

Final Official Statement Dated October 15, 2019

NEW MONEY ISSUE: BOOK-ENTRY-ONLY

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

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 Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds and the Notes are not "private activity bonds" and interest on the Bonds and the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds and the Notes 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 Appendix B "Form of Opinion of Bond Counsel and Tax Status".)



Town of Watertown, Connecticut

\$7,200,000

General Obligation Bonds, Issue of 2019

Dated: Date of Delivery

**Due: Serially October 15, 2021-2040
as detailed inside the front cover**

Interest on the Bonds will be payable October 15, 2020 and semiannually thereafter on April 15 and October 15 in each year until maturity.

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

SWBC INVESTMENT SERVICES, LLC

\$5,000,000

General Obligation Bond Anticipation Notes

Dated: October 24, 2019

Due: October 23, 2020

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated October 7, 2019.

The Notes are not subject to redemption prior to maturity.

TD SECURITIES (USA) LLC

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

The Bonds and the Notes 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 and the Notes will not receive certificates representing their ownership interest in the Bonds or the Notes. Principal of, redemption premium, if any, and interest payments on, the Bonds and the Notes 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 and the Notes. 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 and the Notes will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds and the Notes 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, and Certifying Agent for the Bonds and the Notes will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the final approving opinions of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in book-entry-only form will be made to DTC in New York, New York on or about October 24, 2019.

Town of Watertown, Connecticut
\$7,200,000
General Obligation Bonds, Issue of 2019

Dated: Date of Delivery

Due: Serially October 15, 2021-2040
as shown below:

Year	Principal	Coupon	Yield	CUSIP¹	Year	Principal	Coupon	Yield	CUSIP¹
2021	\$ 360,000	5.000%	1.060%	941893N62	2031*	\$ 360,000	3.000%	2.150%	941893P86
2022	360,000	5.000%	1.070%	941893N70	2032*	360,000	3.000%	2.200%	941893P94
2023	360,000	5.000%	1.080%	941893N88	2033*	360,000	3.000%	2.250%	941893Q28
2024	360,000	5.000%	1.100%	941893N96	2034*	360,000	3.000%	2.300%	941893Q36
2025	360,000	5.000%	1.150%	941893P29	2035*	360,000	3.000%	2.350%	941893Q44
2026	360,000	5.000%	1.210%	941893P37	2036*	360,000	3.000%	2.400%	941893Q51
2027	360,000	5.000%	1.280%	941893P45	2037*	360,000	3.000%	2.450%	941893Q69
2028*	360,000	5.000%	1.340%	941893P52	2038	360,000	2.500%	2.600%	941893Q77
2029*	360,000	4.000%	1.460%	941893P60	2039	360,000	2.625%	2.650%	941893Q85
2030*	360,000	4.000%	1.510%	941893P78	2040	360,000	2.625%	2.700%	941893Q93

* Priced assuming redemption on October 15, 2027; however, any such redemption is at the option of the Town.

SWBC INVESTMENT SERVICES, LLC

\$5,000,000
General Obligation Bond Anticipation Notes

Dated: October 24, 2019
Due: October 23, 2020
Underwriter: TD Securities (USA) LLC

Rate: 2.00%
Yield: 1.22%
CUSIP:¹ 941893R27

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

No dealer, broker, 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 and the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

Set forth in Appendix A – “2018 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 as its opinion in Appendix B “Form of Opinion of Bond Counsel and Tax Status” herein), and makes no representation that it has independently verified the same.

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Bond Issue Summary

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

Date of Sale:	Tuesday, October 15, 2019 at 11:30 A.M. (Eastern Time).
Location of Sale:	Town of Watertown, Town Hall Annex, Town Manager's Conference Room, 424 Main Street, Watertown, Connecticut 06795.
Issuer:	Town of Watertown, Connecticut (the "Town").
Issue:	\$7,200,000 General Obligation Bonds, Issue of 2019 (the "Bonds").
Dated Date:	Date of Delivery
Principal and Interest Due:	Principal due serially October 15, 2021 through October 15, 2040. Interest due April 15 and October 15 in each year until maturity, commencing October 15, 2020.
Purpose:	The Bond proceeds will be used to finance various general purpose, water and sewer projects. See "Authorization and Purpose" herein.
Redemption:	The Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein.
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds are rated "AA+" by S&P Global Ratings ("S&P").
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Status:	See Appendix B – "Form of Opinion of Bond Counsel and Tax Status".
Bank Qualification:	The Bonds <u>shall NOT</u> be designated by the Town as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-1 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Separate CUSIPS:	Separate CUSIP numbers for the Bonds are required. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Bonds prior to delivery.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 24, 2019. Delivery of the Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Susan Zappone, Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795. Phone: (860) 945-5259.

Note Issue Summary

The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Tuesday, October 15, 2019 at 11:00 A.M. (Eastern Time).
Location of Sale:	Town of Watertown, Town Hall Annex, Town Manager's Conference Room, 424 Main Street, Watertown, Connecticut 06795.
Issuer:	Town of Watertown, Connecticut (the "Town").
Issue:	\$5,000,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	Date of Delivery
Interest Due:	At maturity: October 23, 2020
Principal Due:	At maturity: October 23, 2020
Authorization and Purpose:	The Notes are being issued to finance various public works capital projects. See "Authorization and Purpose" herein.
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	The Notes are rated "SP-1+" by S&P Global Ratings ("S&P").
Basis of Award:	Lowest Net Interest Cost (NIC), as of the dated date.
Tax Status:	See Appendix B - "Form of Opinion of Bond Counsel and Tax Status".
Bank Qualification:	The Notes <u>shall NOT</u> be designated by the Town as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Notes.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, timely notice of certain events with respect to the Notes, not in excess of 10 business days of the occurrence of such events, pursuant to the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-2 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about October 24, 2019. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Susan Zappone, Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795. Phone: (860) 945-5259.

I. Bond and Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Watertown, Connecticut (the "Town"), in connection with the issuance and sale of \$7,200,000 Tax Exempt General Obligation Bonds, Issue of 2019 (the "Bonds") and \$5,000,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town.

The Bonds and Notes are being offered for sale at public bidding. Notices of Sale dated October 7, 2019 have been furnished to prospective bidders. Reference is made to the Notices of Sale, which are included as Appendices D-1 and D-2 for the terms and conditions of the bidding.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds or Notes. 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 or Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

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

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

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

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Bonds and the Notes (the "Municipal Advisor"). The 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, 2020. 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 Bonds maturing on or before October 15, 2027 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2028 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2027 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:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
October 15, 2027 and thereafter.....	100%

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

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

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

The Notes are not subject to redemption prior to maturity

Description of the Notes

The Notes will be dated October 24, 2019 and will be due and payable as to both principal and interest at maturity on October 23, 2020. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry-Only Transfer System". The Notes are not subject to redemption prior to maturity.

U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds and the Notes. The legal opinion for the Bonds and the Notes will be rendered by Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. See Appendix B "Form of Opinion of Bond Counsel and Tax Status".

Authorization and Purpose

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

<i>Project</i>	<i>Aggregate Amount</i>	<i>Maturing Notes</i>	<i>This Issue:</i>		
	<i>Authorized</i>	<i>Due: 10/24/19</i>	<i>New Money</i>	<i>The Notes Due: 10/23/20</i>	<i>The Bonds</i>
Water & Sewer Projects	\$ 6,330,550	\$ 2,830,000	\$ -	\$ -	\$ 2,830,000
Municipal Center	11,900,000	3,270,000	1,100,000	-	4,370,000
Various Public Works Capital Projects	6,000,000	-	5,000,000	5,000,000	-
Total	\$ 24,230,550	\$ 6,100,000	\$ 6,100,000	\$ 5,000,000	\$ 7,200,000

Book-Entry-Only Transfer System

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

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

Purchases of the Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each 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 and the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds or Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal and Interest on, and redemption premium, if any, with respect to the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or 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 and Notes 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 and the Notes at any time by giving reasonable notice to the Town or its Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond and Note certificates are required to be printed and delivered.

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 and Note 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 or the Notes 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 and Notes

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

Security and Remedies

The Bonds and the Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due. Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues. 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 and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

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

The Town is subject to suit on its general obligation 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 and the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended 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 Bonds and Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds or the Notes.

Availability of Continuing Disclosure Information

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

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

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. In the 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+" and the Notes have been rated "SP-1+" by S&P Global Ratings ("S&P"). The Town furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. The ratings reflect only the view of the rating agency and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Town's bonds and notes, including the Bonds and the Notes.

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

Bond and Note Insurance

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

II. The Issuer



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

<i>Office</i>	<i>Name</i>	<i>Manner of Selection</i>	<i>Expiration of Term</i>
Chairman, Town Council.....	Thomas L. Winn	Elected	11/21
Town Manager.....	Robert Scannell	Appointed	-
Finance Director	Susan E. Zappone	Appointed	-
Treasurer.....	Joan Mondak	Appointed	-
Tax Collector.....	Carla Hamel	Appointed	-
Assessor.....	Donna Murphy	Appointed	-
Town Clerk.....	Lisa Dalton	Elected	11/21
Superintendent of Schools.....	Dr. Rydell Harrison	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 is \$81.35 per ton for municipal solid waste and is only valid until January 1, 2020 at which time it may change. 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, 2018 was 2,742. The rated capacity of the system facilities is 4,037.

School Enrollment

School Year	Grades Pre-K - 6	Grades 7 - 8	Grades 9 - 12	Total
Historical				
2009-10	1,718	533	982	3,233
2010-11	1,669	505	1,000	3,174
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
Projected				
2019-20	1,454	471	801	2,726
2020-21	1,441	443	814	2,698
2021-22	1,428	415	827	2,670

Source: Town of Watertown, Board of Education.

School Facilities

School	Grades	Date of Construction (Latest Additions)	Type of Construction	Number of Classrooms	Enrollment as of 10/1/2018	Operating Capacity
Watertown High School	9-12	1972	Brick	48	815	1,123
Swift Junior High School	6-8	1972	Brick	76	685	1,000
Judson Elementary School	3-5	1971	Brick	31	270	452
Polk Elementary School	3-5	1990	Brick	28	305	512
John Trumbull Primary School	Pre-K-2	2000	Brick	35	656	950
Total				218	2,731	4,037

Employee Relations and Collective Bargaining Municipal Employees

	2018-19	2017-18	2016-17	2015-16	2014-15
General Government	119	129	136	133	133
Board of Education	565	457	445	467	459
Total	684	586	581	600	592

Employee Relations

Bargaining Unit	Number of Members	Contract Expiration Date
<u>General Government</u>		
American Fed. of State, County and Municipal Employees – Local 1303 - Highway....	29	6/30/2022
American Fed. of State, County and Municipal Employees – Local 541 - Police.....	36	3/31/2018 ¹
The United Public Service Employees Union Unit 083 - Communications.....	10	6/30/2021
The United Public Service Employees Union - White Collar.....	35	6/30/2020
Connecticut State Employees Association/SEIU, Local 2001 - Supervisors.....	7	6/30/2022
Total Organized	117	
Non-Union	12	
Sub-Total	129	
<u>Board of Education</u>		
Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO.....	83	8/31/2022
Watertown Education Association.....	235	8/31/2021
American Federation of State, County and Municipal Employees – Local 1049.....	39	6/30/2021
American Federation of State, County and Municipal Employees – Local 1303.....	29	6/30/2021
Watertown Principals Association.....	11	6/30/2020
American Federation of State, County and Municipal Employees – Local 1049.....	26	6/30/2021
Watertown School Nurses Association.....	11	6/30/2021
Total Organized	434	
Non-Union	8	
Sub-Total	442	
Total	571	

¹ In negotiations

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of 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

Year	Actual Population¹	% Increase	Density²
2017 ³	21,976	-2.4%	737.4
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

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

² Per square mile: 29.8 square miles.

