase</b>
	<b>3.50%</b>	<b>4.50%</b>	<b>5.50%</b>
Total OPEB Liability .....	\$ 73,396,368	\$ 86,315,736	\$ 102,920,381
Plan Fiduciary Net Position .....	1,446	1,446	1,446
Net OPEB Liability .....	\$ 73,394,922	\$ 86,314,290	\$ 102,918,935

## ***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

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
<b>Assets</b>					
Cash and Cash Equivalents .....	\$ 11,299,188	\$ 9,543,857	\$ 7,138,757	\$ 8,426,206	\$ 10,803,217
Receivables .....	1,130,756	2,729,138	2,859,452	3,525,348	4,052,392
Pre-Paid Expenses .....	-	-	-	-	-
Due From Other funds .....	-	9,946	227,143	9,946	9,946
<b>Total Assets</b> .....	<b>12,429,944</b>	<b>12,282,941</b>	<b>10,225,352</b>	<b>11,961,500</b>	<b>14,865,555</b>
<b>Liabilities and Fund Balances</b>					
Accounts Payable .....	2,773,408	2,786,173	2,677,776	2,240,289	568,499
Accrued Payroll & Related .....	-	-	-	-	1,725,456
Unearned Revenue .....	-	-	189,267	582,209	595,760
Deferred Revenue .....	-	-	-	-	-
<b>Total Liabilities</b> .....	<b>2,773,408</b>	<b>2,786,173</b>	<b>2,867,043</b>	<b>2,822,498</b>	<b>2,889,715</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues .....	1,796,508	2,061,175	2,341,490	3,144,753	3,492,126
<b>Total Deferred Inflows of Resources</b> ..	<b>1,796,508</b>	<b>2,061,175</b>	<b>2,341,490</b>	<b>3,144,753</b>	<b>3,492,126</b>
<b>Fund Balances</b>					
Nonspendable .....	-	-	-	-	-
Restricted .....	-	-	-	-	-
Committed .....	-	-	-	-	-
Assigned .....	378,240	637,537	932,456	691,815	467,589
Unassigned .....	8,778,391	6,798,056	4,084,363	5,302,434	8,016,125
<b>Total Fund Balance</b> .....	<b>9,156,631</b>	<b>7,435,593</b>	<b>5,016,819</b>	<b>5,994,249</b>	<b>8,483,714</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b> .....	<b>13,726,547</b>	<b>12,282,941</b>	<b>10,225,352</b>	<b>11,961,500</b>	<b>14,865,555</b>
<b>Analysis of General Fund Balance</b>					
Operating Revenues .....	\$ 84,103,888	\$ 84,431,700	\$ 77,734,578	\$ 76,021,126	\$ 74,942,672
Fund balance as a percent of operating revenues .....	10.89%	8.81%	6.45%	7.88%	11.32%
Unassigned fund balance as a percent of operating revenues .....	10.44%	8.05%	5.25%	6.97%	10.70%



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

	<b>Budget 6/30/2021 <sup>1</sup></b>	<b>Actual 6/30/2020</b>	<b>Actual 6/30/2019</b>	<b>Actual 6/30/2018</b>	<b>Actual 6/30/2017</b>
<b>Revenues:</b>					
Property taxes .....	\$ 62,258,596	\$ 61,859,812	\$ 60,394,025	\$ 57,033,466	\$ 54,558,200
Intergovernmental revenues .....	12,580,058	19,430,928	20,855,266	18,029,819	18,993,022
Departmental revenues .....	2,636,041	2,380,059	2,710,086	2,266,955	2,157,916
Investment income .....	195,000	185,457	204,616	157,565	64,859
Other revenue .....	-	247,632	267,707	246,773	247,129
<b>Total.....</b>	<b>77,669,695</b>	<b>84,103,888</b>	<b>84,431,700</b>	<b>77,734,578</b>	<b>76,021,126</b>
<b>Expenditures:</b>					
General Government .....	2,816,586	2,741,575	2,696,693	2,645,002	2,743,069
Public Safety .....	6,348,764	5,805,325	5,583,686	5,847,363	5,558,464
Public Works .....	3,939,455	3,477,942	4,996,564	3,529,693	3,293,044
Parks and Recreation .....	1,033,044	932,696	878,238	922,979	893,017
Health and Welfare .....	124,409	148,186	150,214	145,834	144,276
Education .....	46,578,590	51,843,047	50,988,786	49,204,235	48,887,757
Debt Service .....	6,557,307	7,165,456	6,993,692	7,060,936	7,258,827
Capital Outlay .....	-	462,260	407,108	243,602	752,684
Other .....	10,271,540	10,126,796	9,804,626	9,412,375	9,538,802
<b>Total.....</b>	<b>77,669,695</b>	<b>82,703,283</b>	<b>82,499,607</b>	<b>79,012,019</b>	<b>79,069,940</b>
<b>Excess (Deficiency) of Revenues Over Expenditures.....</b>					
	-	1,400,605	1,932,093	(1,277,441)	(3,048,814)
<b>Other financing sources (uses):</b>					
Issuance of Refunding Bonds .....	-	-	-	-	-
Bond Premium.....	1,025,076	-	-	-	28,346
Bond Proceeds .....	-	-	-	-	550,000
Deposit to Escrow & Costs of Debt Issuance ..	-	-	-	-	-
Capital Lease Proceeds .....	-	462,260	407,108	243,602	202,762
Operating Transfers In .....	-	128,800	277,165	216,002	114,775
Operating Transfers Out .....	-	(270,627)	(197,592)	(159,593)	(336,534)
<b>Total Other financing sources (uses).....</b>	<b>1,025,076</b>	<b>320,433</b>	<b>486,681</b>	<b>300,011</b>	<b>559,349</b>
<b>Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....</b>					
	1,025,076	1,721,038	2,418,774	(977,430)	(2,489,465)
<b>Fund Balance, Beginning of Year.....</b>	<b>9,156,631</b>	<b>7,435,593</b>	<b>5,016,819</b>	<b>5,994,249</b>	<b>8,483,714</b>
<b>Fund Balance, End of Year.....</b>	<b>\$ 10,181,707</b>	<b>\$ 9,156,631</b>	<b>\$ 7,435,593</b>	<b>\$ 5,016,819</b>	<b>\$ 5,994,249</b>

<sup>1</sup> Budgetary Basis of accounting.

## ***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 underwriter will be furnished the following documents when the Bonds are delivered:

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds 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 and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the Bond Purchase Agreement is executed, 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. A receipt for the purchase price of the Bonds.
4. The approving opinions of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut in substantially the form set out in Appendices B-1 and B-2 to this Official Statement.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C to this Official Statement.
6. A copy of the Escrow Agreement pertaining to the Refunded Bonds.
7. Any other documents required by the Bond Purchase Agreement.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at offices of U.S. Bank National Association, 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: May 5, 2021

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## ***Appendix A***

### ***2020 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report***

The following includes the General Purpose Financial Statements of the Town of Watertown, Connecticut for the fiscal year ended June 30, 2020. 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 Financial Statements

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, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2020, 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.

## **Other Matters**

### *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 pension and OPEB schedules on pages 10 through 16, 70 through 74, and 75 through 84, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

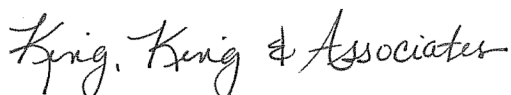
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Watertown, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the Town of Watertown, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, Connecticut's internal control over financial reporting and compliance.



King, King & Associates, CPAs  
Winsted, CT  
December 11, 2020



**TOWN OF WATERTOWN, CONNECTICUT**  
Management's Discussion and Analysis  
June 30, 2020

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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, 2020. 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 \$4.0 million as a result of this year's operations. Net position of our governmental activities decreased by \$6.0 million.
- In the Town's business-type activities, total net position increased by \$2.0 million.
- Unrestricted net position of the Town's business-type activities increased by \$726,400 (\$4.6 million in 2020 compared to \$3.9 million in 2019.)
- Total cost of all of the Town's programs was \$100.3 million with no new programs added this year.
- The General Fund reported an unassigned fund balance this year of \$8.8 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 19 to 27. 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, 2020

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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 17-18 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, 2020

- *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 19-22 of this report. The basic proprietary fund financial statements can be found on pages 23-25 of this report. The basic fiduciary fund financial statements can be found on pages 26-27 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 28-69 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 \$72.3 million at the close of the most recent fiscal year.

<i>In Thousands</i>	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 29,732	\$ 27,671	\$ 5,816	\$ 5,542	\$ 35,548	\$ 33,213
Capital Assets	184,716	183,159	18,450	17,176	203,166	200,335
Total Assets	214,448	210,830	24,266	22,718	238,714	233,548
Deferred Outflows of Resources	20,465	22,035	147	117	20,612	22,152
Long-term Liabilities	169,959	163,476	589	880	170,548	164,356
Other Liabilities	8,585	6,870	726	872	9,311	7,742
Total Liabilities	178,544	170,346	1,315	1,752	179,859	172,098
Deferred Inflows of Resources	7,101	7,229	53	39	7,154	7,268
Net Position:						
Net Investment in Capital Assets	129,301	130,694	18,450	17,176	147,751	147,870
Restricted	1,371	1,490	-	-	1,371	1,490
Unrestricted	(81,404)	(76,894)	4,594	3,868	(76,810)	(73,026)
Total Net Position	\$ 49,268	\$ 55,290	\$ 23,044	\$ 21,044	\$ 72,312	\$ 76,334

Net position of the Town's governmental activities decreased by \$6.0 million (\$49.3 million in 2020 compared to \$55.3 million in 2019). The Town's unrestricted net position of \$(81.4) million decreased by \$4.5 million compared with last year's unrestricted net position of \$(76.9) million. The decrease is primarily attributable to the increase in post-retirement benefit obligations. Net investment in capital assets decreased \$1.4 million primarily due to depreciation expense and new debt being greater than the repayment of debt related to capital assets and current year fixed asset additions.

# TOWN OF WATERTOWN, CONNECTICUT

## Management's Discussion and Analysis

June 30, 2020

During 2020, the net position of the Town's business-type activities increased by \$2.0 million. Unrestricted net position increased by \$726,400 (\$4.6 million in 2020 compared to \$3.9 million in 2019). 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	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>						
<i>General Revenues:</i>						
Property Taxes	\$ 61,615	\$ 60,229	\$ -	\$ -	\$ 61,615	\$ 60,229
Unrestricted Grants & Contributions	730	737	-	-	730	737
Unrestricted Investment Income	273	374	17	29	290	403
Other General Revenues, Net	187	180	-	-	187	180
<i>Program Revenues:</i>						
Charges for Services	3,390	4,178	4,725	4,458	8,115	8,636
Operating Grants and Contributions	23,406	25,644	-	-	23,406	25,644
Capital Grants and Contributions	1,963	1,942	-	-	1,963	1,942
Total Revenues	<u>91,564</u>	<u>93,284</u>	<u>4,742</u>	<u>4,487</u>	<u>96,306</u>	<u>97,771</u>
<b>EXPENSES</b>						
<i>Governmental Activities:</i>						
General Government	24,038	22,176	-	-	24,038	22,176
Public Safety	9,269	9,477	-	-	9,269	9,477
Public Works	6,505	5,664	-	-	6,505	5,664
Parks and Recreation	1,333	1,371	-	-	1,333	1,371
Health and Welfare	158	144	-	-	158	144
Education	52,696	53,895	-	-	52,696	53,895
Interest on Long-Term Debt	1,996	1,920	-	-	1,996	1,920
<i>Business-Type Activities:</i>						
Sewer	-	-	1,760	2,735	1,760	2,735
Water	-	-	1,900	1,639	1,900	1,639
Golf	-	-	673	700	673	700
Total Expenses	<u>95,995</u>	<u>94,647</u>	<u>4,333</u>	<u>5,074</u>	<u>100,328</u>	<u>99,721</u>
Change in Net Position Before Transfers	<u>(4,431)</u>	<u>(1,363)</u>	<u>409</u>	<u>(587)</u>	<u>(4,022)</u>	<u>(1,950)</u>
Transfers	<u>(1,591)</u>	<u>(3,548)</u>	<u>1,591</u>	<u>3,548</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(6,022)</u>	<u>(4,911)</u>	<u>2,000</u>	<u>2,961</u>	<u>(4,022)</u>	<u>(1,950)</u>
Beginning Net Position	<u>55,290</u>	<u>60,201</u>	<u>21,044</u>	<u>18,083</u>	<u>76,334</u>	<u>78,284</u>
Ending Net Position	<u>\$ 49,268</u>	<u>\$ 55,290</u>	<u>\$ 23,044</u>	<u>\$ 21,044</u>	<u>\$ 72,312</u>	<u>\$ 76,334</u>

The Town's total revenues were \$96.3 million. The total cost of all programs and services was \$100.3 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, 2020

**Governmental Activities**

The Town's governmental activities reported a decrease of \$6.0 million in net position in 2020. The decrease was primarily driven by medical and post-employment benefit expenses and transfer to the Business-Type Activities. The Town's total governmental revenue for the year was \$91.6 million. Total program expenses were \$96.0 million. During 2020, property taxes increased by \$1.4 million as there was an increase in the grand list and strong collections by the tax collector.