³ American Community Survey 2013-2017

Age Distribution of the Population

Age	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	977	4.4%	186,188	5.2%
5 to 9 years	1,336	6.1	206,536	5.7%
10 to 14 years	1,192	5.4	225,831	6.3%
15 to 19 years	1,550	7.1	249,777	6.9%
20 to 24 years	1,219	5.5	245,849	6.8%
25 to 34 years	2,329	10.6	439,239	12.2%
35 to 44 years	2,269	10.3	433,401	12.1%
45 to 54 years	3,724	16.9	535,611	14.9%
55 to 59 years	1,829	8.3	266,501	7.4%
60 to 64 years	1,658	7.5	229,788	6.4%
65 to 74 years	2,159	9.8	318,515	8.9%
75 to 84 years	1,050	4.8	167,133	4.6%
85 years and over	684	3.1	90,109	2.5%
Total.....	21,976	100%	3,594,478	100%
Median Age (Years) 2017.....	45.3		40.8	
Median Age (Years) 2010. ¹	42.4		40.0	

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

Source: American Community Survey 2013-2017

Income Distribution

Income	Town of Watertown		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	121	2.0%	27,787	3.1%
10,000 - 14,999.....	8	0.1	16,143	1.8%
15,000 - 24,999.....	111	1.9	41,072	4.6%
25,000 - 34,999.....	317	5.3	52,218	5.8%
35,000 - 49,999.....	537	9.0	82,371	9.2%
50,000 - 74,999.....	1,025	17.3	134,356	15.0%
75,000 - 99,999.....	890	15.0	122,244	13.6%
100,000 - 149,999.....	1,458	24.5	186,352	20.8%
150,000 - 199,999.....	706	11.9	100,359	11.2%
200,000 and over.....	766	12.9	132,765	14.8%
Total.....	5,939	100.0%	895,667	100.0%

Source: American Community Survey 2013-2017

Income Levels

	Town of Watertown	State of Connecticut
Per Capita Income, 2017.....	\$ 39,836	\$ 41,365
Median Family Income, 2017.....	\$ 98,666	\$ 93,800
Median Household Income, 2017	\$ 77,946	\$ 73,781

Source: American Community Survey 2013-2017

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

	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	516	3.3%	104,623	4.2%
9th to 12th grade.....	764	4.9	137,877	5.6
High School graduate.....	4,513	28.7	673,582	27.2
Some college, no degree.....	2,886	18.4	422,535	17.0
Associate's degree	1,968	12.5	188,481	7.6
Bachelor's degree.....	2,912	18.5	532,055	21.5
Graduate or professional degree.....	2,143	13.6	421,144	17.0
Total.....	15,702	100.0%	2,480,297	100.0%
Total high school graduate or higher (%).....		91.8%		90.2%
Total bachelor's degree or higher (%).....		32.2%		38.4%

Source: American Community Survey 2013-2017

**Major Employers
As of September 2019**

Employer	Type of Business	Approximate Number of Employees
The Siemon Company.....	Manufacturer	311
ALBEA.....	Manufacturer	300
Emerson Automated Solutions.....	Manufacturer	300
The Taft School.....	Private school	250
Crystal Rock.....	Manufacturer - Bottled Water	200
Shelter Logic.....	Manufacturer	197
Braxton Manufacturing.....	Manufacturer	180
PM Engineered Solutions.....	Manufacturer	175
Super Stop & Shop.....	Supermarket	170
Global Steering System.....	Manufacturer	130

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

Sector	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	127	1.1%	7,166	0.4%
Construction.....	568	4.8	104,122	5.8
Manufacturing.....	1,952	16.4	191,519	10.6
Wholesale trade.....	227	1.9	44,741	2.5
Retail trade.....	1,029	8.7	193,016	10.7
Transportation warehousing, and utilities.....	477	4.0	68,926	3.8
Information.....	233	2.0	42,200	2.3
Finance, insurance, real estate, and leasing....	1,003	8.4	163,810	9.1
Professional, scientific, management, administrative, and waste management.....	649	5.5	208,130	11.5
Education, health and social services.....	3,662	30.8	478,083	26.5
Arts, entertainment, recreation, accommodation and food services.....	732	6.2	153,679	8.5
Other services (except public admin.).....	717	6.0	82,538	4.6
Public Administration.....	497	4.2	67,156	3.7
Total Labor Force, Employed.....	11,873	100.0%	1,805,086	100.0%

Source: American Community Survey 2013-2017

**Employment Data
By Place of Residence**

Period	Town of Watertown		Percentage Unemployed		
	Employed	Unemployed	Town of Watertown	Waterbury Labor Market	State of Connecticut
August 2019.....	12,648	417	3.2	4.4	3.6
Annual Average					
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
2010.....	10,999	1,211	9.9	12.8	9.0
2009.....	11,159	1,048	8.6	11.1	8.2

Source: State of Connecticut, Department of Labor.

Age Distribution of Housing

Year Built	Town of Watertown		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	1,518	17.1%	338,011	22.4%
1940 to 1969.....	3,405	38.4	535,477	35.5
1970 to 1979.....	1,414	15.9	200,217	13.3
1980 to 1989.....	900	10.1	191,939	12.7
1990 to 1999.....	925	10.4	114,261	7.6
2000 or 2009.....	607	6.8	105,131	7.0
2010 or later.....	103	1.2	22,675	1.5
Total Housing Units	8,872	100.0%	1,507,711	100.0%

Source: American Community Survey 2013-2017

Housing Inventory

Housing Units	Town of Watertown		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,881	77.6%	892,621	59.2%
1-unit, attached.....	256	2.9	81,393	5.4
2 units.....	709	8.0	123,040	8.2
3 or 4 units.....	527	5.9	130,914	8.7
5 to 9 units.....	354	4.0	82,787	5.5
10 to 19 units.....	64	0.7	56,540	3.8
20 or more units.....	81	0.9	128,477	8.5
Mobile home.....	-	-	11,564	0.8
Boat, RV, van, etc.....	-	-	375	0.0
Total Inventory.....	8,872	100.0%	1,507,711	100.0%

Source: American Community Survey 2013-2017

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	131	1.9%	24,038	2.7%
\$50,000 to \$99,000.....	161	2.4	29,789	3.3
\$100,000 to \$149,999.....	571	8.4	83,320	9.2
\$150,000 to \$199,000.....	1,453	21.4	141,024	15.6
\$200,000 to \$299,999.....	2,436	35.8	244,356	26.9
\$300,000 to \$499,999.....	1,678	24.7	236,671	26.1
\$500,000 to \$999,999.....	343	5.0	106,192	11.7
\$1,000,000 or more.....	30	0.4	41,408	4.6
Total.....	6,803	100.0%	906,798	100.0%
Median Value.....	\$243,000		\$270,100	

Source: American Community Survey 2013-2017

Building Permits

Ending 6/30	Residential		Commercial / Industrial		Other		All Categories	
	No.	Value	No.	Value	No.	Value	No.	Value
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
2011	179	4,666,499	19	2,232,620	981	5,212,678	1,179	12,111,797
2010	205	11,910,294	39	2,044,564	1,136	9,572,555	1,380	23,527,413

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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, 2017 (the fiscal year ending June 30, 2019), 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, 2020 is 33.19 mills.

For the fiscal year ending June 30, 2019, 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 (%)						
2018 ¹	67.1	12.8	0.2	9.6	10.1	\$ 1,909,409	\$ 74,046	\$ 1,835,363	3.58%
2017	67.7	12.4	0.2	9.4	10.3	1,839,498	67,502	1,771,996	0.23%
2016	67.8	12.5	0.2	9.1	10.3	1,830,638	62,664	1,767,974	0.01
2015	68.7	12.7	0.1	8.4	10.2	1,805,525	60,249	1,745,276	0.44
2014	68.7	13.0	0.1	8.1	10.1	1,796,982	59,296	1,737,686	1.11
2013 ¹	69.3	13.1	0.1	7.5	10.0	1,773,933	55,272	1,718,661	(12.24)
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
2010	73.4	12.0	0.1	6.3	8.2	1,978,382	55,120	1,923,262	0.54
2009	73.7	12.0	0.1	6.3	7.9	1,963,356	50,495	1,912,861	0.01

¹ Revaluation.

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 6/30/2019¹
2020 ^{1,2}	2018	\$ 1,835,363	33.19	\$ 60,915,697	IN COLLECTION		
2019	2017	1,771,996	33.59	59,521,344	98.93%	1.07%	1.07%
2018	2016	1,767,974	31.88	56,356,316	98.56%	1.44%	0.44%
2017	2015	1,745,276	30.89	53,911,545	98.62%	1.38%	0.17%
2016	2014	1,737,686	30.10	52,539,751	98.71%	1.29%	0.10%
2015 ²	2013	1,718,661	29.12	50,047,408	99.36%	0.64%	0.07%
2014	2012	1,958,271	25.09	49,217,960	98.80%	1.20%	0.06%
2013	2011	1,942,449	24.23	47,146,848	98.37%	1.63%	0.05%
2012	2010	1,923,262	23.32	44,928,338	98.53%	1.47%	0.03%
2011	2009	1,912,861	22.91	43,871,041	98.47%	1.53%	0.03%

¹ Subject to audit.

² Revaluation.

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

Property Tax Receivables

Fiscal Year	Current	Total
Ending 6/30	Year Levy	Uncollected
	Uncollected	Uncollected
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
2010	597,671	892,285

Ten Largest Taxpayers

Name	Nature of Business	Taxable	Percent of
		Valuation	Net Taxable
			Grand List ¹
Connecticut Light & Power.....	Utility	\$ 55,945,060	3.05%
JSD Partners.....	Manufacturing	7,441,500	0.41%
Greenbriar Associates, LLC.....	Real Estate	7,406,900	0.40%
The Siemon Company.....	Manufacturing	6,663,410	0.36%
Yankee Gas Services	Utility	6,537,670	0.36%
Siemon Realty Company.....	Real Estate	6,526,700	0.36%
EAN Holdings.....	Auto Rental	6,116,010	0.33%
Global Steering System.....	Manufacturing	6,088,180	0.33%
Straits Commercial Assoc. LTD.....	Supermarket	5,994,500	0.33%
ACAR Leasing.....	Auto Dealership	4,752,210	0.26%
Total.....		\$ 113,472,140	6.18%

¹Based on October 1, 2018 Net Taxable Grand List of \$1,835,363,000.

Source: Tax Assessor, Town of Watertown

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V. Debt Summary
Principal Amount of Indebtedness
As of October 24, 2019
(Pro Forma)

Long-Term Debt

Dated	Purpose	Rate %	Amount of Original Issue	Outstanding After This Issue	Final Maturity
03/31/01	CWF - Sewer ¹	2.00%	\$ 7,981,660	\$ 310,974	2020
08/27/09	Public Improvement	3.00-5.00	6,290,000	1,320,000	2023
08/27/09	School	3.00-5.00	11,160,000	895,000	2023
08/27/09	Sewer	3.00-5.00	470,000	75,000	2022
08/27/09	Water	3.00-5.00	840,000	210,000	2022
08/02/11	Public Improvement	2.00-4.00	2,671,500	1,482,600	2025
08/02/11	School	2.00-4.00	3,005,800	2,935,900	2025
08/02/11	Sewer	2.00-4.00	112,000	83,200	2023
08/02/11	Water	2.00-4.00	320,700	238,300	2023
05/29/12	Public Improvement	2.00-3.00	652,400	645,400	2027
05/29/12	School	2.00-3.00	8,433,300	8,297,700	2029
05/29/12	Sewer	2.00-3.00	419,300	411,900	2029
02/15/13	School	2.50-4.50	8,549,700	8,154,700	2033
02/15/13	Sewer	2.50-4.50	50,300	50,300	2025
03/15/13	Public Improvement	2.00-3.00	2,000,000	1,190,000	2028
03/26/15	Public Improvement	2.00-4.00	3,000,000	2,430,000	2035
04/30/15	Refunding - Series B (Schools)	2.00-4.00	5,550,000	3,685,000	2029
04/30/15	Refunding - Series C (Sewer)	1.50-3.00	715,000	410,000	2027
04/25/17	Public Improvement	2.00-2.75	550,000	510,000	2029
04/25/17	School	2.00-2.75	525,000	490,000	2029
10/25/18	Public Improvement - Series A.....	4.00-5.00	7,500,000	7,500,000	2039
10/25/18	Sewer - Series A.....	4.00-5.00	2,140,000	2,140,000	2039
10/25/18	Water - Series A.....	4.00-5.00	1,360,000	1,360,000	2039
10/25/18	School - Series B (Taxable)	4.00-5.00	5,810,000	5,515,000	2039
Total.....			\$ 80,106,660	\$ 50,340,974	
This Issue					
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
Sub-Total This Issue.....			\$ 7,200,000	\$ 7,200,000	
Total.....			\$ 87,306,660	\$ 57,540,974	

¹ Self-Supporting debt.