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	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>Governmental Activities:</i>				
General Government	\$ 24,038	\$ 22,176	\$ 22,762	\$ 20,879
Public Safety	9,269	9,477	8,249	8,178
Public Works	6,505	5,664	4,219	3,236
Parks and Recreation	1,333	1,371	865	847
Health and Welfare	158	144	(33)	54
Education	52,696	53,895	29,179	27,769
Interest on Long-Term Debt	1,996	1,920	1,996	1,920
	<u>\$ 95,995</u>	<u>\$ 94,647</u>	<u>\$ 67,237</u>	<u>\$ 62,883</u>

**Business-Type Activities**

The Town's business-type activities reported an increase of \$2.0 million in net position in 2020. 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	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>Business-Type Activities:</i>				
Sewer	\$ 1,760	\$ 2,735	\$ (648)	\$ 389
Water	1,900	1,639	196	20
Golf	673	700	60	207
	<u>\$ 4,333</u>	<u>\$ 5,074</u>	<u>\$ (392)</u>	<u>\$ 616</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 \$20.1 million, which is an increase of \$1.5 million from the prior year's total. During 2020 the Town's general fund balance increased by \$1.7 million primarily due to increased tax collections, the capital improvement fund balance decreased by \$326,975 due to capital outlay related to the Town hall and water and sewer extension, and the nonmajor governmental funds increased by \$137,816.

## TOWN OF WATERTOWN, CONNECTICUT

### Management's Discussion and Analysis

June 30, 2020

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#### 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 \$540,433. Net position of the Town's Workers' Compensation Fund decreased \$693,559. 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 actual revenue exceeded the budgetary revenues estimate and use of fund balance of \$76.7 million by \$1 million as property tax collections exceeded budgetary estimates as the tax collector foreclosed on overdue real estate accounts, and grants and other local revenues were higher than anticipated. During the year, the Town approved additional General Fund appropriations to fund various unanticipated expenditures. The Town expended \$872,862 less than the amended appropriations budget amount of \$76.7 million.

#### 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, 2020, amounts to \$203,166,120 (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
- Water main extensions
- Town hall renovation

	2020	2019
<i>Governmental Activities:</i>		
Land	\$ 3,147,876	\$ 3,147,876
Construction in Progress	11,176,448	6,569,147
Buildings and Improvements	118,067,232	121,303,218
Vehicles	596,183	544,510
Machinery and Equipment	1,098,580	1,215,806
Infrastructure	50,629,952	50,377,951
	<u>\$ 184,716,271</u>	<u>\$ 183,158,508</u>

## TOWN OF WATERTOWN, CONNECTICUT

### Management's Discussion and Analysis

June 30, 2020

	2020	2019
<i>Business-type Activities:</i>		
Land	\$ 1,019,600	\$ 1,019,600
Construction in Progress	5,671,748	4,008,311
Buildings and Improvements	774,240	773,456
Vehicles	2	2
Machinery and Equipment	76,446	46,082
Infrastructure	10,907,813	11,328,495
	<u>\$ 18,449,849</u>	<u>\$ 17,175,946</u>

Additional information on the Town of Watertown's capital assets can be found in Note 5 on pages 40-41 of this report.

### Long-Term Debt

At year-end, the Town had \$60,890,000 in governmental activities bonds and notes outstanding. This is an increase of \$1,335,000 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 42-47 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 2021 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 8.7% versus 3.6% a year ago. This compares with the State's unemployment rate of 10.0% and the national rate of 11.1%.

Inflation in the Northeast area continues to be less than the national Consumer Price Index (CPI) increase. The Town required one budget referendum to pass its 2020-2021 budget. The mill rate for fiscal year 2020-2021 is 33.19 mills, which was a .40 mill decrease from the prior year. The Board of Education budget increased 2.26% and the Town's portion increased 1.30%.

In the Town's 2020-2021 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 2020-2021 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, 2020

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 24,131,311	\$ 4,282,242	\$ 28,413,553
Investments	2,544	-	2,544
Restricted Cash and Cash Equivalents	-	155,578	155,578
Receivables, Net	5,574,440	1,378,632	6,953,072
Inventories	23,139	-	23,139
Capital Assets:			
Assets Not Being Depreciated	14,324,324	6,691,348	21,015,672
Assets Being Depreciated, Net	170,391,947	11,758,501	182,150,448
<b>Total Assets</b>	<u>214,447,705</u>	<u>24,266,301</u>	<u>238,714,006</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows - Pension	5,324,143	146,950	5,471,093
Deferred Outflows - OPEB	13,931,002	-	13,931,002
Deferred Charge on Refunding	1,210,395	-	1,210,395
<b>Total Deferred Outflows of Resources</b>	<u>20,465,540</u>	<u>146,950</u>	<u>20,612,490</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Items	3,965,594	674,211	4,639,805
Accrued Interest Payable	658,604	-	658,604
Long-Term Claims Payable	2,432,595	-	2,432,595
Unearned Revenue	1,528,412	51,869	1,580,281
Noncurrent Liabilities:			
Due Within One Year	11,820,744	87,055	11,907,799
Due In More Than One Year	158,138,281	502,159	158,640,440
<b>Total Liabilities</b>	<u>178,544,230</u>	<u>1,315,294</u>	<u>179,859,524</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows - Pension	988,253	53,431	1,041,684
Deferred Inflows - OPEB	6,113,105	-	6,113,105
<b>Total Deferred Inflows of Resources</b>	<u>7,101,358</u>	<u>53,431</u>	<u>7,154,789</u>
<b>Net Position</b>			
Net Investment in Capital Assets	129,300,586	18,449,849	147,750,435
Restricted:			
Nonexpendable	97,143	-	97,143
Expendable	1,273,586	-	1,273,586
Unrestricted	(81,403,658)	4,594,677	(76,808,981)
<b>Total Net Position</b>	<u>\$ 49,267,657</u>	<u>\$ 23,044,526</u>	<u>\$ 72,312,183</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, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Program Activities	Expenses						
Governmental Activities:							
General Government	\$ 24,038,696	\$ 1,095,776	\$ 93,497	\$ 87,228	\$ (22,762,195)	\$ -	\$ (22,762,195)
Public Safety	9,268,805	968,256	51,710	-	(8,248,839)	-	(8,248,839)
Public Works	6,504,916	209,004	379,948	1,696,582	(4,219,382)	-	(4,219,382)
Parks and Recreation	1,333,539	329,258	15,499	123,541	(865,241)	-	(865,241)
Health and Welfare	158,371	1,972	134,577	55,200	33,378	-	33,378
Education	52,695,769	785,484	22,731,155	-	(29,179,130)	-	(29,179,130)
Interest on Long-Term Debt	1,996,026	-	-	-	(1,996,026)	-	(1,996,026)
Total Governmental Activities	<u>95,996,122</u>	<u>3,389,750</u>	<u>23,406,386</u>	<u>1,962,551</u>	<u>(67,237,435)</u>	<u>-</u>	<u>(67,237,435)</u>
Business-Type Activities:							
Sewer	1,759,931	2,407,884	-	-	-	647,953	647,953
Water	1,899,775	1,703,877	-	-	-	(195,898)	(195,898)
Golf	673,329	613,436	-	-	-	(59,893)	(59,893)
Total Business-Type Activities	<u>4,333,035</u>	<u>4,725,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,162</u>	<u>392,162</u>
Total Primary Government	<u>\$ 100,329,157</u>	<u>\$ 8,114,947</u>	<u>\$ 23,406,386</u>	<u>\$ 1,962,551</u>	<u>(67,237,435)</u>	<u>392,162</u>	<u>(66,845,273)</u>
General Revenues:							
Property Taxes					61,615,389	-	61,615,389
Grants not Restricted to Specific Programs					729,823	-	729,823
Unrestricted Investment Earnings					273,260	17,504	290,764
Other General Revenues					187,200	-	187,200
Transfers					(1,590,637)	1,590,637	-
Total General Revenues and Transfers					<u>61,215,035</u>	<u>1,608,141</u>	<u>62,823,176</u>
Change in Net Position					(6,022,400)	2,000,303	(4,022,097)
Net Position - Beginning of Year					<u>55,290,057</u>	<u>21,044,223</u>	<u>76,334,280</u>
Net Position - End of Year					<u>\$ 49,267,657</u>	<u>\$ 23,044,526</u>	<u>\$ 72,312,183</u>

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

# TOWN OF WATERTOWN, CONNECTICUT

## Balance Sheet Governmental Funds June 30, 2020

	General	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 11,299,188	\$ 9,874,331	\$ 1,840,930	\$ 23,014,449
Investments	-	-	2,544	2,544
Receivables, Net of Allowance	2,427,359	2,336,988	810,093	5,574,440
Inventories	-	-	23,139	23,139
<b>Total Assets</b>	<u>\$ 13,726,547</u>	<u>\$ 12,211,319</u>	<u>\$ 2,676,706</u>	<u>\$ 28,614,572</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Items	\$ 2,773,408	\$ -	\$ 122,403	\$ 2,895,811
Unearned Revenue	-	1,495,495	32,917	1,528,412
<b>Total Liabilities</b>	<u>2,773,408</u>	<u>1,495,495</u>	<u>155,320</u>	<u>4,424,223</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenues:				
Property Taxes and Interest	1,138,211	-	-	1,138,211
Special Assessments	490,214	-	-	490,214
School Building Grants	-	2,336,988	-	2,336,988
Other	168,083	-	-	168,083
<b>Total Deferred Inflows of Resources</b>	<u>1,796,508</u>	<u>2,336,988</u>	<u>-</u>	<u>4,133,496</u>
<b>Fund Balances</b>				
Nonspendable	-	-	97,143	97,143
Restricted	-	7,431,452	1,273,586	8,705,038
Committed	-	947,384	1,204,237	2,151,621
Assigned	378,240	-	-	378,240
Unassigned	8,778,391	-	(53,580)	8,724,811
<b>Total Fund Balances</b>	<u>9,156,631</u>	<u>8,378,836</u>	<u>2,521,386</u>	<u>20,056,853</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 13,726,547</u>	<u>\$ 12,211,319</u>	<u>\$ 2,676,706</u>	<u>\$ 28,614,572</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, 2020

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**Fund balances reported in governmental funds Balance Sheet** \$ 20,056,853

**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>	284,961,579
<i>Depreciation</i>	(100,245,308)

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>	829,417
<i>Interest receivable on property taxes</i>	308,794
<i>Receivable from the State for school construction projects</i>	2,336,988
<i>Assessment receivables</i>	490,214
<i>Other accounts receivable</i>	168,083

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.

(2,385,516)

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.