Short-Term Debt
As of October 24, 2019
(Pro Forma)

Project	Aggregate Amount Authorized	This Issue The Notes Due: 10/23/20
Various Public Works & Roads	\$ 6,000,000	\$ 5,000,000
Total	\$ 6,000,000	\$ 5,000,000

Annual Bonded Debt Maturity Schedule
As of October 24, 2019
(Pro Forma)

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	<u>This Issue:</u> <u>The Bonds</u>	Total Principal	Cumulative Principal Retired %
2020 ¹	\$ 1,650,974	\$ 914,076	\$ 2,565,050	\$ -	\$ 1,650,974	2.87%
2021	5,005,000	1,720,213	6,725,213	-	5,005,000	11.57%
2022	4,995,000	1,522,975	6,517,975	360,000	5,355,000	20.87%
2023	4,840,000	1,330,288	6,170,288	360,000	5,200,000	29.91%
2024	4,835,000	1,137,275	5,972,275	360,000	5,195,000	38.94%
2025	4,275,000	965,328	5,240,328	360,000	4,635,000	46.99%
2026	3,930,000	832,719	4,762,719	360,000	4,290,000	54.45%
2027	3,380,000	714,663	4,094,663	360,000	3,740,000	60.95%
2028	3,135,000	604,963	3,739,963	360,000	3,495,000	67.02%
2029	2,725,000	503,213	3,228,213	360,000	3,085,000	72.38%
2030	1,795,000	418,188	2,213,187	360,000	2,155,000	76.13%
2031	1,430,000	360,965	1,790,965	360,000	1,790,000	79.24%
2032	1,425,000	309,148	1,734,148	360,000	1,785,000	82.34%
2033	1,420,000	257,335	1,677,335	360,000	1,780,000	85.44%
2034	1,020,000	205,340	1,225,340	360,000	1,380,000	87.83%
2035	1,020,000	165,200	1,185,200	360,000	1,380,000	90.23%
2036	865,000	125,015	990,015	360,000	1,225,000	92.36%
2037	865,000	89,473	954,473	360,000	1,225,000	94.49%
2038	865,000	53,785	918,785	360,000	1,225,000	96.62%
2039	865,000	17,953	882,953	360,000	1,225,000	98.75%
2040	-	-	-	360,000	360,000	99.37%
2041	-	-	-	360,000	360,000	100.00%
Total.....	\$ 50,340,974	\$ 12,248,110	\$ 62,589,084	\$ 7,200,000	\$ 57,540,974	

¹ Excludes principal payments of \$3,528,658 and interest payments of \$1,333,196 made between July 1, 2019 and October 24, 2019.

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 October 24, 2019
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose (Includes this issue).....	\$ 19,448,000
Schools	29,973,300
Sewer (Includes this issue).....	5,211,374
Water (Includes this issue).....	2,908,300
Total Long-Term Debt	57,540,974
Short-Term Debt (Includes the Notes due 10/23/20).....	5,000,000
Total Direct Debt	62,540,974
Less: School Construction Grants Receivable (As of June 30, 2019) ¹	-
Less: Self-Supporting Sewer Debt	(310,974)
Total Direct Net Debt.....	62,230,000
Overlapping/Underlying Debt.....	-
Total Overall Net Debt.....	\$ 62,230,000

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

Current Debt Ratios
As of October 24, 2019
(Pro Forma)

Population ¹	21,976
Net Taxable Grand List at 70% of Full Value (10/1/18)	\$ 1,835,363,000
Estimated Full Value	\$ 2,621,947,143
Equalized Net Taxable Grand List (10/1/17) ²	\$ 2,640,022,336
Money Income per Capita (2017) ¹	\$ 39,836

	Total	Total
	Direct Debt:	Net Direct Debt /
	\$62,540,974	Overall Net Debt:
	\$62,540,974	\$62,230,000
Debt per Capita.....	\$2,845.88	\$2,831.73
Ratio to Net Taxable Grand List.....	3.41%	3.39%
Ratio to Estimated Full Value.....	2.39%	2.37%
Ratio to Equalized Grand List.....	2.37%	2.36%
Debt per Capita to Money Income per Capita.....	7.14%	7.11%

¹ American Community Survey 2013-2017.

² 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 October 24, 2019
(Pro Forma)

Total Tax Collections (including interest and lien fees)

For the year ended June 30, 2019 (unaudited)¹..... \$ 60,415,654

Reimbursement For Revenue Loss:

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

Base for Debt Limitation Computation..... \$ 60,417,854

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 135,940,172	-	-	-	-
4 1/2 times base.....	-	\$ 271,880,343	-	-	-
3 3/4 times base.....	-	-	\$ 226,566,953	-	-
3 1/4 times base.....	-	-	-	\$ 196,358,026	-
3 times base.....	-	-	-	-	\$ 181,253,562
Total Debt Limitation	\$ 135,940,172	\$ 271,880,343	\$ 226,566,953	\$ 196,358,026	\$ 181,253,562

Indebtedness: ²

Bonds Outstanding	\$ 15,078,000	\$ 29,973,300	\$ 3,481,374	\$ -	\$ -
Bonds (This Issue).....	4,370,000	-	1,730,000	-	-
Notes (This Issue)	5,000,000	-	-	-	-
Debt Authorized But Unissued ³	3,177,672	2,449,254	36,980	-	-
Total Indebtedness	27,625,672	32,422,554	5,248,354	-	-

Less:

State School Grants Receivable ⁴	-	-	-	-	-
Self-Supporting Debt	-	-	(310,974)	-	-
Total Net Indebtedness	27,625,672	32,422,554	4,937,380	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS..... \$ 108,314,500 \$ 239,457,789 \$ 221,629,573 \$ 196,358,026 \$ 181,253,562

¹ Excludes tax collections of coterminous municipalities.

² Excludes \$1,808,300 of outstanding Water Bonds and \$1,100,000 Water Bonds as a part of this issue as allowed under the Connecticut General Statutes.

³ Excludes \$220 in outstanding Water Debt authorized but unissued.

⁴ 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 \$422,924,978.

Authorized but Unissued Debt
As of October 24, 2019
(Pro Forma)

Project	Aggregate Amount Authorized	Bonds Issued	Grants / Paydowns	Maturing Notes Due: 10/24/19	New Money	This Issue:		Authorized but Unissued
						The Notes Due: 10/23/20	The Bonds	
Watertown High School	\$ 56,157,000	\$ 29,510,000	\$ 26,617,988	\$ -	\$ -	\$ -	\$ -	\$ 29,012
Judson Elementary School	15,859,000	8,400,000	7,389,408	-	-	-	-	69,592
Swift Middle School	33,768,919	14,425,000	18,979,591	-	-	-	-	364,328
Water & Sewer Projects	6,330,550	3,500,000	-	2,830,000	-	-	2,830,000	550
Municipal Center	11,900,000	7,500,000	30,000	3,270,000	1,100,000	-	4,370,000	-
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
Various Public Works Capital Projects	6,000,000	-	-	-	5,000,000	5,000,000	-	1,000,000
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
Total	\$ 158,226,791	\$ 82,015,000	\$ 58,347,665	\$ 6,100,000	\$ 6,100,000	\$ 5,000,000	\$ 7,200,000	\$ 5,664,126

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

Fiscal Year Ended 6/30	Net Assessed Value (000s)	Estimated Full Value ¹ (000s)	Net Long-Term Debt (000s)	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³ (%)
2019 ⁴	\$ 1,771,996	\$ 2,531,423	\$ 53,455	3.02%	2.11%	21,976	\$ 2,432.43	6.11%
2018	1,767,974	2,525,677	41,765	2.36%	1.65%	21,976	1,900.48	4.77%
2017	1,745,276	2,493,251	46,795	2.68%	1.88%	21,976	2,129.37	5.35%
2016	1,737,686	2,482,409	50,675	2.92%	2.04%	21,976	2,305.92	5.79%
2015	1,718,661	2,455,230	55,580	3.23%	2.26%	21,976	2,529.12	6.35%

¹ Assessment Ratio: 70%.

² American Community Survey, 2013-2017.

³ Money Income per Capita: American Community Survey 2013-2017 data: \$38,530 used for all calculations.

⁴ Subject to audit.

Ratio of Total General Fund Debt Service Expenditures To Total General Fund Expenditures and Transfers Out Last Five Fiscal Years

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures ¹	Ratio of General Fund Debt Service To Total General Fund Expenditures
2019 ²	\$ 6,793,999	\$ 75,406,389	9.01%
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%
2010	6,778,146	61,369,544	11.04%

¹ GAAP basis of accounting. Includes Transfers out.

² Budget, subject to audit.

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, 2017. The budgeted fiscal year 2019–20 annual required contributions ("ARCs") is \$702,930 for the Town Retirement System and \$1,177,609 for the Police Benefit Fund for a total ARC of \$1,880,539. 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.

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Town Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (b-a)	Funded Ratio (a/b)
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%
1/1/2015	20,063,164	21,438,954	(1,375,790)	93.6%
1/1/2014	19,726,466	20,382,466	(656,000)	96.8%

Fiscal Year Ended	Actual Contribution	Annual Required Contribution (ARC)	% of ARC Contributed
6/30/2020 ¹	\$ 702,930	\$ 702,930	100.0%
6/30/2019 ²	606,363	606,363	100.0%
6/30/2018	538,056	538,056	100.0%
6/30/2017	446,566	446,566	100.0%
6/30/2016	411,648	411,648	100.0%
6/30/2015	372,789	372,789	100.0%

¹ Budgeted amounts.

² Subject to audit.

Police Benefit Fund

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (b-a)	Funded Ratio (a/b)
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%
1/1/2015	18,927,040	23,571,702	(4,644,662)	80.3%
1/1/2014	18,262,691	22,703,939	(4,441,248)	80.4%

<i>Fiscal Year Ended</i>	<i>Actual Contribution</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
6/30/2020 ¹	\$ 1,177,609	\$ 1,177,609	100.0%
6/30/2019 ²	983,828	983,828	100.0%
6/30/2018	980,141	980,141	100.0%
6/30/2017	981,681	981,681	100.0%
6/30/2016	875,571	875,571	100.0%
6/30/2015	780,140	780,140	100.0%

¹ Budgeted amounts.

² Subject to audit.

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

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

The Town has received from its actuarial firm Prudential Financials reports prepared as of June 30, 2018 containing information to assist the Town in meeting the requirements of GASB 67. These reports indicated the following results as of June 30, 2018 in accordance with GASB 67:

	<u>Town Retirement Income Program</u>	<u>Police Retirement Income Program</u>
Total Pension Liability	\$26,081,929	\$29,574,954
Fiduciary Net Position	(\$22,393,853)	(\$21,947,993)
Net Pension Liability	\$3,688,076	\$7,626,961
Ratio of Fiduciary Net Position to Total Pension Liability	85.9%	74.2%

The report for the Town of Watertown Retirement Income Program as of June 30, 2018 used its long term investment rate of 7.25% 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, which would decrease the NPL to \$1,290,549, or increase the NPL to \$6,332,649, respectively.

The report for the Town of Watertown Police Retirement Income Program as of June 30, 2018 used its long term investment rate of 7.15% 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, which would decrease the NPL to \$4,719,050, or increase the NPL to \$11,813,350, respectively.

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

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 \$72,981,869 was measured as of July 1, 2017 and was determined by an actuarial valuation as of July 1, 2016 and was reported on July 1, 2018. The following table shows the changes in Net OPEB Liability:

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net OPEB Liability (a) - (b)</i>
Balance at June 30, 2017 - Restated.....	\$ 63,114,489	\$ 1,409	\$ 63,113,080
Changes for the Year			
Service Cost.....	1,841,510	-	1,841,510
Interest.....	2,080,341	-	2,080,341
Differences Between Expected and Actual Experience.....	7,851,771	-	7,851,771
Net Investment Income.....	-	7	(7)
Employer Contributions.....	-	1,906,242	(1,906,242)
Benefit Payments Including Implicit Costs...	(1,906,242)	(1,906,242)	-
Net Changes.....	9,867,380	7	9,867,373
Balance at June 30, 2018.....	\$ 72,981,869	\$ 1,416	\$ 72,980,453

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 Annual OPEB Cost for fiscal 2018-19 totaled approximately \$5,700,000 and the Town budgeted the current pay-as-you-go OPEB cost of \$2,270,000.