(1,285,875)

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

<i>Deferred Outflows - Pension</i>	5,324,143
<i>Deferred Inflows - Pension</i>	(988,253)
<i>Deferred Outflows - OPEB</i>	13,931,002
<i>Deferred Inflows - OPEB</i>	(6,113,105)

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>	(658,604)
<i>Bonds payable</i>	(55,890,000)
<i>BAN payable</i>	(5,037,050)
<i>Capital leases payable</i>	(634,212)
<i>Compensated absences</i>	(3,221,767)
<i>Post-closure landfill costs</i>	(201,320)
<i>Special termination benefits</i>	(96,558)
<i>Pension buy in payable</i>	(476,720)
<i>Net pension liability</i>	(15,590,838)
<i>OPEB liability</i>	(86,314,290)

**Net position of governmental activities** \$ 49,267,657

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, 2020

	General	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes, Interest and Lien Fees	\$ 61,859,812	\$ -	\$ -	\$ 61,859,812
Intergovernmental Revenues	19,430,928	1,528,119	2,353,663	23,312,710
Licenses, Permits, and Charges for Services	2,380,059	-	1,065,695	3,445,754
Investment Income	185,457	75,224	10,729	271,410
Other Revenue	247,632	30,920	171,379	449,931
Total Revenues	<u>84,103,888</u>	<u>1,634,263</u>	<u>3,601,466</u>	<u>89,339,617</u>
<b>Expenditures</b>				
Current:				
General Government	2,741,575	-	184,732	2,926,307
Public Safety	5,805,325	-	6,594	5,811,919
Public Works	3,477,942	-	481,361	3,959,303
Parks and Recreation	932,696	-	320,100	1,252,796
Health and Welfare	148,186	-	62,013	210,199
Education	51,843,047	-	2,557,986	54,401,033
Other	10,126,796	-	-	10,126,796
Debt Service	7,165,456	6,483,042	-	13,648,498
Capital Outlay	462,260	8,457,746	121,491	9,041,497
Total Expenditures	<u>82,703,283</u>	<u>14,940,788</u>	<u>3,734,277</u>	<u>101,378,348</u>
Excess/(Deficiency) of Revenues over Expenditures	1,400,605	(13,306,525)	(132,811)	(12,038,731)
<b>Other Financing Sources/(Uses)</b>				
Transfers In	128,800	-	270,627	399,427
Transfers Out	(270,627)	-	-	(270,627)
Issuance of Capital Leases	462,260	-	-	462,260
Issuance of Bonds/BANs	-	12,200,000	-	12,200,000
Premium on Financing	-	779,550	-	779,550
Total Other Financing Sources/(Uses)	<u>320,433</u>	<u>12,979,550</u>	<u>270,627</u>	<u>13,570,610</u>
Net Change in Fund Balances	1,721,038	(326,975)	137,816	1,531,879
Fund Balances at Beginning of Year	<u>7,435,593</u>	<u>8,705,811</u>	<u>2,383,570</u>	<u>18,524,974</u>
Fund Balances at End of Year	<u>\$ 9,156,631</u>	<u>\$ 8,378,836</u>	<u>\$ 2,521,386</u>	<u>\$ 20,056,853</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, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,531,879</b>
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
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>	7,319,016
<i>Depreciation expense</i>	(5,761,253)
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>	(182,490)
<i>Assessment revenue accrual basis change</i>	(62,795)
<i>Interest income on property taxes accrual basis change</i>	(61,933)
<i>Other revenues accrual basis change</i>	42,551
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 bonds</i>	(7,200,000)
<i>Proceeds from long-term debt - BANs</i>	(5,037,050)
<i>Proceeds from long-term debt - capital leases</i>	(462,260)
<i>Principal payments on long-term debt - general obligation bonds</i>	4,765,000
<i>Principal payments on long-term debt - BANs</i>	6,154,963
<i>Principal payments on long-term debt - capital leases</i>	327,353
<i>Premium on bonds issued</i>	(742,500)
<i>Amortization of deferred charge on refunding</i>	(64,550)
<i>Amortization of premiums</i>	197,182
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>	311,653
<i>Compensated Absences</i>	(35,728)
<i>Post-closure landfill costs</i>	9,982
<i>Special termination benefits</i>	5,781
<i>Pension buy-in payable</i>	22,597
<i>Pension obligations</i>	(1,015,799)
<i>OPEB liability</i>	(4,850,007)
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.	<u>(1,233,992)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ (6,022,400)</u></b>

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, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Sewer Authority	Water Authority	Crestbrook Golf Operations	Total	Internal Service
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,779,697	\$ 1,502,545	\$ -	\$ 4,282,242	\$ 1,116,862
Receivables, Net					
Usage	809,536	546,428	-	1,355,964	-
Intergovernmental	22,668	-	-	22,668	-
Total Current Assets	3,611,901	2,048,973	-	5,660,874	1,116,862
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	155,578	-	-	155,578	-
Nondepreciable Capital Assets	2,893,685	2,862,663	935,000	6,691,348	-
Capital Assets, Net of Accum. Deprecation	5,751,199	5,705,772	301,530	11,758,501	-
Total Noncurrent Assets	8,800,462	8,568,435	1,236,530	18,605,427	-
<b>Total Assets</b>	<b>\$ 12,412,363</b>	<b>\$ 10,617,408</b>	<b>\$ 1,236,530</b>	<b>\$ 24,266,301</b>	<b>\$ 1,116,862</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflows - Pension	63,744	63,744	19,462	146,950	-
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Accrued Items	\$ 7,984	\$ 23,202	\$ 643,025	\$ 674,211	\$ -
Unearned Revenues	51,869	-	-	51,869	-
Capital Lease Payable	-	-	7,282	7,282	-
Compensated Absences	34,183	34,183	11,407	79,773	-
Risk Management Claims	-	-	-	-	1,069,783
Total Current Liabilities	94,036	57,385	661,714	813,135	1,069,783
Noncurrent Liabilities:					
Net Pension Liability	157,036	157,036	51,662	365,734	-
Capital Lease Payable	-	-	25,126	25,126	-
Compensated Absences	44,550	44,550	22,199	111,299	-
Risk Management Claims	-	-	-	-	2,432,595
Total Noncurrent Liabilities	201,586	201,586	98,987	502,159	2,432,595
<b>Total Liabilities</b>	<b>295,622</b>	<b>258,971</b>	<b>760,701</b>	<b>1,315,294</b>	<b>3,502,378</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows - Pension	26,052	26,052	1,327	53,431	-
<b>Net Position</b>					
Net Investment in Capital Assets	8,644,884	8,568,435	1,236,530	18,449,849	-
Unrestricted	3,509,549	1,827,694	(742,566)	4,594,677	(2,385,516)
<b>Total Net Position</b>	<b>\$ 12,154,433</b>	<b>\$ 10,396,129</b>	<b>\$ 493,964</b>	<b>\$ 23,044,526</b>	<b>\$ (2,385,516)</b>

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, 2020

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service</b>
	<b>Sewer Authority</b>	<b>Water Authority</b>	<b>Crestbrook Golf Operations</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 2,368,072	\$ 1,684,777	\$ 613,436	\$ 4,666,285	\$ 14,383,559
Permits and Fees	39,812	19,100	-	58,912	-
Total Operating Revenues	<u>2,407,884</u>	<u>1,703,877</u>	<u>613,436</u>	<u>4,725,197</u>	<u>14,383,559</u>
<b>OPERATING EXPENSES</b>					
Salaries	268,943	268,890	238,194	776,027	-
Benefits	216,942	216,920	182,434	616,296	-
Purchased Services	1,028,301	1,169,115	233,405	2,430,821	-
Depreciation	241,253	226,996	19,055	487,304	-
Claims	-	-	-	-	13,311,205
Premiums and Administrative Charges	-	-	-	-	2,308,196
Total Operating Expenses	<u>1,755,439</u>	<u>1,881,921</u>	<u>673,088</u>	<u>4,310,448</u>	<u>15,619,401</u>
Operating Income/(Loss)	652,445	(178,044)	(59,652)	414,749	(1,235,842)
<b>NON-OPERATING REVENUE (EXPENSE)</b>					
Interest Income	10,442	7,062	-	17,504	1,850
Interest Expense	(4,492)	(17,854)	(241)	(22,587)	-
Total Non-Operating Revenues (Expenses)	<u>5,950</u>	<u>(10,792)</u>	<u>(241)</u>	<u>(5,083)</u>	<u>1,850</u>
Income/(Loss) before Transfers and Capital Contributions	<u>658,395</u>	<u>(188,836)</u>	<u>(59,893)</u>	<u>409,666</u>	<u>(1,233,992)</u>
Transfers:					
Transfers In	-	-	-	-	-
Transfers Out	(44,200)	(84,600)	-	(128,800)	-
Total Transfers	<u>(44,200)</u>	<u>(84,600)</u>	<u>-</u>	<u>(128,800)</u>	<u>-</u>
Capital Contributions	<u>831,718</u>	<u>831,719</u>	<u>56,000</u>	<u>1,719,437</u>	<u>-</u>
Change in Net Position	1,445,913	558,283	(3,893)	2,000,303	(1,233,992)
Net Position - Beginning of Year	<u>10,708,520</u>	<u>9,837,846</u>	<u>497,857</u>	<u>21,044,223</u>	<u>(1,151,524)</u>
Net Position - End of Year	<u>\$ 12,154,433</u>	<u>\$ 10,396,129</u>	<u>\$ 493,964</u>	<u>\$ 23,044,526</u>	<u>\$ (2,385,516)</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, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service
	Sewer Authority	Water Authority	Crestbrook Golf Operations	Total	
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and Users	\$ 2,344,108	\$ 1,453,465	\$ 613,436	\$ 4,411,009	\$ 14,383,559
Receipts from Interfund Services	7,288	166,139	-	173,427	-
Payments to Employees	(268,943)	(268,890)	(238,194)	(776,027)	-
Payments to Suppliers	(1,180,901)	(1,220,948)	(174,993)	(2,576,842)	-
Payments for Benefits and Claims	(174,871)	(174,849)	(190,646)	(540,366)	(12,219,462)
Premiums and Administrative Charges	-	-	-	-	(2,308,196)
Net Cash Provided by Operating Activities	<u>726,681</u>	<u>(45,083)</u>	<u>9,603</u>	<u>691,201</u>	<u>(144,099)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Repayment to General Fund	(54,146)	(84,600)	-	(138,746)	-
Principal Payments on Debt	(414,632)	-	-	(414,632)	-
Principal Received on Reimbursement Obligation	112,999	-	-	112,999	-
Interest Paid on Debt	(4,492)	(17,854)	-	(22,346)	-
Net Cash Used by Noncapital Financing Activities	<u>(360,271)</u>	<u>(102,454)</u>	<u>-</u>	<u>(462,725)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Principal Payments on Capital Leases	-	-	(9,362)	(9,362)	-
Interest Paid on Debt	-	-	(241)	(241)	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(9,603)</u>	<u>(9,603)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>					
Interest Income	<u>10,442</u>	<u>7,062</u>	<u>-</u>	<u>17,504</u>	<u>1,850</u>
Net Cash Provided by Investing Activities	<u>10,442</u>	<u>7,062</u>	<u>-</u>	<u>17,504</u>	<u>1,850</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	376,852	(140,475)	-	236,377	(142,249)
Cash and Cash Equivalents at Beginning of Year	<u>2,558,423</u>	<u>1,643,020</u>	<u>-</u>	<u>4,201,443</u>	<u>1,259,111</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,935,275</u>	<u>\$ 1,502,545</u>	<u>\$ -</u>	<u>\$ 4,437,820</u>	<u>\$ 1,116,862</u>
<b>Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>					
Operating Income/(Loss)	\$ 652,445	\$ (178,044)	\$ (59,652)	\$ 414,749	\$ (1,235,842)
Adjustments to Reconcile Income to Net Cash					
Provided by Operating Activities:					
Depreciation	241,253	226,996	19,055	487,304	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(56,488)	(84,273)	-	(140,761)	-
(Increase) Decrease in Deferred Outflows	(12,280)	(12,280)	(5,772)	(30,332)	-
Increase (Decrease) in Deferred Inflows	7,136	7,136	462	14,734	-
Increase (Decrease) in Net Pension Liability	33,537	33,537	(6,307)	60,767	-
Increase (Decrease) in Accounts Payable	(152,600)	(51,833)	58,412	(146,021)	-
Increase (Decrease) in Claims Payable	-	-	-	-	1,091,743
Increase (Decrease) in Compensated Absences	13,678	13,678	3,405	30,761	-
Total Adjustments	<u>74,236</u>	<u>132,961</u>	<u>69,255</u>	<u>276,452</u>	<u>1,091,743</u>
Net Cash Provided by Operating Activities	<u>\$ 726,681</u>	<u>\$ (45,083)</u>	<u>\$ 9,603</u>	<u>\$ 691,201</u>	<u>\$ (144,099)</u>
<b>Noncash Capital and Related Financing Activity:</b>					
Capital Contributions from Other Funds	\$ 831,718	\$ 831,719	\$ 56,000	\$ 1,719,437	\$ -
Purchase of Capital Assets with Capital Leases	-	-	41,770	41,770	-
Total Noncash Capital and Related Financing Activity	<u>\$ 831,718</u>	<u>\$ 831,719</u>	<u>\$ 97,770</u>	<u>\$ 1,761,207</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, 2020

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	<b>Pension and OPEB Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,446	\$ 554,195
Investments, at Fair Value		
Guaranteed Deposit Accounts	7,660,218	-
Mutual Funds	38,933,702	-
<b>Total Assets</b>	<u>\$ 46,595,366</u>	<u>\$ 554,195</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>
<b>Liabilities</b>		
Fiduciary Deposits	\$ -	\$ 554,195
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 554,195</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>
<b>Net Position</b>		
Restricted for Pension Benefits	46,593,920	
Restricted for OPEB Benefits	1,446	
<b>Total Net Position</b>	<u>\$ 46,595,366</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, 2020

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	<b>Pension and OPEB Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,924,991
Plan Members	<u>507,572</u>
Total Contributions	<u>2,432,563</u>
 Investment Income:	
Net Appreciation/(Depreciation) in Fair Value of Investments	405,677
Interest and Dividends	<u>1,127,149</u>
Total Investment Income	1,532,826
Less: Investment Management Fees	<u>(217,501)</u>
 Total Additions	<u>3,747,888</u>
 <b>Deductions</b>	
Pension Benefits	3,156,804
Administrative Expenses	<u>82,411</u>
Total Deductions	<u>3,239,215</u>
 Change in Net Position	508,673
 Net Position at Beginning of Year	<u>46,086,693</u>
Net Position at End of Year	<u>\$ 46,595,366</u>

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

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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**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

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**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 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

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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.

The *Agency Funds* account for monies held by the Town in an agent capacity for outside student and developer funds.

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

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**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

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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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

**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 position 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).

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 position 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 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. 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.



**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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**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 or 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.

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.

*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.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

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*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%.

### **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, 2013. 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.

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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**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.

**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 \$25,000. Additional appropriations of \$509,860 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.

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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- **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.
- **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, 2020:

Internal Service Funds	\$ (2,385,516)
Recreation Programs	(53,580)

**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, 2020.

**Detailed Cash Notes on all Funds**

	Governmental <u>Funds</u>	Fiduciary <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Cash	\$ 19,730,746	\$ 555,641	\$ 5,331,540	\$ 25,617,927
Cash Equivalents	3,283,703	-	67,564	3,351,267
Restricted Cash				
Equivalents	-	-	155,578	155,578
Total	<u>\$ 23,014,449</u>	<u>\$ 555,641</u>	<u>\$ 5,554,682</u>	<u>\$ 29,124,772</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.

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

At year-end, the Town's carrying amount of deposits was \$25,617,927 and the bank balance was \$25,954,849. Of the bank balance, the Federal Depository Insurance Corporation insured \$1,501,125.

As of June 30, 2020, \$24,453,836 of the Town's bank balance of \$25,954,849 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 22,421,723
Uninsured and collateral held by pledging bank's Trust department not in the Town's name	<u>2,032,113</u>
Total	<u>\$ 24,453,836</u>

**Cash Equivalents**

At June 30, 2020, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$3,506,845. 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-	\$ 7,660,218	N/A	\$ 7,660,218	N/A
Mutual Funds	N/A	38,933,702	N/A	N/A	N/A
Common Stock	N/A	2,544	N/A	N/A	N/A
Total Investments		<u>\$ 46,596,464</u>	<u>\$ -</u>	<u>\$ 7,660,218</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, 2020	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	\$ 7,660,218	\$ 7,660,218	\$ -	\$ -
Mutual Funds	38,933,702	38,933,702	-	-
Common Stock	2,544	2,544	-	-
Total	<u>\$ 46,596,464</u>	<u>\$ 46,596,464</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

*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.

*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			Capital	Nonmajor	
	Fund	Sewer	Water	Improvement	and Other	
				Fund	Funds	Total
Receivables:						
Property taxes	\$ 1,130,756	\$ -	\$ -	\$ -	\$ -	\$ 1,130,756
Interest, Liens, and Fees	393,779	-	-	-	-	393,779
Assessments	490,214	-	-	-	-	490,214
Usage Charges	-	829,268	559,413	-	-	1,388,681
Loans	-	-	-	-	735,599	735,599
Intergovernmental	-	22,668	-	2,336,988	74,494	2,434,150
Accounts	667,610	-	-	-	-	667,610
Gross Receivables	<u>2,682,359</u>	<u>851,936</u>	<u>559,413</u>	<u>2,336,988</u>	<u>810,093</u>	<u>7,240,789</u>
Less allowance for uncollectibles:						
Property taxes	(179,000)	-	-	-	-	(179,000)
Interest, Liens, and Fees	(39,000)	-	-	-	-	(39,000)
Usage Charges	-	(19,732)	(12,985)	-	-	(32,717)
Accounts	(37,000)	-	-	-	-	(37,000)
Total allowance	<u>(255,000)</u>	<u>(19,732)</u>	<u>(12,985)</u>	<u>-</u>	<u>-</u>	<u>(287,717)</u>
Net Total Receivables	<u>\$ 2,427,359</u>	<u>\$ 832,204</u>	<u>\$ 546,428</u>	<u>\$ 2,336,988</u>	<u>\$ 810,093</u>	<u>\$ 6,953,072</u>

Intergovernmental receivables in the Sewer Authority of \$22,668 are to be collected from the Watertown Fire District for their portion of the Waterbury Sewer Plan. In addition, the assessments receivable of \$490,214 and the loans receivable of \$735,599 in the other governmental funds are long-term receivables and not expected to be collected within one year.

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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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:

	<b>Governmental Funds</b>
Capital Improvement Fund:	
Advances on Grants	\$ 1,495,495
Nonmajor Funds:	
Advances on Grants	21,103
Rehab Loans	1,157
Fees Collected in Advance	<u>10,657</u>
Total Unearned Revenue for Governmental Funds	<u><u>\$ 1,528,412</u></u>

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated				
Land	\$ 3,147,876	\$ -	\$ -	\$ 3,147,876
Construction in Progress	6,569,147	4,607,301	-	11,176,448
Total capital assets, not being depreciated	<u>9,717,023</u>	<u>4,607,301</u>	<u>-</u>	<u>14,324,324</u>
Capital assets, being depreciated				
Buildings and Improvements	165,696,231	302,981	-	165,999,212
Vehicles	9,735,831	344,136	-	10,079,967
Machinery & Equipment	7,862,179	294,529	-	8,156,708
Infrastructure	84,631,299	1,770,069	-	86,401,368
Total capital assets, being depreciated	<u>267,925,540</u>	<u>2,711,715</u>	<u>-</u>	<u>270,637,255</u>
Less accumulated depreciation for:				
Buildings and Improvements	44,393,013	3,538,967	-	47,931,980
Vehicles	9,191,321	292,463	-	9,483,784
Machinery & Equipment	6,646,373	411,755	-	7,058,128
Infrastructure	34,253,348	1,518,068	-	35,771,416
Total accumulated depreciation, net	<u>94,484,055</u>	<u>5,761,253</u>	<u>-</u>	<u>100,245,308</u>
Total capital assets, being depreciated	<u>173,441,485</u>	<u>(3,049,538)</u>	<u>-</u>	<u>170,391,947</u>
<i>Governmental Activities capital assets, net</i>	<u>\$ 183,158,508</u>	<u>\$ 1,557,763</u>	<u>\$ -</u>	<u>\$ 184,716,271</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated				
Land	\$ 1,019,600	\$ -	\$ -	\$ 1,019,600
Construction in Progress	4,008,311	1,663,437	-	5,671,748
Total capital assets, not being depreciated	<u>5,027,911</u>	<u>1,663,437</u>	<u>-</u>	<u>6,691,348</u>
Capital assets, being depreciated				
Buildings and Improvements	2,811,600	56,000	-	2,867,600
Vehicles	284,522	-	-	284,522
Machinery & Equipment	991,665	41,770	-	1,033,435
Infrastructure	23,812,087	-	-	23,812,087
Total capital assets, being depreciated	<u>27,899,874</u>	<u>97,770</u>	<u>-</u>	<u>27,997,644</u>
Less accumulated depreciation for:				
Buildings and Improvements	2,038,144	55,216	-	2,093,360
Vehicles	284,520	-	-	284,520
Machinery & Equipment	945,583	11,406	-	956,989
Infrastructure	12,483,592	420,682	-	12,904,274
Total accumulated depreciation	<u>15,751,839</u>	<u>487,304</u>	<u>-</u>	<u>16,239,143</u>
Total capital assets, being depreciated, net	<u>12,148,035</u>	<u>(389,534)</u>	<u>-</u>	<u>11,758,501</u>
<i>Business-Type Activities capital assets, net</i>	<u>\$ 17,175,946</u>	<u>\$ 1,273,903</u>	<u>\$ -</u>	<u>\$ 18,449,849</u>



**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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

Governmental Activities:

General Government	\$ 7,112
Public Safety	698,512
Public Works	1,815,598
Parks and Recreation	148,276
Education	<u>3,091,755</u>

Total Depreciation Expense

Governmental Activities	<u><u>\$ 5,761,253</u></u>
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Business-Type Activities:

Sewer	\$ 241,253
Water	226,996
Golf	<u>19,055</u>

Total Depreciation Expense

Business-Type Activities	<u><u>\$ 487,304</u></u>
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**Construction Commitments**

The Town has several active construction/renovation projects as of June 30, 2020. At year-end, the Town's commitments are as follows:

	Project Authorization	Current Expenditures	Cumulative Expenditures	Encumbered	Project Balance
Town Hall Renovations	\$ 11,900,000	\$ 4,633,422	\$ 11,202,568	\$ 9,653	\$ 687,779
W&S Concord Drive	6,330,550	1,663,437	5,308,787	457,053	564,710
Roadway and Drainage	2,034,704	-	1,867,040	-	167,664
Road, Bridge and Drainage	4,000,000	-	3,605,417	-	394,583
2019 PW Projects	<u>6,000,000</u>	<u>598,579</u>	<u>598,579</u>	<u>899,340</u>	<u>4,502,081</u>
	<u><u>\$ 30,265,254</u></u>	<u><u>\$ 6,895,438</u></u>	<u><u>\$ 22,582,391</u></u>	<u><u>\$ 1,366,046</u></u>	<u><u>\$ 6,316,817</u></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	
General Fund	\$ -	\$ 44,200	\$ 84,600	\$ 128,800
Nonmajor Funds	<u>270,627</u>	<u>-</u>	<u>-</u>	<u>270,627</u>
	<u><u>\$ 270,627</u></u>	<u><u>\$ 44,200</u></u>	<u><u>\$ 84,600</u></u>	<u><u>\$ 399,427</u></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's 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. There were no outstanding balances owed between funds as of June 30, 2020.