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost (AOC)</i>	<i>Actual Contribution</i>	<i>% of AOC Contributed</i>
6/30/2019 ¹	\$ 5,700,000	\$ 2,270,000	39.8%
6/30/2018	5,199,688	2,089,308	40.2%
6/30/2017	4,632,000	1,906,242	41.2%
6/30/2016	3,657,120	1,254,259	34.3%
6/30/2015	3,455,906	1,199,068	34.7%

¹ Estimated amounts.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<i>Actuarial Valuation Date</i>	<i>For Fiscal Year Ending</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Overfunded (Unfunded) AAL (b-a)</i>	<i>Funded Ratio (a/b)</i>
7/1/2018	6/30/2019	\$ 1,431	\$ 75,523,442	\$ (75,522,011)	0.00%
7/1/2017	6/30/2018	1,416	72,981,869	(72,980,453)	0.00%
7/1/2016	6/30/2017	1,462	56,047,433	(56,045,971)	0.00%
7/1/2015	6/30/2016	1,406	42,336,606	(42,335,200)	0.00%
7/1/2014	6/30/2015	1,404	40,730,369	(40,728,965)	0.00%

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 (2.25%) or 1-percentage-point higher (4.25%) than the current discount rate:

	1% Decrease	Current	1% Increase
	2.25%	Discount Rate	4.25%
		3.25%	
Total OPEB Liability	\$ 86,658,715	\$ 72,981,869	\$ 62,324,422
Plan Fiduciary Net Position	1,416	1,416	1,416
Net OPEB Liability	\$ 86,657,299	\$ 72,980,453	\$ 62,323,006

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 (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
	4.00%	Trend Rate	6.00%
		5.00%	
Total OPEB Liability	\$ 60,280,921	\$ 72,981,869	\$ 89,547,494
Plan Fiduciary Net Position	1,416	1,416	1,416
Net OPEB Liability	\$ 60,279,505	\$ 72,980,453	\$ 89,546,078

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

	<i>Unaudited</i> 6/30/2019 ¹	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Assets					
Cash and Cash Equivalents.....	\$ 9,543,856	\$ 7,138,757	\$ 8,426,206	\$ 10,803,217	\$ 9,191,841
Receivables:					
Property Taxes	973,959	1,301,439	1,209,402	1,515,499	1,073,868
Other	1,540,210	1,362,005	1,579,295	1,208,512	1,635,468
Intergovernmental	-	196,008	736,651	1,328,381	2,025,600
Pre-Paid Expenses	-	-	-	-	-
Due From Other funds	9,946	227,143	9,946	9,946	906,009
Total Assets	12,067,971	10,225,352	11,961,500	14,865,555	14,832,786
Liabilities and Fund Balances					
Accounts Payable	2,376,456	2,677,776	2,240,289	568,499	2,576,036
Accrued Payroll & Related	-	-	-	1,725,456	-
Unearned Revenue	-	189,267	582,209	595,760	609,311
Deferred Revenue	-	-	-	-	-
Total Liabilities	2,376,456	2,867,043	2,822,498	2,889,715	3,185,347
Deferred Inflows of Resources					
Unavailable Revenues	2,219,756	2,341,490	3,144,753	3,492,126	3,788,034
Total Deferred Inflows of Resources	2,219,756	2,341,490	3,144,753	3,492,126	3,788,034
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	1,191,582	932,456	691,815	467,589	488,840
Unassigned	6,280,176	4,084,363	5,302,434	8,016,125	7,370,555
Total Fund Balance	7,471,758	5,016,819	5,994,249	8,483,714	7,859,395
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	12,067,970	10,225,352	11,961,500	14,865,555	14,832,776
Analysis of General Fund Balance					
Operating Revenues	\$ 77,629,651	\$ 77,734,578	\$ 76,021,126	\$ 74,942,672	\$ 72,723,052
Fund balance as a percent of operating revenues	9.62%	6.45%	7.88%	11.32%	10.81%
Unassigned fund balance as a percent of operating revenues	8.09%	5.25%	6.97%	10.70%	10.14%

¹ Subject to audit.

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

	Budget 6/30/2020¹	Projected 6/30/2019²	Actual 6/30/2018	Actual 6/30/2017	Actual 6/30/2016	Actual 6/30/2015
Revenues:						
Property taxes	\$ 61,271,236	\$ 60,416,561	\$ 57,033,466	\$ 54,558,200	\$ 52,586,977	\$ 50,856,154
Intergovernmental revenues	12,498,505	14,201,340	18,029,819	18,993,022	19,352,704	18,117,139
Departmental revenues	2,308,972	2,807,134	2,266,955	2,157,916	2,632,660	3,266,303
Investment income	160,000	204,616	157,565	64,859	40,093	24,543
Other revenue	-	-	246,773	247,129	330,238	458,913
Total.....	76,238,713	77,629,651	77,734,578	76,021,126	74,942,672	72,723,052
Expenditures:						
General Government	2,765,404	2,510,299	2,645,002	2,743,069	2,467,694	2,551,251
Public Safety	6,128,285	5,708,355	5,847,363	5,558,464	5,673,640	5,343,081
Public Works	3,869,348	5,256,169	3,529,693	3,293,044	4,243,905	3,756,872
Parks and Recreation	961,729	868,343	922,979	893,017	796,623	812,692
Health and Welfare	149,332	150,214	145,834	144,276	260,012	143,104
Education	45,547,288	44,254,984	49,204,235	48,887,757	45,068,233	44,456,479
Debt Service	6,858,330	6,793,999	7,060,936	7,258,827	6,461,700	6,616,270
Capital Outlay	-	-	243,602	752,684	483,634	418,681
Other	9,958,997	9,864,027	9,412,375	9,538,802	8,763,452	8,205,314
Total.....	76,238,713	75,406,390	79,012,019	79,069,940	74,218,893	72,303,744
Excess (Deficiency) of Revenues Over Expenditures.....						
	-	2,223,261	(1,277,441)	(3,048,814)	723,779	419,308
Other financing sources (uses):						
Issuance of Refunding Bonds	-	-	-	-	-	6,265,000
Bond Premium.....	358,695	-	-	28,346	-	472,694
Bond Proceeds.....	-	-	-	550,000	-	-
Deposit to Escrow & Costs of Debt Issuance ..	-	-	-	-	-	(6,607,647)
Capital Lease Proceeds	-	-	243,602	202,762	483,634	418,681
Operating Transfers In	-	-	216,002	114,775	33,031	43,579
Operating Transfers Out	-	-	(159,593)	(336,534)	(616,125)	(668,631)
Total Other financing sources (uses).....	358,695	-	300,011	559,349	(99,460)	(76,324)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....						
	358,695	2,223,261	(977,430)	(2,489,465)	624,319	342,984
Fund Balance, Beginning of Year.....	7,240,080	5,016,819	5,994,249	8,483,714	7,859,395	7,516,411
Fund Balance, End of Year.....	\$ 7,598,775	\$ 7,240,080	\$ 5,016,819	\$ 5,994,249	\$ 8,483,714	\$ 7,859,395

¹ Budgetary Basis of accounting.

² Subject to audit.

Municipal Budget Expenditures Cap: Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2019-2021 biennium budget legislation does not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2020 and June 30, 2021, but provides that such funding will resume following July 1, 2021.

VII. Legal and Other Information

Litigation

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

Documents Furnished at Delivery

The original purchaser(s) will be furnished the following documents when the Bonds and the Notes 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 Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Town Manager and the Finance Director which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were awarded for the Bonds and the Notes, 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 respective Bonds and Notes.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut in substantially the forms attached hereto as Appendix B to this Official Statement.
5. Executed Continuing Disclosure Agreements for the respective Bonds and Notes in substantially the forms attached hereto as Appendices C-1 and C-2 to this Official Statement.
6. The Town of Watertown has prepared an Official Statement for the Bonds and the Notes which is dated October 15, 2019. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The Town will make available to the winning bidder(s) of the Bonds twenty-five (25) copies, and the Notes five (5) copies, of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder(s) at the office of the Town's Municipal Advisor no later than seven business days of the bid opening. If the Town's Municipal Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds and the Notes are received, the copies of the final Official Statement will include an additional cover page and other pages indicating the interest rates, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, and any changes on the Bonds or the Notes. The purchasers shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchasers.

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/ Robert M. Scannell

Robert M. Scannell, *Town Manager*

By: /s/ Susan E. Zappone

Susan E. Zappone, *Finance Director*

Dated: October 15, 2019

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Appendix A

2018 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, 2018. 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, 2018, 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, and each major fund of the Town of Watertown, CT, as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2018, the Town adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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 83, 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

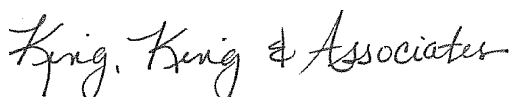
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Watertown, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented 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 21, 2018 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 21, 2018

TOWN OF WATERTOWN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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 \$6.2 million as a result of this year's operations. Net position of our governmental activities decreased by \$6.2 million.
- In the Town's business-type activities, total net position increased by \$21,606.
- Unrestricted net position of the Town's business-type activities increased by \$185,040 (\$4.1 million in 2018 compared to \$3.9 million in 2017.)
- Total cost of all of the Town's programs was \$94.7 million with no new programs added this year.
- The General Fund reported an unassigned fund balance this year of \$4.1 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, 2018

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, 2018

- *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 exceeded liabilities by \$80.8 million at the close of the most recent fiscal year.

<i>In Thousands</i>	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 27,890	\$ 20,113	\$ 6,116	\$ 6,445	\$ 34,006	\$ 26,558
Capital Assets	180,184	184,568	13,950	14,113	194,134	198,681
Total Assets	208,074	204,681	20,066	20,558	228,140	225,239
Deferred Outflows of Resources	11,600	5,734	86	78	11,686	5,812
Long-term Liabilities	132,340	127,764	1,366	1,733	133,706	129,497
Other Liabilities	23,551	13,236	671	780	24,222	14,016
Total Liabilities	155,891	141,000	2,037	2,513	157,928	143,513
Deferred Inflows of Resources	1,040	459	32	61	1,072	520
Net Position:						
Net Investment in Capital Assets	131,776	130,504	13,950	14,113	145,726	144,617
Restricted	1,611	1,262	-	-	1,611	1,262
Unrestricted	(70,644)	(62,810)	4,133	3,949	(66,511)	(58,861)
Total Net Position	\$ 62,743	\$ 68,956	\$ 18,083	\$ 18,062	\$ 80,826	\$ 87,018

Net position of the Town's governmental activities decreased by \$6.2 million (\$62.7 million in 2018 compared to \$68.9 million in 2017). The Town's unrestricted net position of \$(70.6) million decreased by \$7.8 million compared with last year's unrestricted net position of \$(62.8) million. The decrease is primarily attributable to the increase in post-retirement benefit obligations. Net investment in capital assets increased \$1.3 million primarily due to the repayment of debt related to capital assets less current years depreciation expense, and the addition of \$1.8 million of capital assets.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2018

During 2018, the net position of the Town's business-type activities increased by \$21,606. Unrestricted net position increased by \$185,040 (\$4.1 million in 2018 compared to \$3.9 million in 2017). 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES						
<i>General Revenues:</i>						
Property Taxes	\$ 57,080	\$ 54,797	\$ -	\$ -	\$ 57,080	\$ 54,797
Unrestricted Grants & Contributions	892	1,454	-	-	892	1,454
Unrestricted Investment Income	233	75	26	12	259	87
Other General Revenues, Net	180	175	-	-	180	175
<i>Program Revenues:</i>						
Charges for Services	3,683	3,530	4,331	4,123	8,014	7,653
Operating Grants and Contributions	20,936	21,748	-	-	20,936	21,748
Capital Grants and Contributions	887	204	252	-	1,139	204
Total Revenues	<u>83,891</u>	<u>81,983</u>	<u>4,609</u>	<u>4,135</u>	<u>88,500</u>	<u>86,118</u>
EXPENSES						
<i>Governmental Activities:</i>						
General Government	23,145	20,952	-	-	23,145	20,952
Public Safety	9,032	7,656	-	-	9,032	7,656
Public Works	5,666	5,523	-	-	5,666	5,523
Parks and Recreation	1,458	1,489	-	-	1,458	1,489
Health and Welfare	149	148	-	-	149	148
Education	49,081	48,197	-	-	49,081	48,197
Interest on Long-Term Debt	1,582	1,715	-	-	1,582	1,715
<i>Business-Type Activities:</i>						
Sewer	-	-	2,315	2,114	2,315	2,114
Water	-	-	1,642	1,556	1,642	1,556
Golf	-	-	622	541	622	541
Total Expenses	<u>90,113</u>	<u>85,680</u>	<u>4,579</u>	<u>4,211</u>	<u>94,692</u>	<u>89,891</u>
Change in Net Position Before Transfers	<u>(6,222)</u>	<u>(3,697)</u>	<u>30</u>	<u>(76)</u>	<u>(6,192)</u>	<u>(3,773)</u>
Transfers	<u>9</u>	<u>12</u>	<u>(9)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(6,213)</u>	<u>(3,685)</u>	<u>21</u>	<u>(88)</u>	<u>(6,192)</u>	<u>(3,773)</u>
Beginning Net Position, Restated	<u>68,956</u>	<u>72,641</u>	<u>18,062</u>	<u>18,150</u>	<u>87,018</u>	<u>90,791</u>
Ending Net Position	<u>\$ 62,743</u>	<u>\$ 68,956</u>	<u>\$ 18,083</u>	<u>\$ 18,062</u>	<u>\$ 80,826</u>	<u>\$ 87,018</u>

The Town's total revenues were \$88.5 million. The total cost of all programs and services was \$94.7 million. Our analysis below separately considers the operations of the governmental and business-type activities.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2018