**NOTE 7 – LONG-TERM DEBT**

**Governmental Activities**

**Changes in Long-Term Liabilities**

Governmental Activities long-term liabilities for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 53,455,000	\$ 7,200,000	\$ 4,765,000	\$ 55,890,000	\$ 5,005,000
Unamortized Premiums	1,950,952	742,500	197,182	2,496,270	197,182
Total Bonds Payable	<u>55,405,952</u>	<u>7,942,500</u>	<u>4,962,182</u>	<u>58,386,270</u>	<u>5,202,182</u>
Bond Anticipation Notes	6,154,963	5,037,050	6,154,963	5,037,050	5,037,050
Capital Leases	499,305	462,260	327,353	634,212	242,582
Compensated Absences	3,186,039	830,674	794,946	3,221,767	1,225,234
Post-Closure Landfill Costs	211,302	-	9,982	201,320	40,264
Special Termination Benefits	102,339	36,348	42,129	96,558	48,961
Pension Buy-In	499,317	-	22,597	476,720	24,471
Net Pension Liability	12,515,192	3,075,646	-	15,590,838	-
OPEB Liability	<u>84,901,296</u>	<u>1,412,994</u>	<u>-</u>	<u>86,314,290</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 163,475,705</u>	<u>\$ 18,797,472</u>	<u>\$ 12,314,152</u>	<u>\$ 169,959,025</u>	<u>\$ 11,820,744</u>

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, 2020 consisted of the following:

Purpose	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2020
General, Education and Sewer	2009	7/1/2022	3-5%	\$ 18,760,000	\$ 2,500,000
General, Education and Sewer*	2011	8/1/2025	2-4%	6,110,000	4,740,000
General, Education and Sewer*	2012	4/1/2029	2-3%	9,505,000	8,810,000
Education	2013	3/15/2028	2-3%	2,000,000	1,055,000
Education, Sewer*	2013	1/15/2033	2.5-4.5%	8,600,000	7,800,000
General	2015	3/15/2035	2-4%	3,000,000	2,275,000
Education*	2015	9/15/2029	2-4%	5,550,000	3,685,000
Sewer*	2015	9/15/2027	1.5-3.0%	715,000	410,000
General, Education	2017	4/15/2029	2.0-2.75%	1,075,000	900,000
General, Sewer	2018	10/15/2038	4-5%	11,000,000	11,000,000
Education	2018	10/15/2038	4-5%	5,810,000	5,515,000
General, Sewer	2019	10/15/2040	2.5-5%	7,200,000	7,200,000
Total General Obligation Bonds				<u>\$ 79,325,000</u>	<u>\$ 55,890,000</u>

\*Refunding Bonds

Payments to maturity on general obligation bonds are as follows:

Fiscal Year Ending	Principal	Interest
2021	\$ 5,005,000	\$ 2,127,757
2022	5,355,000	1,790,276
2023	5,200,000	1,579,588
2024	5,195,000	1,368,575
2025	4,635,000	1,178,628
2026-2030	16,765,000	3,872,046
2031-2035	8,115,000	1,736,291
2036-2040	5,260,000	456,100
2041-2045	360,000	4,725
	<u>\$ 55,890,000</u>	<u>\$ 14,113,986</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2020 totaled \$2,242,780.

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

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**Pension Buy-In**

The Town has a note outstanding totaling \$476,720 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
2021	\$ 24,471	\$ 37,253
2022	26,503	35,222
2023	28,703	33,022
2024	31,085	30,640
2025	33,665	28,060
2026-2030	168,112	96,960
2031-2035	164,181	35,559
	<u>\$ 476,720</u>	<u>\$ 296,716</u>

Interest incurred and expensed on the buy-in for the year ended June 30, 2020 totaled \$39,129.

**Capital Leases**

The Town has entered into lease agreements as lessee for financing the acquisition of police vehicles and public works equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets currently under capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles and Equipment	\$ 1,484,616
Less accumulated depreciation	<u>(462,312)</u>
Total	<u>\$ 1,022,304</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	Governmental Activities
Year ending June 30:	
2021	\$ 274,758
2022	201,808
2023	91,295
2024	91,204
2025	<u>46,706</u>
Total Lease Payments	705,771
Less Amount Representing Interest	<u>(71,559)</u>
Present Value of Minimum Lease Payments	<u>\$ 634,212</u>

**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
Pubic Works Capital Projects	6,000,000	5,000,000	-	1,000,000
Capital Improvements	4,000,000	2,000,000	-	2,000,000
Water and Sewer Extension	6,330,550	6,330,000	-	550
	<u>\$ 134,632,469</u>	<u>\$ 71,165,000</u>	<u>\$ 58,017,665</u>	<u>\$ 5,449,804</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 \$201,320. The cost estimate is subject to change due to inflation, technology, or changes in cost estimate components. Current year costs amounted to \$47,721.

**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, 2020 is \$96,558. 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:	
2021	\$ 48,961
2022	35,481
2023	12,116
Total	<u>\$ 96,558</u>

**Bond Anticipation Notes**

The Town uses bond anticipation notes to fund construction costs prior to issuance of bonds. The following table summarizes changes in the Town's BAN obligations for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond Anticipation Note	\$ 6,100,000	\$ 5,000,000	\$ 6,100,000	\$ 5,000,000
Unamortized Premium	54,963	37,050	54,963	37,050
Total	<u>\$ 6,154,963</u>	<u>\$ 5,037,050</u>	<u>\$ 6,154,963</u>	<u>\$ 5,037,050</u>

The outstanding bond anticipation note carries an interest rate of 2.0% and matures in October 2020. Total interest incurred and expensed on bond anticipation notes during the year was \$182,492. As described in Note 13, subsequent to year-end the BAN was replaced with long-term General Obligation Bonds and, therefore; will be reported as an obligation in the government-wide and not the fund financial statements.

**Business-Type Activities**

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Clean Water Fund CWF 201-C2	\$ 414,632	\$ -	\$ 414,632	\$ -	\$ -
Net Pension Liability	304,967	67,074	6,307	365,734	-
Capital Leases	-	41,770	9,362	32,408	7,282
Compensated Absences	160,311	30,761	-	191,072	79,773
Business-Type Activities					
Long-Term Liabilities	<u>\$ 879,910</u>	<u>\$ 139,605</u>	<u>\$ 430,301</u>	<u>\$ 589,214</u>	<u>\$ 87,055</u>

**TOWN OF WATERTOWN, CONNECTICUT**

## Notes to the Financial Statements

**Capital Leases**

The Town has entered into lease agreements as lessee for financing the acquisition of golf equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets currently under capital leases are as follows:

	Business-Type Activities
Assets:	
Vehicles and Equipment	\$ 41,770
Less accumulated depreciation	-
Total	<u>\$ 41,770</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	Governmental Activities
Year ending June 30:	
2021	\$ 9,603
2022	9,603
2023	9,603
2024	9,603
Total Lease Payments	38,412
Less Amount Representing Interest	(6,004)
Present Value of Minimum Lease Payments	<u>\$ 32,408</u>

**NOTE 8 – NET POSITION AND FUND BALANCE COMPONENTS****Restricted Net Position**

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

	Expendable	Nonexpendable
Purposes of Trust	\$ 75,307	\$ 97,143
Small Cities Loans	924,581	-
Public Safety	17,175	-
Public Works	231,571	-
Parks and Recreation	13,076	-
Health and Welfare	5,808	-
Education	2,067	-
Capital	4,001	-
Total	<u>\$ 1,273,586</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, 2020 are as follows:

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Trust Principal	\$ -	\$ -	\$ 97,143	\$ 97,143
Total Nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,143</u>	<u>\$ 97,143</u>
Restricted for:				
General Government	\$ -	\$ -	\$ 34,848	\$ 34,848
Public Safety	-	-	18,248	18,248
Public Works	-	-	231,571	231,571
Parks and Recreation	-	-	13,076	13,076
Health and Welfare	-	-	960,497	960,497
Education	-	-	11,345	11,345
Capital	-	7,431,452	4,001	7,435,453
Total Restricted	<u>\$ -</u>	<u>\$ 7,431,452</u>	<u>\$ 1,273,586</u>	<u>\$ 8,705,038</u>
Committed to:				
General Government	\$ -	\$ -	\$ 83,551	\$ 83,551
Public Safety	-	-	18,993	18,993
Public Works	-	-	808	808
Parks and Recreation	-	-	275,148	275,148
Health and Welfare	-	-	119,932	119,932
Education	-	-	184,239	184,239
Capital	-	947,384	521,566	1,468,950
Total Committed	<u>\$ -</u>	<u>\$ 947,384</u>	<u>\$ 1,204,237</u>	<u>\$ 2,151,621</u>
Assigned:				
General Fund - Encumbrances	\$ 378,240	\$ -	\$ -	\$ 378,240
Total Assigned	<u>\$ 378,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,240</u>
Unassigned:	<u>\$ 8,778,391</u>	<u>\$ -</u>	<u>\$ (53,580)</u>	<u>\$ 8,724,811</u>

## NOTE 9 - EMPLOYEE RETIREMENT PLANS

### 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.



## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

**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 65<sup>th</sup> 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.

### 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, 2019), membership consisted of the following:

	Town	Police
Inactive plan members or beneficiaries receiving payments	111	31
Inactive plan members entitled but not yet receiving payments	21	-
Active Members	107	34
	<u>239</u>	<u>65</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.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

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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 12.4% for the Town Retirement System and 35.7% 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. 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, 2019). In the fiduciary fund financial statements, the Guaranteed Deposit account is recorded at market value as of June 30, 2020 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, 2020:

# TOWN OF WATERTOWN, CONNECTICUT

## Notes to the Financial Statements

### Target Allocation and Expected Rate of Return June 30, 2020

<b>Town</b>		Long-Term	
<u>Asset Class</u>	Target Allocation	Expected Real Rate of Return	Weighting
Large Cap Equity	31.00%	7.50%	2.33%
Small Cap Equity	4.00%	8.50%	0.34%
Mid Cap Equity	8.00%	8.25%	0.66%
International Equity	12.00%	7.00%	0.84%
Fixed Income	24.00%	4.75%	1.14%
Real Estate	5.00%	6.60%	0.33%
Stable Value	16.00%	4.35%	0.70%
	100.00%		6.33%
Long-Term Inflation Expectation			2.25%
Long-Term Expected Nominal Return			8.58%

<b>Police</b>		Long-Term	
<u>Asset Class</u>	Target Allocation	Expected Real Rate of Return	Weighting
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%	4.75%	1.28%
Real Estate	5.00%	6.60%	0.33%
Stable Value	18.00%	4.35%	0.78%
	100.00%		6.22%
Long-Term Inflation Expectation			2.25%
Long-Term Expected Nominal Return			8.47%

*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:

<b>Town</b> - Net money-weighted rate of return for the year ended June 30, 2020	3.1%
<b>Police</b> - Net money-weighted rate of return for the year ended June 30, 2020	2.9%

# TOWN OF WATERTOWN, CONNECTICUT

## Notes to the Financial Statements

### Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2020, were as follows:

	Town	Police
Total pension liability	\$ 28,786,797	\$ 32,925,053
Plan fiduciary net position	23,290,794	23,336,546
Net pension liability (asset)	5,496,003	9,588,507
Plan fiduciary net position as a percentage of total pension liability	80.91%	70.88%
Covered payroll	5,689,468	3,299,771
Net pension liability as a % of covered payroll	96.60%	290.58%

### Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2019 valuation and projected forward to a measurement date of June 30, 2020:

<b>Valuation timing</b>	Actuarially determined contribution rates are calculated as of January 1, 2019, six months prior to the beginning of the fiscal year in which the contributions are reported.	
<b>Actuarial cost method</b>	Entry Age Normal Actuarial Cost Method	
<b>Amortization method</b>	Level Cost	
<b>Asset valuation method</b>		
Smoothing period	5 year	
Recognition method	20% per year	
<b>Inflation</b>	2.25%	
<b>Payroll growth</b>	Town used 3.5%	Police used 4.0%
<b>Investment rate of return</b>	Town - 7.00% net of investment and contract fees	
	Police - 7.00% net of investment and contract fees	
<b>Retirement age</b>	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	
<b>Post-retirement mortality</b>	Town - RP-2014 Blue Collar Mortality Table with no projection scale	
	Police - RP-2014 Blue Collar Mortality Table with Scale MP-2014	

There were changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date:

- Town - The expected return on assets was lowered from 7.25% to 7.00% to better align with plan experience.
- Police – The expected return on assets was lowered from 7.15% to 7.00% to better align with plan experience.