Governmental Activities

The Town's governmental activities reported a decrease of \$6.2 million in net position in 2018. The decrease was primarily driven by medical and post-employment benefit expenses. The Town's total governmental revenue for the year was \$83.9 million. Total program expenses were \$90.1 million. During 2018, property taxes increased by \$2.3 million as the Town's property tax mill rate increased by 0.99 mills 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<i>Governmental Activities:</i>				
General Government	\$ 23,145	\$ 20,952	\$ 21,887	\$ 19,658
Public Safety	9,032	7,656	7,964	6,771
Public Works	5,666	5,523	5,035	4,805
Parks and Recreation	1,458	1,489	945	1,090
Health and Welfare	149	148	25	52
Education	49,081	48,197	27,169	26,106
Interest on Long-Term Debt	1,582	1,715	1,582	1,715
	<u>\$ 90,113</u>	<u>\$ 85,680</u>	<u>\$ 64,607</u>	<u>\$ 60,197</u>

Business-Type Activities

The Town's business-type activities reported an increase of \$21,606 in net position in 2018. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<i>Business-Type Activities:</i>				
Sewer	\$ 2,315	\$ 2,114	\$ 60	\$ 42
Water	1,642	1,556	(143)	60
Golf	622	541	78	(14)
	<u>\$ 4,579</u>	<u>\$ 4,211</u>	<u>\$ (5)</u>	<u>\$ 88</u>

Financial Analysis of the Government's Funds

Governmental Funds

As the Town completed the year, its governmental funds reported combined ending fund balance of \$18.9 million, which is an increase of \$15.2 million from the prior year's total. During 2018 the Town's general fund balance decreased by \$1 million primarily due to medical expenditures, the capital improvement fund balance increased by \$15.9 million due to the BAN proceeds being recognized as an other financing source instead of as a fund liability (see note 7 page 46), and the non-major governmental funds increased by \$196,190.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2018

Proprietary Funds

Net position of the Town's three self-insured internal service funds increased by \$27,904 during the year. Net position of The Health and Dental Benefits Fund decreased by \$435,262. Net position of the Town's Workers' Compensation Fund increased \$463,166. There was no change in the net position of the Town's General Liabilities Deductibles Fund.

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 of \$71.6 million by \$891,629 as property tax collections exceeded budgetary estimates as the tax collector foreclosed on overdue real estate accounts. During the year, the Town approved additional General Fund appropriations to fund various unanticipated expenditures. The Town expended \$868,621 less than the amended appropriations budget amount of \$74.6 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, 2018, amounts to \$194,134,159 (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 vehicles and equipment
- Roadway and drainage improvements
- Steele Brook pedestrian bridge
- Water main extensions
- Town hall improvements

	<u>2018</u>	<u>2017</u>
<i>Governmental Activities:</i>		
Land	\$ 3,147,876	\$ 3,147,876
Construction in Progress	803,708	-
Buildings and Improvements	124,391,150	127,927,146
Vehicles	866,872	1,449,765
Machinery and Equipment	1,217,554	1,461,961
Infrastructure	49,757,322	50,580,972
	<u>\$ 180,184,482</u>	<u>\$ 184,567,720</u>

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2018

	<u>2018</u>	<u>2017</u>
<i>Business-type Activities:</i>		
Land	\$ 1,019,600	\$ 1,019,600
Construction in Progress	322,633	248,733
Buildings and Improvements	828,673	884,974
Vehicles	6,496	31,932
Machinery and Equipment	21,896	15,385
Infrastructure	11,750,379	11,912,487
	<u>\$ 13,949,677</u>	<u>\$ 14,113,111</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 \$58,665,000 in governmental activities bonds and notes outstanding. This is an increase of \$5.4 million 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 2019 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 4.0% versus 4.3% a year ago. This compares with the State's unemployment rate of 4.5% and the national rate of 4.0%.

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 2018-2019 budget. The mill rate for fiscal year 2018-2019 is 33.59 mills, which was a 1.71 mill increase from the prior year. The Board of Education budget increased 4.12% and the Town's portion increased .37%.

In the Town's 2018-2019 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 2018-2019 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, 424 Main Street, Watertown, Connecticut 06795.

Basic Financial Statements

TOWN OF WATERTOWN, CONNECTICUT

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 21,749,790	\$ 3,561,233	\$ 25,311,023
Investments	2,551	-	2,551
Restricted Cash and Cash Equivalents	-	155,578	155,578
Receivables, Net	6,104,535	1,580,219	7,684,754
Internal Balances	9,946	(9,946)	-
Inventories	23,139	-	23,139
Other Charges	-	829,264	829,264
Capital Assets:			
Assets Not Being Depreciated	3,951,584	1,342,233	5,293,817
Assets Being Depreciated, Net	<u>176,232,898</u>	<u>12,607,444</u>	<u>188,840,342</u>
Total Assets	<u>\$ 208,074,443</u>	<u>\$ 20,066,025</u>	<u>\$ 228,140,468</u>
Deferred Outflows of Resources:			
Deferred Outflows - Pension	3,778,519	86,251	3,864,770
Deferred Outflows - OPEB	6,481,505	-	6,481,505
Deferred Charge on Refunding	<u>1,339,495</u>	<u>-</u>	<u>1,339,495</u>
Total Deferred Outflows of Resources	<u>11,599,519</u>	<u>86,251</u>	<u>11,685,770</u>
Liabilities:			
Accounts Payable and Accrued Items	\$ 3,610,943	\$ 619,192	\$ 4,230,135
Accrued Interest Payable	574,614	-	574,614
Bond Anticipation Notes Payable	17,019,990	-	17,019,990
Long-Term Claims Payable	2,073,918	-	2,073,918
Unearned Revenue	271,749	51,869	323,618
Noncurrent Liabilities:			
Due Within One Year	6,654,563	479,777	7,134,340
Due In More Than One Year	<u>125,685,207</u>	<u>886,231</u>	<u>126,571,438</u>
Total Liabilities	<u>155,890,984</u>	<u>2,037,069</u>	<u>157,928,053</u>
Deferred Inflows of Resources:			
Deferred Inflows - Pension	<u>1,040,334</u>	<u>31,957</u>	<u>1,072,291</u>
Total Deferred Inflows of Resources	<u>1,040,334</u>	<u>31,957</u>	<u>1,072,291</u>
Net Position:			
Net Investment in Capital Assets	131,776,291	13,949,677	145,725,968
Restricted:			
Nonexpendable	901,245	-	901,245
Expendable	709,512	-	709,512
Unrestricted	<u>(70,644,404)</u>	<u>4,133,573</u>	<u>(66,510,831)</u>
Total Net Position	<u>\$ 62,742,644</u>	<u>\$ 18,083,250</u>	<u>\$ 80,825,894</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, 2018

Functions/Program Activities	Expenses	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
Governmental Activities:							
General Government	\$ 23,145,212	\$ 1,072,169	\$ 88,362	\$ 97,990	\$ (21,886,691)	\$ -	\$ (21,886,691)
Public Safety	9,031,748	856,423	20,548	190,207	(7,964,570)	-	(7,964,570)
Public Works	5,666,103	220,035	355,651	55,456	(5,034,961)	-	(5,034,961)
Parks and Recreation	1,457,524	394,318	6,680	111,885	(944,641)	-	(944,641)
Health and Welfare	148,686	1,349	122,695	-	(24,642)	-	(24,642)
Education	49,080,797	1,138,200	20,341,809	431,346	(27,169,442)	-	(27,169,442)
Interest on Long-Term Debt	1,582,281	-	-	-	(1,582,281)	-	(1,582,281)
Total Governmental Activities	<u>90,112,351</u>	<u>3,682,494</u>	<u>20,935,745</u>	<u>886,884</u>	<u>(64,607,228)</u>	<u>-</u>	<u>(64,607,228)</u>
Business-Type Activities:							
Sewer	2,314,494	2,253,924	-	-	-	(60,570)	(60,570)
Water	1,642,045	1,533,123	-	252,031	-	143,109	143,109
Golf	621,752	543,831	-	-	-	(77,921)	(77,921)
Total Business-Type Activities	<u>4,578,291</u>	<u>4,330,878</u>	<u>-</u>	<u>252,031</u>	<u>-</u>	<u>4,618</u>	<u>4,618</u>
Total Primary Government	<u>\$ 94,690,642</u>	<u>\$ 8,013,372</u>	<u>\$ 20,935,745</u>	<u>\$ 1,138,915</u>	<u>(64,607,228)</u>	<u>4,618</u>	<u>(64,602,610)</u>
General Revenues:							
Property Taxes					57,079,893	-	57,079,893
Grants not Restricted to Specific Programs					891,894	-	891,894
Unrestricted Investment Earnings					232,774	25,854	258,628
Other General Revenues					180,025	-	180,025
Transfers					8,866	(8,866)	-
Total General Revenues and Transfers					<u>58,393,452</u>	<u>16,988</u>	<u>58,410,440</u>
Change in Net Position					(6,213,776)	21,606	(6,192,170)
Net Position - Beginning of Year, as Restated					<u>68,956,420</u>	<u>18,061,644</u>	<u>87,018,064</u>
Net Position - End of Year					<u>\$ 62,742,644</u>	<u>\$ 18,083,250</u>	<u>\$ 80,825,894</u>

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

TOWN OF WATERTOWN, CONNECTICUT

Balance Sheet Governmental Funds June 30, 2018

	General	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 7,138,757	\$ 11,428,799	\$ 1,981,942	\$ 20,549,498
Investments	-	-	2,551	2,551
Receivables, Net of Allowance	2,859,452	2,336,988	908,095	6,104,535
Due from Other Funds	227,143	-	-	227,143
Inventories	-	-	23,139	23,139
Total Assets	<u>\$ 10,225,352</u>	<u>\$ 13,765,787</u>	<u>\$ 2,915,727</u>	<u>\$ 26,906,866</u>
Liabilities				
Accounts Payable and Accrued Items	\$ 2,677,776	\$ 145	\$ 149,559	\$ 2,827,480
Unearned Revenue	189,267	-	82,482	271,749
Due to Other Funds	-	-	217,197	217,197
Total Liabilities	<u>2,867,043</u>	<u>145</u>	<u>449,238</u>	<u>3,316,426</u>
Deferred Inflows of Resources				
Unavailable Revenues:				
Property Taxes and Interest	1,547,623	-	-	1,547,623
Special Assessments	660,777	-	-	660,777
School Building Grants	-	2,336,988	-	2,336,988
Other	133,090	-	-	133,090
Total Deferred Inflows of Resources	<u>2,341,490</u>	<u>2,336,988</u>	<u>-</u>	<u>4,678,478</u>
Fund Balances				
Nonspendable	-	-	924,384	924,384
Restricted	-	10,971,402	709,512	11,680,914
Committed	-	457,252	905,963	1,363,215
Assigned	932,456	-	-	932,456
Unassigned	4,084,363	-	(73,370)	4,010,993
Total Fund Balances	<u>5,016,819</u>	<u>11,428,654</u>	<u>2,466,489</u>	<u>18,911,962</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,225,352</u>	<u>\$ 13,765,787</u>	<u>\$ 2,915,727</u>	<u>\$ 26,906,866</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, 2018

Fund balances reported in governmental funds Balance Sheet \$ 18,911,962

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>	268,845,650
<i>Depreciation</i>	(88,661,168)

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>	1,149,840
<i>Interest receivable on property taxes</i>	397,783
<i>Receivable from the State for school construction projects</i>	2,336,988
<i>Assessment receivables</i>	660,777
<i>Other accounts receivable</i>	133,090

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.

(1,657,089)

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.

(207,706)

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

<i>Deferred Outflows - Pension</i>	3,778,519
<i>Deferred Inflows - Pension</i>	(1,040,334)
<i>Deferred Outflows - OPEB</i>	6,481,505

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>	(574,614)
<i>Bonds payable</i>	(41,765,000)
<i>BAN payable</i>	(17,019,990)
<i>Capital leases payable</i>	(386,897)
<i>Compensated absences</i>	(3,168,622)
<i>Post-closure landfill costs</i>	(264,915)
<i>Special termination benefits</i>	(40,796)
<i>Pension buy in payable</i>	(520,182)
<i>Net pension liability</i>	(11,665,704)
<i>OPEB liability</i>	<u>(72,980,453)</u>

Net position of governmental activities **\$ 62,742,644**

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, 2018

	General	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes, Interest and Lien Fees	\$ 57,033,466	\$ -	\$ -	\$ 57,033,466
Intergovernmental Revenues	18,029,819	38,870	2,083,205	20,151,894
Licenses, Permits, and Charges for Services	2,266,955	-	1,537,996	3,804,951
Investment Income	157,565	65,673	7,954	231,192
Other Revenue	246,773	7,555	171,549	425,877
Total Revenues	<u>77,734,578</u>	<u>112,098</u>	<u>3,800,704</u>	<u>81,647,380</u>
Expenditures				
Current:				
General Government	2,645,002	-	141,841	2,786,843
Public Safety	5,847,363	-	14,637	5,862,000
Public Works	3,529,693	-	44,101	3,573,794
Parks and Recreation	922,979	-	439,303	1,362,282
Health and Welfare	145,834	-	55,295	201,129
Education	49,204,235	-	2,775,156	51,979,391
Other	9,412,375	-	-	9,412,375
Debt Service	7,060,936	49,312	-	7,110,248
Capital Outlay	243,602	1,226,736	6,638	1,476,976
Total Expenditures	<u>79,012,019</u>	<u>1,276,048</u>	<u>3,476,971</u>	<u>83,765,038</u>
Excess/(Deficiency) of Revenues over Expenditures	(1,277,441)	(1,163,950)	323,733	(2,117,658)
Other Financing Sources/(Uses)				
Transfers In	216,002	80,000	-	296,002
Transfers Out	(159,593)	-	(127,543)	(287,136)
Issuance of Capital Leases	243,602	-	-	243,602
Bond/BAN Proceeds	-	16,900,000	-	16,900,000
Premium on Financing	-	119,990	-	119,990
Total Other Financing Sources/(Uses)	<u>300,011</u>	<u>17,099,990</u>	<u>(127,543)</u>	<u>17,272,458</u>
Net Change in Fund Balances	(977,430)	15,936,040	196,190	15,154,800
Fund Balances at Beginning of Year	<u>5,994,249</u>	<u>(4,507,386)</u>	<u>2,270,299</u>	<u>3,757,162</u>
Fund Balances at End of Year	<u>\$ 5,016,819</u>	<u>\$ 11,428,654</u>	<u>\$ 2,466,489</u>	<u>\$ 18,911,962</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 15,154,800

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

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

<i>Capital expenditures</i>	1,787,371
<i>Depreciation expense</i>	(6,170,609)

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>	17,788
<i>Assessment revenue accrual basis change</i>	(83,371)
<i>Interest income on property taxes accrual basis change</i>	28,639
<i>School building grant receipts</i>	(736,651)
<i>Other revenues accrual basis change</i>	(29,668)

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 - BANs</i>	(17,019,990)
<i>Proceeds from long-term debt - capital leases</i>	(243,602)
<i>Principal payments on long-term debt - general obligation bonds</i>	5,030,000
<i>Principal payments on long-term debt - capital leases</i>	370,104
<i>Amortization of deferred charge on refunding</i>	(64,549)
<i>Amortization of premiums</i>	131,867

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>	103,005
<i>Compensated Absences</i>	280,735
<i>Post-closure landfill costs</i>	(41,163)
<i>Special termination benefits</i>	69,978
<i>Pension buy-in payable</i>	19,266
<i>Pension obligations</i>	(1,459,762)
<i>OPEB liability</i>	(3,385,868)

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.

27,904

Change in net position of governmental activities \$ (6,213,776)

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, 2018

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Operations	Total	Activities Internal Service
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 2,181,153	\$ 1,380,080	\$ -	\$ 3,561,233	\$ 1,200,292
Receivables, Net					
Usage	650,516	406,337	-	1,056,853	-
Intergovernmental	135,668	252,031	-	387,699	-
Total Current Assets	<u>2,967,337</u>	<u>2,038,448</u>	<u>-</u>	<u>5,005,785</u>	<u>1,200,292</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	155,578	-	-	155,578	-
Receivables: Intergovernmental	135,667	-	-	135,667	-
Other Charges	829,264	-	-	829,264	-
Nondepreciable Capital Assets	239,292	167,941	935,000	1,342,233	-
Capital Assets, Net of Accum. Depreciation	6,214,291	6,151,283	241,870	12,607,444	-
Total Noncurrent Assets	<u>7,574,092</u>	<u>6,319,224</u>	<u>1,176,870</u>	<u>15,070,186</u>	<u>-</u>
Total Assets	\$ 10,541,429	\$ 8,357,672	\$ 1,176,870	\$ 20,075,971	\$ 1,200,292
Deferred Outflows of Resources					
Deferred Outflows - Pension	<u>36,272</u>	<u>36,273</u>	<u>13,706</u>	<u>86,251</u>	<u>-</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Items	\$ 129,355	\$ 74,206	\$ 415,631	\$ 619,192	\$ -
Due to Other Funds - Governmental	9,946	-	-	9,946	-
Unearned Revenues	51,869	-	-	51,869	-
Notes Payable	414,632	-	-	414,632	-
Compensated Absences	28,864	28,864	7,417	65,145	-
Risk Management Claims	-	-	-	-	783,463
Total Current Liabilities	<u>634,666</u>	<u>103,070</u>	<u>423,048</u>	<u>1,160,784</u>	<u>783,463</u>
Noncurrent Liabilities:					
Notes Payable	414,632	-	-	414,632	-
Net Pension Liability	165,072	165,072	44,257	374,401	-
Compensated Absences	40,210	40,210	16,778	97,198	-
Risk Management Claims	-	-	-	-	2,073,918
Total Noncurrent Liabilities	<u>619,914</u>	<u>205,282</u>	<u>61,035</u>	<u>886,231</u>	<u>2,073,918</u>
Total Liabilities	1,254,580	308,352	484,083	2,047,015	2,857,381
Deferred Inflows of Resources					
Deferred Inflows - Pension	<u>15,118</u>	<u>15,118</u>	<u>1,721</u>	<u>31,957</u>	<u>-</u>
Net Position					
Net Investment in Capital Assets	6,453,583	6,319,224	1,176,870	13,949,677	-
Unrestricted	<u>2,854,420</u>	<u>1,751,251</u>	<u>(472,098)</u>	<u>4,133,573</u>	<u>(1,657,089)</u>
Total Net Position	\$ 9,308,003	\$ 8,070,475	\$ 704,772	\$ 18,083,250	\$ (1,657,089)

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, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Operations	Total	Internal Service
OPERATING REVENUES					
Charges for Services	\$ 2,250,634	\$ 1,530,653	\$ 543,831	\$ 4,325,118	\$ 15,422,329
Intergovernmental	-	252,031	-	252,031	-
Permits and Fees	3,290	2,470	-	5,760	-
Total Operating Revenues	<u>2,253,924</u>	<u>1,785,154</u>	<u>543,831</u>	<u>4,582,909</u>	<u>15,422,329</u>
OPERATING EXPENSES					
Salaries	269,301	252,358	212,096	733,755	-
Benefits	183,189	181,894	155,155	520,238	-
Purchased Services	1,172,890	975,349	235,446	2,383,685	-
Depreciation	253,405	232,444	19,055	504,904	-
Amortization	414,632	-	-	414,632	-
Claims	-	-	-	-	13,214,155
Premiums and Administrative Charges	-	-	-	-	2,181,852
Total Operating Expenses	<u>2,293,417</u>	<u>1,642,045</u>	<u>621,752</u>	<u>4,557,214</u>	<u>15,396,007</u>
Operating Income/(Loss)	(39,493)	143,109	(77,921)	25,695	26,322
NON-OPERATING REVENUE (EXPENSE)					
Interest Income	14,837	11,017	-	25,854	1,582
Interest Expense	(21,077)	-	-	(21,077)	-
Total Non-Operating Expenses	<u>(6,240)</u>	<u>11,017</u>	<u>-</u>	<u>4,777</u>	<u>1,582</u>
Income/(Loss) before Transfers	<u>(45,733)</u>	<u>154,126</u>	<u>(77,921)</u>	<u>30,472</u>	<u>27,904</u>
Transfers:					
Transfers In	-	34,689	-	34,689	-
Transfers Out	(43,555)	-	-	(43,555)	-
Total Transfers	<u>(43,555)</u>	<u>34,689</u>	<u>-</u>	<u>(8,866)</u>	<u>-</u>
Change in Net Position	(89,288)	188,815	(77,921)	21,606	27,904
Net Position - Beginning of Year	<u>9,397,291</u>	<u>7,881,660</u>	<u>782,693</u>	<u>18,061,644</u>	<u>(1,684,993)</u>
Net Position - End of Year	<u>\$ 9,308,003</u>	<u>\$ 8,070,475</u>	<u>\$ 704,772</u>	<u>\$ 18,083,250</u>	<u>\$ (1,657,089)</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, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Operations	Total	
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 2,230,742	\$ 1,349,225	\$ 543,831	\$ 4,123,798	\$ 15,422,329
Receipts from Interfund Services	12,613	158,549	-	171,162	-
Payments to Employees	(269,301)	(252,358)	(212,096)	(733,755)	-
Payments to Suppliers	(1,301,309)	(1,005,965)	(185,880)	(2,493,154)	-
Payments for Benefits and Claims	(182,595)	(181,301)	(145,855)	(509,751)	(13,255,553)
Premiums and Administrative Charges	-	-	-	-	(2,181,852)
Net Cash Provided by Operating Activities	<u>490,150</u>	<u>68,150</u>	<u>-</u>	<u>558,300</u>	<u>(15,076)</u>
Cash Flows from Noncapital Financing Activities:					
Advance/(Repayment) from General Fund	(43,555)	34,689	-	(8,866)	-
Principal Payments on Debt	(414,632)	-	-	(414,632)	-
Principal Received on Reimbursement Obligation	135,668	-	-	135,668	-
Interest Paid on Debt	(21,077)	-	-	(21,077)	-
Net Cash Used by Noncapital Financing Activities	<u>(343,596)</u>	<u>34,689</u>	<u>-</u>	<u>(308,907)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of Capital Assets	(43,583)	(297,887)	-	(341,470)	-
Net Cash Used by Capital and Related Financing Activities	<u>(43,583)</u>	<u>(297,887)</u>	<u>-</u>	<u>(341,470)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest Income	14,837	11,017	-	25,854	1,582
Net Cash Provided by Investing Activities	<u>14,837</u>	<u>11,017</u>	<u>-</u>	<u>25,854</u>	<u>1,582</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	117,808	(184,031)	-	(66,223)	(13,494)
Cash and Cash Equivalents at Beginning of Year	<u>2,218,923</u>	<u>1,564,111</u>	<u>-</u>	<u>3,783,034</u>	<u>1,213,786</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,336,731</u>	<u>\$ 1,380,080</u>	<u>\$ -</u>	<u>\$ 3,716,811</u>	<u>\$ 1,200,292</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:					
Operating Income/(Loss)	\$ (39,493)	\$ 143,109	\$ (77,921)	\$ 25,695	\$ 26,322
Adjustments to Reconcile Income to Net Cash					
Provided by Operating Activities:					
Depreciation and Amortization	668,037	232,444	19,055	919,536	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(10,569)	(277,380)	-	(287,949)	-
(Increase) Decrease in Deferred Outflows	(2,828)	(2,829)	(2,676)	(8,333)	-
Increase (Decrease) in Deferred Inflows	(13,689)	(13,689)	(1,296)	(28,674)	-
Increase (Decrease) in Net Pension Liability	17,220	17,220	10,481	44,921	-
Increase (Decrease) in Accounts Payable	(128,419)	(30,616)	49,566	(109,469)	-
Increase (Decrease) in Claims Payable	-	-	-	-	(41,398)
Increase (Decrease) in Compensated Absences	(109)	(109)	2,791	2,573	-
Total Adjustments	<u>529,643</u>	<u>(74,959)</u>	<u>77,921</u>	<u>532,605</u>	<u>(41,398)</u>
Net Cash Provided by Operating Activities	<u>\$ 490,150</u>	<u>\$ 68,150</u>	<u>\$ -</u>	<u>\$ 558,300</u>	<u>\$ (15,076)</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, 2018

	Pension and OPEB Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 1,431	\$ 481,468
Investments, at Fair Value		
Guaranteed Deposit Accounts	6,022,151	-
Mutual Funds	38,505,058	-
Total Assets	\$ 44,528,640	\$ 481,468
 Deferred Outflows of Resources	 -	 -
 Liabilities		
Fiduciary Deposits	\$ -	\$ 481,468
Total Liabilities	-	\$ 481,468
 Deferred Inflows of Resources	 -	 -
 Net Position		
Restricted for Pension Benefits	44,527,209	
Restricted for OPEB Benefits	1,431	
Total Net Position	\$ 44,528,640	

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, 2018

	<u>Pension and OPEB Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 1,559,563
Plan Members	<u>529,103</u>
Total Contributions	<u>2,088,666</u>
Investment Income:	
Net Appreciation/(Depreciation) in Fair Value of Investments	2,080,666
Interest and Dividends	<u>1,093,972</u>
Total Investment Income	3,174,638
Less: Investment Management Fees	<u>(227,429)</u>
Total Additions	<u>5,035,875</u>
Deductions	
Pension Benefits	2,781,435
Administrative Expenses	<u>83,084</u>
Total Deductions	<u>2,864,519</u>
Change in Net Position	2,171,356
Net Position at Beginning of Year	<u>42,357,284</u>
Net Position at End of Year	<u>\$ 44,528,640</u>

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

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Presentation

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

The Town reports the following major governmental funds:

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

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

The 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.