*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.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

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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%
<b>Town</b>	Net Pension Liability	\$ 6,563,387	\$ 5,496,003	\$ 1,462,658
		1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
<b>Police</b>	Net Pension Liability	\$ 12,129,035	\$ 9,588,507	\$ 5,339,619

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

Town	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2019	\$ 27,274,938	\$ 23,134,278	\$ 4,140,660
Changes for the year:			
Service Cost	489,375	-	489,375
Interest	1,925,606	-	1,925,606
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience			
including Changes in Assumptions	552,039	-	552,039
Employer Contributions	-	702,930	(702,930)
Member Contributions	-	254,416	(254,416)
Net Investment Income	-	707,707	(707,707)
Benefit Payments	(1,455,161)	(1,455,161)	-
Administrative Expenses	-	(53,376)	53,376
Net Changes	1,511,859	156,516	1,355,343
Balance at June 30, 2020	\$ 28,786,797	\$ 23,290,794	\$ 5,496,003
Plan fiduciary net position as a percentage of the total pension liability			80.91%
Covered Payroll			\$ 5,689,468
Net pension liability as a percentage of covered payroll			96.60%

Police	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2019	\$ 30,523,500	\$ 22,868,853	\$ 7,654,647
Changes for the year:			
Service Cost	570,722	-	570,722
Interest	2,126,767	-	2,126,767
Differences Between Expected and Actual Experience			
including Changes in Assumptions	1,288,416	-	1,288,416
Employer Contributions	-	1,177,609	(1,177,609)
Member Contributions	-	262,156	(262,156)
Net Investment Income	-	641,315	(641,315)
Benefit Payments	(1,584,352)	(1,584,352)	-
Administrative Expenses	-	(29,035)	29,035
Net Changes	2,401,553	467,693	1,933,860
Balance at June 30, 2020	\$ 32,925,053	\$ 23,336,546	\$ 9,588,507
Plan fiduciary net position as a percentage of the total pension liability			70.88%
Covered Payroll			\$ 3,299,771
Net pension liability as a percentage of covered payroll			290.58%

**TOWN OF WATERTOWN, CONNECTICUT**  
Notes to the Financial Statements

For the year ended June 30, 2020, the total pension expense recognized was \$1,586,393 for the Town plan and \$2,157,939 for the Police plan. As of June 30, 2020, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual earnings	\$ 1,820,129	\$ -
Differences between expected and actual experience	2,213,921	718,694
Changes in assumptions	971,988	-
Total	<u>\$ 5,006,038</u>	<u>\$ 718,694</u>

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:

2021	\$ 1,924,892
2022	1,112,727
2023	760,883
2024	488,842
	<u>\$ 4,287,344</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](http://www.ct.gov), or by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

*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).

*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% of average annual salary times years of credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

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*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, 2020 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$1,326,791. Covered payroll for the Town for the year ended June 30, 2020 was approximately \$18,954,157.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:* At June 30, 2020 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>73,943,493</u>
Total	<u>\$ 73,943,493</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2020, the Town recognized benefits expense and contribution revenue of \$5,597,129 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$9,081,521 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

*Actuarial Assumptions:* The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	6.90 Percent



## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

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%.

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:

Asset Class	Expected Return	Target Allocation	Standard Deviation
Public Equity - US Equity	8.10%	20.00%	17.00%
Public Equity - International Developed Equity	8.50%	11.00%	19.00%
Public Equity - Emerging Markets Equity	10.40%	9.00%	24.00%
Fixed Income - Core Fixed Income	4.60%	16.00%	7.00%
Fixed Income - Inflation Linked Bonds	3.60%	5.00%	7.00%
Fixed Income - High Yield	6.50%	6.00%	11.00%
Fixed Income - Emerging Market Debt	5.20%	5.00%	11.00%
Private Equity	9.80%	10.00%	23.00%
Real Estate	7.00%	10.00%	15.00%
Alternative Investments - Real Assets	8.20%	4.00%	17.00%
Alternative Investments - Hedge Funds	5.40%	3.00%	7.00%
Liquidity Fund	2.90%	1.00%	1.00%

*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](http://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.

*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 average final compensation and service to 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, 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, 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 – 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.

*Death Benefit:* Employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and the reduced 50% joint and survivor allowance.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

*Contributions - Member:* Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2.25% of compensation up to the social security taxable wage base plus 5%, 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.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:* At June 30, 2020 the Town reports a total liability of \$872,062 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2019, 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, 2019, the Town's proportion was 0.236%.

For the year ended June 30, 2020, the Town recognized pension expense of \$147,606. As of June 30, 2020, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Town contributions subsequent to the measurement date	\$ 73,939	\$ -
Difference between projected and actual earnings	35,501	-
Difference between expected and actual experience	94,965	78,601
Change in assumptions	230,323	-
Change in proportional share	30,327	244,389
Total	<u>\$ 465,055</u>	<u>\$ 322,990</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:

2021	\$ 23,188
2022	23,948
2023	43,006
2024	<u>(22,016)</u>
	<u>\$ 68,126</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

*Actuarial Assumptions:* The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases, including inflation	3.25-10.00 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, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2017.

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	<u>1.00%</u>	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.

# TOWN OF WATERTOWN, CONNECTICUT

## Notes to the Financial Statements

*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:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Net Pension Liability as of June 30, 2020	\$ 1,242,689	\$ 872,062	\$ 559,899

### 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 \$44,452 to this plan during the year ended June 30, 2020. Participants are 100% vested, and are not required to contribute.

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

*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 2020 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$2,695,875.

*Employees Covered by Benefit Terms:* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	238
Active plan members	433
	671

# TOWN OF WATERTOWN, CONNECTICUT

## Notes to the Financial Statements

**Total OPEB Liability:** The Town's total OPEB liability of \$86,315,736 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

**Actuarial Assumptions and Other Inputs:** The total OPEB liability in the July 1, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Measurement Date</b>	June 30, 2020 for June 30, 2020 Reporting Date	
<b>Actuarial Cost Method</b>	Individual Entry Age Normal	
<b>Actuarial Value of Assets</b>	Market Value	
<b>Discount Rate</b>	2.75% (previously 3.25%)	
<b>Salary Increases</b>	3.00%	
<b>Inflation</b>	2.50%	
<b>Municipal Bond Rate</b>	2.66%	
<b>Mortality Rates</b>	RP-2014 mortality table projected generationally with scale MP-2016 for males and females.	
<b>Healthcare Cost Trend Rates</b>	FYE 2020+	Medical 4.5%

**Changes in the Net OPEB Liability:**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	\$ 84,902,741	\$ 1,445	\$ 84,901,296
Changes for the year:			
Service Cost	2,831,861	-	2,831,861
Interest	2,375,885	-	2,375,885
Changes in Assumptions	-	-	-
Differences Between Expected and Actual Experience	(1,098,876)	-	(1,098,876)
Net Investment Income	-	1	(1)
Employer Contributions	-	2,695,875	(2,695,875)
Benefit Payments including Implicit Costs	(2,695,875)	(2,695,875)	-
Net Changes	1,412,995	1	1,412,994
Balance at June 30, 2020	\$ 86,315,736	\$ 1,446	\$ 86,314,290

**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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability	\$ 101,514,078	\$ 86,315,736	\$ 74,975,509
Plan Fiduciary Net Position	1,446	1,446	1,446
Net OPEB Liability	\$ 101,512,632	\$ 86,314,290	\$ 74,974,063

# 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	\$ 73,396,368	\$ 86,315,736	\$ 102,920,381
Plan Fiduciary Net Position	1,446	1,446	1,446
Net OPEB Liability	<u>\$ 73,394,922</u>	<u>\$ 86,314,290</u>	<u>\$ 102,918,935</u>

**OPEB Expense:** For the year ended June 30, 2020, the Town recognized OPEB expense of \$4,850,007. As of June 30, 2020, deferred inflows and outflows of resources related to OPEB are reported as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between projected and actual earnings	\$ 56	\$ -
Difference between expected and actual experience	3,740,895	6,113,105
Changes in assumptions	10,190,051	-
Total	<u>\$ 13,931,002</u>	<u>\$ 6,113,105</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:

2021	\$ 2,338,172
2022	2,338,174
2023	1,968,187
2024	967,870
2025	272,562
Thereafter	(67,068)
	<u>\$ 7,817,897</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](http://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

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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 \$152,974.

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, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.75%
Wage Inflation	3.25%
Salary increases	3.25-6.50%, 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	3.50%
Prior Measurement Date	3.87%

The projected fiduciary net position is projected to be depleted in 2019.

Single equivalent interest rate

Measurement Date	3.50%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.87%, net of OPEB plan investment expense, Including price inflation



## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

#### Healthcare cost trend rates:

Pre-Medicare	5.95% for 2018 decreasing to an ultimate Rate of 4.75% by 2025
Medicare	5.00% for 2018 decreasing to an ultimate Rate of 4.75% by 2028

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

*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%	0.41%	2.31%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		3.00%	

*Discount Rate* - The discount rate used to measure the total OPEB liability was 3.50%. 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, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 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 3.25%.
- 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.
- No future employer contributions were assumed to be made.

# TOWN OF WATERTOWN, CONNECTICUT

## Notes to the Financial Statements

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

*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	4.95%	5.95%	6.95%
Ultimate Healthcare Cost Trend Rate	3.75%	4.75%	5.75%
Total OPEB Liability	\$ 9,607,116	\$ 11,531,904	\$ 14,103,064

*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 (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 13,742,566	\$ 11,531,904	\$ 9,771,532

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:* At June 30, 2020 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>11,531,904</u>
Total	<u>\$ 11,531,904</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the Town had no proportionate share of the net OPEB liability.

For the year ended June 30, 2020, the Town recognized OPEB expense and revenue of \$152,974 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized (\$843,865) 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

### 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
2020	\$ 1,896,314	\$ 1,115,430	\$ (575,553)	\$ 2,436,191
2019	2,073,918	406,661	(584,265)	1,896,314
2018	2,269,310	223,860	(419,252)	2,073,918

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
2020	\$ 514,321	\$ 14,503,971	\$ (13,952,105)	\$ 1,066,187
2019	783,463	11,572,423	(11,841,565)	514,321
2018	629,469	12,990,295	(12,836,301)	783,463

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, 2020, 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

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*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. 84 - Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment funds, (3) private-purpose funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2020.

*GASB Statement No. 87 – Leases* - This statement improves the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2021.

## TOWN OF WATERTOWN, CONNECTICUT

### Notes to the Financial Statements

---

GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021.

#### **NOTE 12 – RISKS AND UNCERTAINTIES**

The World Health Organization declared the coronavirus outbreak ("COVID-19") a pandemic. The impact of COVID-19 could negatively affect the Town's operations, vendors, and/or taxpayer base. The extent to which the COVID-19 impacts the Town's financial position will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or its impact, among others.

#### **NOTE 13 – SUBSEQUENT EVENTS**

On October 13, 2020, the Town paid off the \$5,000,000 Bond Anticipation Note with the issuance of General Obligation Bonds of \$6,000,000. The bonds bear annual interest ranging from 1% to 4% with the first interest payment due in April 2021 and principal and interest due semiannually thereafter from April 2022 through October 2041.

# **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, 2020

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	<u>Budgeted Amounts</u>		<b>Actual</b>	
	<u>Original</u>	<u>Amended</u>	<b>Budgetary</b>	<u>Variance</u>
			<b>Basis</b>	
<b>REVENUES</b>				
<b>Property Taxes</b>				
Current Year	\$ 60,369,636	\$ 60,369,636	<b>\$ 60,961,248</b>	\$ 591,612
Prior Year	575,000	575,000	<b>529,659</b>	(45,341)
Interest and Lien Fees	325,000	325,000	<b>368,204</b>	43,204
Scholarship Fund	1,600	1,600	<b>701</b>	(899)
<b>Total Property Taxes</b>	<u>61,271,236</u>	<u>61,271,236</u>	<u><b>61,859,812</b></u>	<u>588,576</u>
<b>Intergovernmental</b>				
<b>State of Connecticut - Education</b>				
Nonpublic Health and Social Services	32,661	32,661	<b>33,130</b>	469
Equalization (ECS)	<u>11,720,057</u>	<u>11,720,057</u>	<u><b>11,731,784</b></u>	<u>11,727</u>
Total State of Connecticut - Education	<u>11,752,718</u>	<u>11,752,718</u>	<u><b>11,764,914</b></u>	<u>12,196</u>
<b>Federal and State of Connecticut - Other</b>				
PILOT State Property	9,723	9,723	<b>9,723</b>	-
Mashantucket Pequot	11,631	11,631	<b>11,631</b>	-
Elderly Tax Relief	2,200	2,200	<b>2,257</b>	57
Tax Relief for Veterans	33,477	33,477	<b>28,262</b>	(5,215)
Heminway Pond Dam Removal	-	-	<b>168,463</b>	168,463
Telephone Access	46,475	46,475	<b>35,669</b>	(10,806)
Municipal Aid Adjustment	642,281	642,281	<b>642,281</b>	-
Senior Center Bus Grant	-	-	<b>55,200</b>	55,200
Total Federal and State of Connecticut - Other	<u>745,787</u>	<u>745,787</u>	<u><b>953,486</b></u>	<u>207,699</u>
<b>Total Intergovernmental</b>	<u>12,498,505</u>	<u>12,498,505</u>	<u><b>12,718,400</b></u>	<u>219,895</u>
<b>Departmental</b>				
<b>Local Revenues</b>				
Communication Tower Rental	156,713	156,713	<b>182,958</b>	26,245
Equipment and Scrap Sales	2,000	2,000	<b>-</b>	(2,000)
Scrap Iron, Oil, Glass	15,000	15,000	<b>8,099</b>	(6,901)
Water and Sewer Authority	2,500	2,500	<b>-</b>	(2,500)
Miscellaneous Town Clerk Fees	42,000	42,000	<b>50,151</b>	8,151
Miscellaneous Fishing and Hunting	11,000	11,000	<b>7,970</b>	(3,030)
Town Clerk Dog Licenses	11,000	11,000	<b>9,534</b>	(1,466)
Conveyance Tax	195,000	195,000	<b>241,125</b>	46,125
Town Clerk Recording	170,000	170,000	<b>200,165</b>	30,165
Assessor Photocopies	650	650	<b>474</b>	(176)