Additionally, the Town reports the following fund types:

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

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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

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

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

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.

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

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

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

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 \$3,003,688 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

- **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, 2018:

Internal Service Funds	\$ (1,657,089)
Educational Grants Fund	(23,262)
Steele Brook Greenway	(1,230)
Recreation Programs	(48,878)

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, 2018.

Detailed Cash Notes on all Funds

	Governmental <u>Funds</u>	Fiduciary <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Cash	\$ 20,002,311	\$ 482,899	\$ 4,761,500	\$ 25,246,710
Cash Equivalents	547,187	-	25	547,212
Restricted Cash				
Equivalents	-	-	155,578	155,578
Total	<u>\$ 20,549,498</u>	<u>\$ 482,899</u>	<u>\$ 4,917,103</u>	<u>\$ 25,949,500</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 \$25,246,710 and the bank balance was \$25,709,947. Of the bank balance, the Federal Depository Insurance Corporation insured \$1,051,334.

As of June 30, 2018, \$24,658,613 of the Town's bank balance of \$25,709,947 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 22,092,752
Uninsured and collateral held by pledging bank's Trust department not in the Town's name	<u>2,565,861</u>
Total	<u>\$ 24,658,613</u>

Cash Equivalents

At June 30, 2018, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$702,790. 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		
			Less Than 1	1-10	More Than 10
Guaranteed Deposit Accounts	AA-	\$ 6,022,151	N/A	\$ 6,022,151	N/A
Mutual Funds	N/A	38,505,058	N/A	N/A	N/A
Common Stock	N/A	<u>2,551</u>	N/A	N/A	N/A
Total Investments		<u>\$ 44,529,760</u>	<u>\$ -</u>	<u>\$ 6,022,151</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, 2018	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	\$ 6,022,151	\$ 6,022,151	\$ -	\$ -
Mutual Funds	38,505,058	38,505,058	-	-
Common Stock	<u>2,551</u>	<u>2,551</u>	-	-
Total	<u>\$ 44,529,760</u>	<u>\$ 44,529,760</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 Improvement	Nonmajor and Other	
	Fund	Sewer	Water	Fund	Funds	Total
Receivables:						
Property taxes	\$ 1,301,439	\$ -	\$ -	\$ -	\$ -	\$ 1,301,439
Interest, Liens, and Fees	438,333	-	-	-	-	438,333
Assessments	660,777	-	-	-	-	660,777
Usage Charges	-	666,170	415,730	-	-	1,081,900
Loans	-	-	-	-	804,102	804,102
Intergovernmental	196,008	271,335	252,031	2,336,988	103,993	3,160,355
Accounts	521,895	-	-	-	-	521,895
Gross Receivables	<u>3,118,452</u>	<u>937,505</u>	<u>667,761</u>	<u>2,336,988</u>	<u>908,095</u>	<u>7,968,801</u>
Less allowance for uncollectibles:						
Property taxes	(180,000)	-	-	-	-	(180,000)
Interest, Liens, and Fees	(44,000)	-	-	-	-	(44,000)
Usage Charges	-	(15,654)	(9,393)	-	-	(25,047)
Accounts	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>
Total allowance	<u>(259,000)</u>	<u>(15,654)</u>	<u>(9,393)</u>	<u>-</u>	<u>-</u>	<u>(284,047)</u>
Net Total Receivables	<u>\$ 2,859,452</u>	<u>\$ 921,851</u>	<u>\$ 658,368</u>	<u>\$ 2,336,988</u>	<u>\$ 908,095</u>	<u>\$ 7,684,754</u>

Intergovernmental receivables in the Sewer Authority of \$271,335 are to be collected from the Watertown Fire District for their portion of the Waterbury Sewer Plan. \$135,667 of this is long-term and not expected to be collected within one year. In addition, the assessments receivable of \$660,777 and the loans receivable of \$804,102 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

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

	Governmental Funds
General Fund:	
Advances on Grants	\$ 189,267
Nonmajor Funds:	
Advances on Grants	36,326
Rehab Loans	1,157
Fees Collected in Advance	<u>44,999</u>
 Total Unearned Revenue for Governmental Funds	 <u><u>\$ 271,749</u></u>

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated				
Land	\$ 3,147,876	\$ -	\$ -	\$ 3,147,876
Construction in Progress	-	803,708	-	803,708
Total capital assets, not being depreciated	<u>3,147,876</u>	<u>803,708</u>	<u>-</u>	<u>3,951,584</u>
Capital assets, being depreciated				
Buildings and Improvements	165,238,436	16,175	-	165,254,611
Vehicles	9,594,265	80,080	-	9,674,345
Machinery & Equipment	7,334,883	213,825	(96,849)	7,451,859
Infrastructure	81,839,668	673,583	-	82,513,251
Total capital assets, being depreciated	<u>264,007,252</u>	<u>983,663</u>	<u>(96,849)</u>	<u>264,894,066</u>
Less accumulated depreciation for:				
Buildings and Improvements	37,311,290	3,552,171	-	40,863,461
Vehicles	8,144,500	662,973	-	8,807,473
Machinery & Equipment	5,872,922	458,232	(96,849)	6,234,305
Infrastructure	31,258,696	1,497,233	-	32,755,929
Total accumulated depreciation, net	<u>82,587,408</u>	<u>6,170,609</u>	<u>(96,849)</u>	<u>88,661,168</u>
Total capital assets, being depreciated	<u>181,419,844</u>	<u>(5,186,946)</u>	<u>-</u>	<u>176,232,898</u>
<i>Governmental Activities capital assets, net</i>	<u>\$ 184,567,720</u>	<u>\$ (4,383,238)</u>	<u>\$ -</u>	<u>\$ 180,184,482</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated				
Land	\$ 1,019,600	\$ -	\$ -	\$ 1,019,600
Construction in Progress	248,733	73,900	-	322,633
Total capital assets, not being depreciated	<u>1,268,333</u>	<u>73,900</u>	<u>-</u>	<u>1,342,233</u>
Capital assets, being depreciated				
Buildings and Improvements	2,811,600	-	-	2,811,600
Vehicles	324,777	-	-	324,777
Machinery & Equipment	971,181	9,988	-	981,169
Infrastructure	23,554,505	257,582	-	23,812,087
Total capital assets, being depreciated	<u>27,662,063</u>	<u>267,570</u>	<u>-</u>	<u>27,929,633</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,926,626	56,301	-	1,982,927
Vehicles	292,845	25,436	-	318,281
Machinery & Equipment	955,796	3,477	-	959,273
Infrastructure	11,642,018	419,690	-	12,061,708
Total accumulated depreciation	<u>14,817,285</u>	<u>504,904</u>	<u>-</u>	<u>15,322,189</u>
Total capital assets, being depreciated, net	<u>12,844,778</u>	<u>(237,334)</u>	<u>-</u>	<u>12,607,444</u>
<i>Business-Type Activities capital assets, net</i>	<u>\$ 14,113,111</u>	<u>\$ (163,434)</u>	<u>\$ -</u>	<u>\$ 13,949,677</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	\$ 7,076
Public Safety	1,053,049
Public Works	1,828,282
Education	3,140,602
Parks and Recreation	<u>141,600</u>

Total Depreciation Expense

Governmental Activities	<u>\$ 6,170,609</u>
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Business-Type Activities:

Sewer	\$ 253,405
Water	232,444
Golf	<u>19,055</u>

Total Depreciation Expense

Business-Type Activities	<u>\$ 504,904</u>
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Construction Commitments

The Town has several active construction/renovation projects as of June 30, 2018. 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	\$ 345,136	\$ 417,446	\$ 158,311	\$ 11,324,243
W&S Concord Drive	6,330,550	386,262	386,262	3,554,545	2,389,743
Roadway and Drainage	2,034,704	-	1,867,040	-	167,664
Road, Bridge and Drainage	<u>4,000,000</u>	<u>458,617</u>	<u>3,515,103</u>	<u>111,139</u>	<u>373,758</u>
	<u>\$ 24,265,254</u>	<u>\$ 1,190,015</u>	<u>\$ 6,185,851</u>	<u>\$ 3,823,995</u>	<u>\$ 14,255,408</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund transfers is presented below:

Transfer to:	Transfer from:				
	General Fund	Sewer Fund	Water Fund	Transition Academy	Total
General Fund	\$ -	\$ 43,555	\$ 44,904	\$ 127,543	\$ 216,002
Capital Improvement Fund	80,000	-	-	-	80,000
Water Fund	<u>79,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,593</u>
	<u>\$ 159,593</u>	<u>\$ 43,555</u>	<u>\$ 44,904</u>	<u>\$ 127,543</u>	<u>\$ 375,595</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. The composition of interfund balances as of June 30, 2018 is as follows:

Due From:	Due To:	Amount
Sewer Fund	General Fund	\$ 9,946
Nonmajor Governmental Funds	General Fund	217,197

NOTE 7 – LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Governmental Activities long-term liabilities for the year ended June 30, 2018 were as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 46,795,000	\$ -	\$ 5,030,000	\$ 41,765,000	\$ 5,120,000
Unamortized Premiums	1,679,068	-	131,867	1,547,201	131,867
Total Bonds Payable	<u>48,474,068</u>	<u>-</u>	<u>5,161,867</u>	<u>43,312,201</u>	<u>5,251,867</u>
Capital Leases	513,399	243,602	370,104	386,897	216,795
Compensated Absences	3,449,357	242,991	523,726	3,168,622	1,100,614
Post-Closure Landfill Costs	223,752	88,885	47,722	264,915	37,845
Special Termination Benefits	110,774	13,402	83,380	40,796	26,577
Pension Buy-In	539,448	-	19,266	520,182	20,865
Net Pension Liability	11,339,788	325,916	-	11,665,704	-
OPEB Liability	<u>63,113,080</u>	<u>11,773,654</u>	<u>1,906,281</u>	<u>72,980,453</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 127,763,666</u>	<u>\$ 12,688,450</u>	<u>\$ 8,112,346</u>	<u>\$ 132,339,770</u>	<u>\$ 6,654,563</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, 2018 consisted of the following:

Purpose	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2018
Education*	2005	8/1/2019	3-5%	\$ 16,375,000	\$ 1,410,000
General, Education and Sewer	2009	7/1/2022	3-5%	18,760,000	7,325,000
General, Education and Sewer*	2011	8/1/2025	2-4%	6,110,000	5,075,000
General, Education and Sewer*	2012	4/1/2029	2-3%	9,505,000	9,430,000
Education	2013	3/15/2028	2-3%	2,000,000	1,325,000
Education, Sewer*	2013	1/15/2033	2.5-4.5%	8,600,000	8,600,000
General	2015	3/15/2035	2-4%	3,000,000	2,585,000
Education*	2015	9/15/2029	2-4%	5,550,000	4,415,000
Sewer*	2015	9/15/2027	1.5-3.0%	715,000	525,000
General, Education	2017	4/15/2029	2.0-2.75%	1,075,000	1,075,000
Total General Obligation Bonds				<u>\$ 71,690,000</u>	<u>\$ 41,765,000</u>

*Refunding Bonds

Payments to maturity on general obligation bonds are as follows:

Fiscal Year Ending	Principal	Interest
2019	\$ 5,120,000	\$ 1,379,932
2020	4,470,000	1,186,438
2021	4,130,000	1,034,314
2022	4,125,000	880,701
2023	3,970,000	731,513
2024-2028	15,205,000	1,864,273
2029-2033	4,445,000	342,240
2034-2038	300,000	14,063
	<u>\$ 41,765,000</u>	<u>\$ 7,433,474</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2018 totaled \$1,597,841.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Pension Buy-In

The town has a note outstanding totaling \$520,182 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
2019	\$ 20,865	\$ 40,860
2020	22,597	39,129
2021	24,471	37,253
2022	26,503	35,222
2023	28,703	33,022
2024-2028	183,457	125,169
2029-2033	139,980	59,760
2034-2038	73,606	6,290
	<u>\$ 520,182</u>	<u>\$ 376,705</u>

Interest incurred and expensed on the buy-in for the year ended June 30, 2018 totaled \$42,460.