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, 2020

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	<u>Budgeted Amounts</u>		<b>Actual</b>	
	<u>Original</u>	<u>Amended</u>	<b>Budgetary</b>	<u>Variance</u>
			<b>Basis</b>	
<b>Local Revenues (Continued)</b>				
Supplemental Dog Licenses	700	700	<b>1,140</b>	440
Supplemental Marriage Licenses	1,300	1,300	<b>1,972</b>	672
Animal Population Control	3,500	3,500	<b>2,396</b>	(1,104)
3-LOCIP Preservation	8,000	8,000	<b>7,485</b>	(515)
Pool Fees	8,300	8,300	<b>5,275</b>	(3,025)
Damage Claims and Settlements	4,000	4,000	<b>4,294</b>	294
Field Surcharge	2,000	2,000	-	(2,000)
Miscellaneous Local Revenue	45,000	45,000	<b>53,628</b>	8,628
Deposits on Plans & Specs	500	500	-	(500)
Recreation Mini-Bus	500	500	<b>197</b>	(303)
Town Vehicle Use	10,500	10,500	<b>9,295</b>	(1,205)
Transfer Station Fees	56,000	56,000	<b>71,405</b>	15,405
Landfill Fees	70,000	70,000	<b>123,200</b>	53,200
Total Local Revenues	<u>816,163</u>	<u>816,163</u>	<u><b>980,763</b></u>	<u>164,600</u>
<b>Permits and Fees</b>				
Zoning Board of Appeals	3,000	3,000	<b>725</b>	(2,275)
Planning and Zoning	12,000	12,000	<b>20,533</b>	8,533
Zoning Compliance Fees	32,000	32,000	<b>38,335</b>	6,335
Soil/Waste State Fee	21,000	21,000	<b>24,520</b>	3,520
Inland - Wetlands	2,700	2,700	<b>2,525</b>	(175)
Building Permits	286,000	286,000	<b>300,813</b>	14,813
Building Inspection Education Fee	3,300	3,300	<b>4,067</b>	767
Blasting Permits	400	400	<b>240</b>	(160)
Street Opening Permits	4,000	4,000	<b>6,300</b>	2,300
Miscellaneous Permits and Fees	500	500	<b>270</b>	(230)
Total Permits and Fees	<u>364,900</u>	<u>364,900</u>	<u><b>398,328</b></u>	<u>33,428</u>
<b>Police</b>				
Parking Tickets	3,000	3,000	<b>2,908</b>	(92)
Pistol Permits	15,000	15,000	<b>17,532</b>	2,532
Police Reports	3,500	3,500	<b>2,457</b>	(1,043)
Solicitor Permits	1,500	1,500	<b>1,088</b>	(412)
Bingo and Raffle	500	500	<b>703</b>	203
Alarm Charges	15,000	15,000	<b>12,000</b>	(3,000)
Police Service	689,750	689,750	<b>873,452</b>	183,702
Miscellaneous Police Service	55,500	55,500	<b>42,477</b>	(13,023)
Animal Control Fees	1,200	1,200	<b>381</b>	(819)
Total Police	<u>784,950</u>	<u>784,950</u>	<u><b>952,998</b></u>	<u>168,048</u>

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, 2020

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	Budgeted Amounts		Actual	
	Original	Amended	Budgetary	Variance
			Basis	
<b>Board of Education</b>				
Tuition	4,600	4,600	-	(4,600)
Latchkey Program	5,000	5,000	7,080	2,080
Miscellaneous School	4,500	4,500	81,476	76,976
Community Service Reimbursement	6,000	6,000	2,417	(3,583)
Total Board of Education	20,100	20,100	90,973	70,873
<b>Total Departmental</b>	1,986,113	1,986,113	2,423,062	436,949
<b>Investment Income</b>	160,000	160,000	185,457	25,457
<b>Other</b>				
Taft Contributions	180,000	180,000	180,000	-
Other Miscellaneous Revenue	82,427	82,427	92,960	10,533
Heritage Bond Reimbursement	60,432	60,432	60,432	-
Cancellation of Prior Year Encumbrances	-	-	209,389	209,389
Total Other	322,859	322,859	542,781	219,922
<b>Other Financing Sources</b>				
Use of Fund Balance	-	509,860	-	(509,860)
<b>Total Revenues</b>	<u>\$ 76,238,713</u>	<u>\$ 76,748,573</u>	<u>\$ 77,729,512</u>	<u>\$ 980,939</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Town Council	5,300	5,300	2,368	2,932
Town Manager	263,417	217,170	216,058	1,112
Economic Development	52,755	52,755	49,904	2,851
Finance Department:				
Administration	514,374	561,469	532,972	28,497
Treasurer	65,686	65,686	65,654	32
Tax Collector	218,753	224,127	223,949	178
Assessor	244,116	247,649	218,426	29,223
Town Clerk	216,770	217,381	214,167	3,214
Elections	85,492	84,492	49,965	34,527
Planning and Zoning	258,429	273,486	263,125	10,361
Board of Appeals	15,908	15,908	12,036	3,872
Historic Districts	675	675	200	475
Public Building	596,364	750,337	740,077	10,260
Building Inspections	211,687	211,687	160,399	51,288
Conservation Commission	15,678	15,678	13,527	2,151
Total General Government	2,765,404	2,943,800	2,762,827	180,973

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, 2020

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	<u>Budgeted Amounts</u>		<b>Actual</b>	
	<u>Original</u>	<u>Amended</u>	<b>Budgetary</b>	<u>Variance</u>
			<b>Basis</b>	
<b>Public Safety</b>				
Fire Department:				
Administration	211,359	216,843	<b>211,645</b>	5,198
Suppression and Rescue	432,889	401,438	<b>360,669</b>	40,769
Maintenance and Support	284,350	315,801	<b>302,848</b>	12,953
Police Department:				
Administration	499,278	513,589	<b>485,190</b>	28,399
Patrol and Detectives	3,806,261	3,812,161	<b>3,756,540</b>	55,621
Maintenance and Support	176,049	184,912	<b>173,494</b>	11,418
Traffic	5,000	5,000	<b>4,500</b>	500
Animal Control	98,435	97,875	<b>84,452</b>	13,423
Communications	614,664	650,937	<b>626,283</b>	24,654
<b>Total Public Safety</b>	<u>6,128,285</u>	<u>6,198,556</u>	<u><b>6,005,621</b></u>	<u>192,935</u>
<b>Public Works</b>				
Engineering and Administration	602,572	549,166	<b>535,976</b>	13,190
Highway	2,225,830	2,280,317	<b>2,235,081</b>	45,236
Snow Removal	476,879	344,842	<b>343,410</b>	1,432
Solid Waste Disposal	304,199	265,446	<b>253,274</b>	12,172
Street Lighting	200,000	156,892	<b>156,892</b>	-
Tree Removal	59,868	59,613	<b>59,599</b>	14
<b>Total Public Works</b>	<u>3,869,348</u>	<u>3,656,276</u>	<u><b>3,584,232</b></u>	<u>72,044</u>
<b>Parks and Recreation</b>				
Parks Administration	440,754	447,174	<b>418,785</b>	28,389
Recreation Administration	369,098	376,174	<b>366,566</b>	9,608
Senior Center	151,877	207,077	<b>185,185</b>	21,892
<b>Total Parks and Recreation</b>	<u>961,729</u>	<u>1,030,425</u>	<u><b>970,536</b></u>	<u>59,889</u>
<b>Health and Welfare</b>				
Social Services	21,300	21,300	<b>20,154</b>	1,146
Health Services	128,032	128,033	<b>128,032</b>	1
<b>Total Health and Welfare</b>	<u>149,332</u>	<u>149,333</u>	<u><b>148,186</b></u>	<u>1,147</u>
<b>Education</b>				
Board of Education	<u>45,547,288</u>	<u>45,547,288</u>	<u><b>45,306,203</b></u>	<u>241,085</u>
<b>Miscellaneous</b>				
Legal	174,639	161,039	<b>161,019</b>	20
Employee Benefits	6,607,764	6,702,077	<b>6,696,032</b>	6,045
Centralized Services	818,662	874,186	<b>855,179</b>	19,007

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, 2020

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	<u>Budgeted Amounts</u>		<b>Actual</b>	
	<u>Original</u>	<u>Amended</u>	<b>Budgetary</b>	<u>Variance</u>
			<b>Basis</b>	
<b>Miscellaneous (Continued)</b>				
Non-Town Agencies	1,920,589	2,327,992	<b>2,315,937</b>	12,055
Reserved for Wages and Benefits	402,343	298,773	<b>298,773</b>	-
Reserved for Contingency	35,000	495	<b>483</b>	12
<b>Total Miscellaneous</b>	<u>9,958,997</u>	<u>10,364,562</u>	<b><u>10,327,423</u></b>	<u>37,139</u>
<b>Debt Service</b>	<u>6,858,330</u>	<u>6,858,333</u>	<b><u>6,770,683</u></b>	<u>87,650</u>
<b>Total Expenditures</b>	<b><u>76,238,713</u></b>	<b><u>76,748,573</u></b>	<b><u>75,875,711</u></b>	<b><u>872,862</u></b>
<b>Excess (Deficiency) of Revenues over</b>				
<b>Expenditures - Budgetary Basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,853,801</b>	<b><u>\$ 1,853,801</u></b>
<b>Adjustments to Generally Accepted Accounting Principles (GAAP):</b>				
Payments on Behalf of the Town not Recorded on a Budgetary Basis:				
Revenues from Teachers' Retirement and OPEB			<b>5,750,103</b>	
Expenditures from Teachers' Retirement and OPEB			<b>(5,750,103)</b>	
Payments on Behalf of the Town not Recorded on a Budgetary Basis:				
Revenues from Excess Cost Grant			<b>919,422</b>	
Expenditures from Excess Cost Grant			<b>(919,422)</b>	
Encumbrances Recorded on a Budget Basis, but not on the Modified Accrual Basis:				
Prior Year Encumbrances			<b>(637,537)</b>	
Current Year Encumbrances			<b>378,240</b>	
Town Budgets for Payroll on a Cash Basis:				
Prior Year Accrued Payroll			<b>206,174</b>	
Current Year Accrued Payroll			<b>(79,640)</b>	
Other Financing Sources - Difference in Treatment of Lease Financing:				
Proceeds from Lease Financing			<b>462,260</b>	
Purchase of Equipment with Lease Financing			<b>(462,260)</b>	
<b>Excess (Deficiency) of Revenues and Other Financing Sources</b>				
<b>over Expenditures and Other Financing Uses - GAAP Basis</b>			<b><u>\$ 1,721,038</u></b>	

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 Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$ 489,375	\$ 505,750	\$ 512,203	\$ 534,404	\$ 488,264	\$ 505,034	\$ 493,898
Interest	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	-	-	382,996	-	19,822	-	-
Differences Between Expected and Actual Experience							
Including Assumption Changes	552,039	302,557	486,806	486,567	107,640	531,097	(225,659)
Benefit Payments, Including Refunds of Member Contributions	<u>(1,455,161)</u>	<u>(1,454,437)</u>	<u>(1,377,117)</u>	<u>(1,201,225)</u>	<u>(1,074,321)</u>	<u>(1,070,456)</u>	<u>(958,346)</u>
<b>Net Change in Total Pension Liability</b>	1,511,859	1,193,009	1,721,940	1,439,875	1,082,282	1,455,366	731,503
<b>Total Pension Liability - Beginning</b>	<u>27,274,938</u>	<u>26,081,929</u>	<u>24,359,989</u>	<u>22,920,114</u>	<u>21,837,832</u>	<u>20,382,466</u>	<u>19,650,963</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 28,786,797</u>	<u>\$ 27,274,938</u>	<u>\$ 26,081,929</u>	<u>\$ 24,359,989</u>	<u>\$ 22,920,114</u>	<u>\$ 21,837,832</u>	<u>\$ 20,382,466</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 702,930	\$ 606,363	\$ 538,056	\$ 446,566	\$ 411,648	\$ 372,789	\$ 364,691
Contributions - Member	254,416	269,484	276,657	300,260	286,125	301,598	319,890
Net Investment Income	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	(1,455,161)	(1,454,437)	(1,377,117)	(1,201,225)	(1,074,321)	(1,070,456)	(958,346)
Administrative Expenses	<u>(53,376)</u>	<u>(54,170)</u>	<u>(55,404)</u>	<u>(60,412)</u>	<u>(71,158)</u>	<u>(53,019)</u>	<u>(52,566)</u>
<b>Net Change in Pension Fiduciary Net Position</b>	156,516	740,425	848,533	1,686,607	(285,429)	417,676	2,475,943
<b>Plan Fiduciary Net Position - Beginning</b>	<u>23,134,278</u>	<u>22,393,853</u>	<u>21,545,320</u>	<u>19,858,713</u>	<u>20,144,142</u>	<u>19,726,466</u>	<u>17,250,523</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 23,290,794</u>	<u>\$ 23,134,278</u>	<u>\$ 22,393,853</u>	<u>\$ 21,545,320</u>	<u>\$ 19,858,713</u>	<u>\$ 20,144,142</u>	<u>\$ 19,726,466</u>
<b>Net Pension Liability - Ending: (a) - (b)</b>	<u>\$ 5,496,003</u>	<u>\$ 4,140,660</u>	<u>\$ 3,688,076</u>	<u>\$ 2,814,669</u>	<u>\$ 3,061,401</u>	<u>\$ 1,693,690</u>	<u>\$ 656,000</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	80.91%	84.82%	85.86%	88.45%	86.64%	92.24%	96.78%
<b>Covered Payroll</b>	\$ 5,689,468	\$ 6,167,542	\$ 6,249,539	\$ 6,363,036	\$ 6,326,497	\$ 6,505,288	\$ 6,409,573
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	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 Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Employer Contribution (ADEC)	\$ 702,930	\$ 606,363	\$ 538,056	\$ 446,566	\$ 411,648	\$ 372,789	\$ 364,691
Contributions in Relation to the ADEC	<u>702,930</u>	<u>606,363</u>	<u>538,056</u>	<u>446,566</u>	<u>411,648</u>	<u>372,789</u>	<u>364,691</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	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	12.35%	9.83%	8.61%	7.02%	6.51%	5.73%	5.69%

**Notes to Schedule**

Valuation Date: 1/1/2019

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 Seven Fiscal Years

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	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.

See accountant's report.

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

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$ 570,722	\$ 552,159	\$ 538,120	\$ 471,622	\$ 457,058	\$ 343,549	\$ 329,808
Interest	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	1,288,416	(124,552)	(423,677)	1,705,330	1,606,784	7,870	317,189
Benefit Payments, Including Refunds of Member Contributions	<u>(1,584,352)</u>	<u>(1,539,580)</u>	<u>(1,404,319)</u>	<u>(1,294,672)</u>	<u>(1,181,881)</u>	<u>(1,130,152)</u>	<u>(1,115,817)</u>
<b>Net Change in Total Pension Liability</b>	2,401,553	948,546	749,923	2,719,235	2,534,094	867,763	1,131,793
<b>Total Pension Liability - Beginning</b>	<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>
<b>Total Pension Liability - Ending (a)</b>	<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>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 1,177,609	\$ 983,828	\$ 980,141	\$ 981,681	\$ 875,571	\$ 780,140	\$ 770,262
Contributions - Member	262,156	243,012	252,446	247,888	226,756	218,034	186,890
Net Investment Income	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	(1,584,352)	(1,539,580)	(1,404,319)	(1,294,672)	(1,181,881)	(1,130,152)	(1,115,817)
Administrative Expenses	<u>(29,035)</u>	<u>(27,665)</u>	<u>(27,680)</u>	<u>(28,923)</u>	<u>(34,663)</u>	<u>(30,002)</u>	<u>(25,288)</u>
<b>Net Change in Pension Fiduciary Net Position</b>	467,693	920,860	1,116,619	1,837,647	66,687	664,349	2,238,516
<b>Plan Fiduciary Net Position - Beginning</b>	<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>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<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>
<b>Net Pension Liability - Ending: (a) - (b)</b>	<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>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	70.88%	74.92%	74.21%	72.27%	72.76%	80.30%	80.44%
<b>Covered Payroll</b>	\$ 3,299,771	\$ 3,387,490	\$ 3,368,353	\$ 3,460,441	\$ 3,220,197	\$ 2,909,407	\$ 3,059,132
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	290.58%	225.97%	226.43%	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 Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Employer Contribution (ADEC)	\$ 1,177,609	\$ 983,828	\$ 980,141	\$ 981,681	\$ 875,571	\$ 780,140	\$ 770,262
Contributions in Relation to the ADEC	<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>
Covered Payroll	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	35.69%	29.04%	29.10%	28.37%	27.19%	26.81%	25.18%

**Notes to Schedule**

Valuation Date: 1/1/2019

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.

See accountant's report.



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

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	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.

See accountant's report.

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

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 2,831,861	\$ 2,155,078	\$ 1,841,510
Interest	2,375,885	2,483,561	2,080,341
Differences Between Expected and Actual Experience	(1,098,876)	(7,548,927)	7,851,771
Changes of Assumptions	-	14,832,443	-
Benefit Payments, Including Implicit Cost	<u>(2,695,875)</u>	<u>(2,542,856)</u>	<u>(1,906,242)</u>
<b>Net Change in Total OPEB Liability</b>	1,412,995	9,379,299	9,867,380
<b>Total OPEB Liability - Beginning</b>	<u>84,902,741</u>	<u>75,523,442</u> *	<u>63,114,489</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 86,315,736</u></u>	<u><u>\$ 84,902,741</u></u>	<u><u>\$ 72,981,869</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 2,695,875	\$ 2,542,856	\$ 1,906,242
Net Investment Income	1	14	7
Benefit Payments, Including Implicit Cost	<u>(2,695,875)</u>	<u>(2,542,856)</u>	<u>(1,906,242)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	1	14	7
<b>Plan Fiduciary Net Position - Beginning*</b>	<u>1,445</u>	<u>1,431</u>	<u>1,409</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 1,446</u></u>	<u><u>\$ 1,445</u></u>	<u><u>\$ 1,416</u></u>
<b>Net OPEB Liability - Ending: (a) - (b)</b>	<u><u>\$ 86,314,290</u></u>	<u><u>\$ 84,901,296</u></u>	<u><u>\$ 72,980,453</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	0.00%	0.00%	0.00%
<b>Covered-Employee Payroll</b>	\$ 26,454,361	\$ 25,683,844	\$ 28,286,748
<b>Net OPEB Liability as a Percentage of Covered-Employee Payroll</b>	326.28%	330.56%	258.00%

\*Restated for change in the measurement date.

**Notes to Schedule**

Measurement Date	June 30, 2020
Valuation Date	July 1, 2018
Inflation Rate	2.50%
Actuarial Cost Method	Individual Entry Age Normal
Salary Increases	3.00%
Healthcare Cost Trend Rates	FYE            Medical
	2020+        4.5%

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 Six Fiscal Years

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

	2020	2019	2018	2017	2016	2015
Town's Percentage of Collective Net Pension Liability	0.236%	0.268%	0.439%	0.439%	0.573%	0.611%
Town's Portion of Net Pension Liability	<u>\$ 872,062</u>	<u>\$1,024,852</u>	<u>\$ 725,068</u>	<u>\$ 860,942</u>	<u>\$ 836,477</u>	<u>\$ 628,487</u>
Town's Covered Payroll	<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	143.55%	135.87%	89.22%	82.45%	61.70%	48.95%
Plan Fiduciary Net Position as a % of Total Pension Liability	72.69%	73.60%	91.68%	88.29%	92.72%	90.48%

**Schedule of Employer Contributions  
Since Inception of GASB 68**

	2020	2019	2018	2017	2016	2015
Town's Contractually Required Contribution	\$ 73,939	\$ 85,164	\$ 95,411	\$ 118,825	\$ 154,637	\$ 153,818
Town's Contributions in Relation to the Contractually Required Contribution	<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>
Town's Covered Payroll	607,507	754,267	812,706	1,044,159	1,355,765	1,283,958
Town's Contributions as a Percentage of Covered Payroll	12.17%	11.29%	11.74%	11.38%	11.41%	11.98%

**Notes to Schedule**

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age, normal cost method
Amortization method	Level dollar, closed
Asset Valuation Method	5-year smoothed market (20% write up)
Remaining amortization period	21 years
Inflation	3.25%
Salary Increases	4.25% - 11.00%
Investment Rate of Return	8.00%, 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.

See accountant's report.

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

**Schedule of Proportionate Share of Net Pension Liability**

	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%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town	73,943,493	57,014,729	59,204,351	62,461,044	48,464,850	44,796,041
Total	\$ 73,943,493	\$ 57,014,729	\$ 59,204,351	\$ 62,461,044	\$ 48,464,850	\$ 44,796,041
Town's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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 salary, closed
Remaining amortization period	17.6 years
Asset valuation method	4-year smoothed market
Inflation	2.75%
Salary increases	3.25% - 6.50% average, including inflation
Investment rate of return	8.0% net of investment expense, including inflation

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  
June 30, 2020

**Schedule of Proportionate Share of Net OPEB Liability**

	2020	2019	2018
Town's percentage of the net OPEB liability	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	11,531,904	11,397,595	15,238,515
Total	\$ 11,531,904	\$ 11,397,595	\$ 15,238,515
Town's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%

**Notes to Schedule**

Actuarial Cost Method	Entry age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 years, open
Asset Valuation Method	Market Value of Assets
Investment Rate of Return	3.00%, net of investment related expense including price inflation
Price Inflation	2.75%

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 – Series A Bonds***

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## **APPENDIX B-1 – FORM OF OPINION OF BOND COUNSEL – SERIES A BONDS**

May \_\_, 2021

Town of Watertown  
Town Hall  
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 Refunding Bonds, Issue of 2021, Series A (the “Bonds”) dated May \_\_, 2021. In such capacity, we have examined a record of proceedings of the Town authorizing the Bonds, a Tax Regulatory Agreement of the Town dated May \_\_, 2021 (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 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 calculating the federal alternative minimum tax. 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 – Series B Bonds***

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**APPENDIX B-2 – FORM OF OPINION OF BOND COUNSEL – SERIES B BONDS  
(FEDERALLY TAXABLE)**

May \_\_, 2021

Town of Watertown  
Town Hall  
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 Refunding Bonds, Issue of 2021, Series B (Federally Taxable) (the “Bonds”) dated May \_\_, 2021. In such capacity, we have examined a record of proceedings of the Town authorizing the Bonds, and 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 National Association, the 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.

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.

We are of the opinion that, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

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

We have not undertaken to advise 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.

Although we have rendered an opinion that interest on the Bonds is excluded from gross income for state income tax purposes, state income tax liability may otherwise be affected by the ownership or disposition of the Bonds. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Bonds not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

## ***Appendix C***

### ***Form of Continuing Disclosure Agreement***

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE AGREEMENT

*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 for Bonds 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 for Bonds.*

#### **Continuing Disclosure Agreement**

This Continuing Disclosure Agreement ("Agreement") is made as of May \_\_, 2021 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$ \_\_\_\_\_ General Obligation Refunding Bonds, Issue of 2021, Series A (the "Series A Bonds"), and \$ \_\_\_\_\_ General Obligation Refunding Bonds (Federally Taxable), Issue of 2021, Series B (the Series B Bonds," together with the Series A Bonds, the "Bonds") dated May \_\_, 2021, 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 May \_\_, 2021 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, 2021) 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 (l).* 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

By \_\_\_\_\_  
Mark A. Raimo  
Town Manager

By \_\_\_\_\_  
Susan E. Zappone  
Finance Director

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