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	\$ 1,555,025
Less accumulated depreciation	<u>(702,928)</u>
Total	<u>\$ 852,097</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

	Governmental Activities
Year ending June 30:	
2019	\$ 216,795
2020	106,273
2021	55,880
2022	<u>35,121</u>
Total Lease Payments	414,069
Less Amount Representing Interest	<u>(27,172)</u>
Present Value of Minimum Lease Payments	<u>\$ 386,897</u>

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Bonds Authorized/Unissued

Bonds authorized/unissued are as follows:

Description	Authorized	Bonds/ Notes	Grants Received	Authorized Unissued
Watertown High School				
Renovations and Additions	\$ 56,157,000	\$ 29,590,000	\$ 26,262,988	\$ 304,012
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	18,773,971	569,948
Town Hall Renovations	11,900,000	7,510,000	-	4,390,000
Water and Sewer Extension	6,330,550	3,500,000	-	2,830,550
	<u>\$ 136,532,469</u>	<u>\$ 68,925,000</u>	<u>\$ 57,457,045</u>	<u>\$ 10,150,424</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 estimated project costs of this post-closure period are \$264,915. The cost estimate is subject to change due to inflation, technology, or changes in cost estimate components. Current year costs amounted to \$47,722.

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, 2018 is \$40,796. This amount consists of payments due to retired individuals for retirement incentives that have been amortized over the following years:

	<u>Amount</u>
Year ending June 30:	
2019	\$ 26,577
2020	9,752
2021	<u>4,467</u>
Total	<u>\$ 40,796</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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Note	\$ 6,480,000	\$ 16,900,000	\$ 6,480,000	\$ 16,900,000
Unamortized Premium	-	119,990	-	119,990
Total	<u>\$ 6,480,000</u>	<u>\$ 17,019,990</u>	<u>\$ 6,480,000</u>	<u>\$ 17,019,990</u>

The outstanding bond anticipation note carries an interest rate of 2.5% and matures in October 2018. Total interest incurred and expensed on bond anticipation notes during the year was \$97,200. 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, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Clean Water Fund CWF 201-C2	\$ 1,243,896	\$ -	\$ 414,632	\$ 829,264	\$ 414,632
Net Pension Liability	329,480	44,921	-	374,401	-
Compensated Absences	<u>159,770</u>	<u>2,791</u>	<u>218</u>	<u>162,343</u>	<u>65,145</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 1,733,146</u>	<u>\$ 47,712</u>	<u>\$ 414,850</u>	<u>\$ 1,366,008</u>	<u>\$ 479,777</u>

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Serial Notes and Other Charges

The State of Connecticut Department of Environmental Protection has provided Clean Water Financing in the form of serial notes to the City of Waterbury for sewage treatment plant upgrades. Pursuant to the provisions of the Waterbury/Watertown Intermunicipal Agreement finalized in January 2001 regarding the Sewer Treatment Plant Upgrade Project CWF-201, the Town is responsible for \$9,026,538 (10.166%) of the capital cost of the project. The Watertown Fire District has been allocated 32.72% of the Town's share of the project cost. The Town receives monthly reimbursements from the Watertown Fire District to offset the cost to the Sewer Authority Enterprise Fund. The Town pays its proportionate share of the project costs through the repayment of 2% serial notes directly to the State of Connecticut. The outstanding principal balance that the Town is responsible for is \$829,264 as of June 30, 2018.

The Costs incurred and capitalized by the City of Waterbury to improve and upgrade its sewer treatment plant are not considered capital assets of the Town. Therefore, an Other Charge of \$829,264 has been recorded to offset the related liability reported in the Sewer Authority Enterprise Fund. The Other charge will be amortized annually by the amount of principal paid to the State of Connecticut on the serial notes. Amortization for 2018 totaled \$414,632.

Serial notes payable at June 30, 2018 comprise the following:

	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2018
State of Connecticut Serial Note CWF 201-C2	2001	6/30/2020	2.00%	<u>\$ 8,085,318</u>	<u>\$ 829,264</u>

The annual requirements to amortize serial notes payable as of June 30, 2018 are as follows:

Fiscal Year Ending	Principal	Interest
2019	\$ 414,632	\$ 12,784
2020	<u>414,632</u>	<u>4,492</u>
	<u>\$ 829,264</u>	<u>\$ 17,276</u>

Interest incurred and expensed in the enterprise funds for the year ended June 30, 2018 totaled \$21,077.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

NOTE 8 - FUND BALANCE COMPONENTS

The components of fund balance for the governmental funds at June 30, 2018 are as follows:

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ 23,139	\$ 23,139
Trust Principal	-	-	97,143	97,143
Loan Receivable	-	-	804,102	804,102
Total Nonspendable	\$ -	\$ -	\$ 924,384	\$ 924,384
Restricted for:				
General Government	\$ -	\$ -	\$ 33,573	\$ 33,573
Public Safety	-	-	19,618	19,618
Public Works	-	-	474,105	474,105
Health and Welfare	-	-	169,439	169,439
Education	-	-	8,776	8,776
Capital	-	10,971,402	4,001	10,975,403
Total Restricted	\$ -	\$ 10,971,402	\$ 709,512	\$ 11,680,914
Committed to:				
General Government	\$ -	\$ -	\$ 74,257	\$ 74,257
Public Safety	-	-	18,320	18,320
Public Works	-	-	786	786
Parks and Recreation	-	-	250,280	250,280
Health and Welfare	-	-	63,020	63,020
Education	-	-	122,685	122,685
Capital	-	457,252	376,615	833,867
Total Committed	\$ -	\$ 457,252	\$ 905,963	\$ 1,363,215
Assigned:				
General Fund - Encumbrances	\$ 932,456	\$ -	\$ -	\$ 932,456
Total Assigned	\$ 932,456	\$ -	\$ -	\$ 932,456
Unassigned:	\$ 4,084,363	\$ -	\$ (73,370)	\$ 4,010,993

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 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.

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, 2017), membership consisted of the following:

	Town	Police
Inactive plan members or beneficiaries receiving payments	100	28
Inactive plan members entitled but not yet receiving payments	22	1
Active Members	122	37
	<u>244</u>	<u>66</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

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 8.6% for the Town Retirement System and 29.1% 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 measurement date (January 1, 2017). In the fiduciary fund financial statements, the Guaranteed Deposit account is recorded at market value as of June 30, 2018 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, 2018:

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Target Allocation and Expected Rate of Return June 30, 2018

Town		Long-Term	
	Target	Expected Real	Weighting
<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>	
Large Cap Equity	31.00%	7.75%	2.40%
Mid Cap Equity	4.00%	8.25%	0.33%
Small Cap Equity	8.00%	8.50%	0.68%
International Equity	12.00%	7.25%	0.87%
Fixed Income	24.00%	4.85%	1.16%
Real Estate	5.00%	6.85%	0.34%
Stable Value	16.00%	4.45%	0.71%
	<u>100.00%</u>		<u>6.50%</u>
Long-Term Inflation Expectation			<u>2.50%</u>
Long-Term Expected Nominal Return			<u><u>9.00%</u></u>

Police		Long-Term	
	Target	Expected Real	Weighting
<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>	
Large Cap Equity	26.00%	7.75%	2.02%
Mid Cap Equity	7.00%	8.25%	0.58%
Small Cap Equity	7.00%	8.50%	0.60%
International Equity	10.00%	7.25%	0.73%
Fixed Income	27.00%	4.85%	1.31%
Real Estate	5.00%	6.85%	0.34%
Stable Value	18.00%	4.45%	0.80%
	<u>100.00%</u>		<u>6.37%</u>
Long-Term Inflation Expectation			<u>2.50%</u>
Long-Term Expected Nominal Return			<u><u>8.87%</u></u>

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

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

Town - Net money-weighted rate of return for the year ended June 30, 2018	6.9%
Police - Net money-weighted rate of return for the year ended June 30, 2018	6.4%

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, 2018, were as follows:

	Town	Police
Total pension liability	\$ 26,081,929	\$ 29,574,954
Plan fiduciary net position	22,393,853	21,947,993
Net pension liability (asset)	3,688,076	7,626,961
Plan fiduciary net position as a percentage of total pension liability	85.86%	74.21%
Covered payroll	6,249,539	3,368,353
Net pension liability as a % of covered payroll	59.01%	226.43%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2017 valuation and projected forward to a measurement date of June 30, 2018:

Valuation timing	Actuarially determined contribution rates are calculated as of January 1, 2017, six months prior to the beginning of the fiscal year in which the contributions are reported.	
Actuarial cost method	Entry Age Normal Actuarial Cost Method	
Amortization method	Level Cost	
Asset valuation method	Town 15 years, open	Police 20 years, open
Smoothing period	5 year	
Recognition method	20% per year	
Inflation	2.50%	
Payroll growth	Town used 3.5%	Police used 4.0%
Investment rate of return	Town - 7.25% net of investment and contract fees Police - 7.15% net of investment and contract fees	
Retirement age	Town - The earlier of age 55 with 25 years of service or age 65 Police - Age 55 or the completion of 25 years, if later	
Post-retirement mortality	Town - RP-2014 Blue Collar Mortality Table with no projection scale Police - RP-2014 Blue Collar Mortality Table with Scale MP-2014	

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

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

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Town	Net Pension Liability	\$ 6,322,649	\$ 3,688,076	\$ 1,290,549
		1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Police	Net Pension Liability	\$ 10,813,350	\$ 7,626,961	\$ 4,719,050

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Town	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability (a) - (b)
Balance at June 30, 2017	\$ 24,359,989	\$ 21,545,320	\$ 2,814,669
Changes for the year:			
Service Cost	512,203	-	512,203
Interest	1,717,052	-	1,717,052
Changes in Benefit Terms	382,996	-	382,996
Differences Between Expected and Actual Experience including Changes in Assumptions	486,806	-	486,806
Employer Contributions	-	538,056	(538,056)
Member Contributions	-	276,657	(276,657)
Net Investment Income	-	1,466,341	(1,466,341)
Benefit Payments	(1,377,117)	(1,377,117)	-
Administrative Expenses	-	(55,404)	55,404
Net Changes	1,721,940	848,533	873,407
Balance at June 30, 2018	\$ 26,081,929	\$ 22,393,853	\$ 3,688,076
Plan fiduciary net position as a percentage of the total pension liability			85.86%
Covered Payroll			\$ 6,249,539
Net pension liability as a percentage of covered payroll			59.01%

Police	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability (a) - (b)
Balance at June 30, 2017	\$ 28,825,031	\$ 20,831,374	\$ 7,993,657
Changes for the year:			
Service Cost	538,120	-	538,120
Interest	2,039,799	-	2,039,799
Differences Between Expected and Actual Experience including Changes in Assumptions	(423,677)	-	(423,677)
Employer Contributions	-	980,141	(980,141)
Member Contributions	-	252,446	(252,446)
Net Investment Income	-	1,316,031	(1,316,031)
Benefit Payments	(1,404,319)	(1,404,319)	-
Administrative Expenses	-	(27,680)	27,680
Net Changes	749,923	1,116,619	(366,696)
Balance at June 30, 2018	\$ 29,574,954	\$ 21,947,993	\$ 7,626,961
Plan fiduciary net position as a percentage of the total pension liability			74.21%
Covered Payroll			\$ 3,368,353
Net pension liability as a percentage of covered payroll			226.43%

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

For the year ended June 30, 2018, the total pension expense recognized was \$3,099,057 for the Town plan and \$2,154,242 for the Police plan. As of June 30, 2018, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings	\$ 496,556	\$ -
Differences between expected and actual experience	2,150,523	957,531
Changes in assumptions	1,045,476	-
Total	<u>\$ 3,692,555</u>	<u>\$ 957,531</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:

2019	\$ 1,362,428
2020	1,074,140
2021	261,973
2022	<u>36,483</u>
	<u>\$ 2,735,024</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, 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

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 7.25% (effective January 1, 2018, 8.25%) of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2018 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$1,456,405. Covered payroll for the Town for the year ended June 30, 2018 was approximately \$18,559,222.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2018 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>59,204,351</u>
Total	<u>\$ 59,204,351</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 3, 2016. At June 30, 2018, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2018, the Town recognized benefits expense and contribution revenue of \$4,438,081 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$6,848,214 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	8.00 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 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>
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Core Fixed Income	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	5.00%	3.70%
Inflation Linked Bond Fund	3.00%	1.00%
Cash	<u>6.00%</u>	0.40%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 8.0%. 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.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Municipal Employees' Retirement System

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

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

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

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

Disability Retirement – Service Connected: Employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police, 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, 2018 the Town reports a total liability of \$725,068 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, 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, 2017, the Town's proportion was 4.39%.

For the year ended June 30, 2018, the Town recognized pension expense of \$134,488. As of June 30, 2018, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town contributions subsequent to the measurement date	\$ 95,411	\$ -
Difference between projected and actual earnings	58,059	-
Difference between expected and actual experience	13,784	-
Change in proportional share	4,961	114,759
Total	<u>\$ 172,215</u>	<u>\$ 114,759</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:

2019	\$ (9,488)
2020	(9,488)
2021	(9,490)
2022	<u>(9,489)</u>
	<u>\$ (37,955)</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016.

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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 Percent
Salary increases, including inflation	4.25-11.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	8.00 Percent

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2012.

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 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>
Large Cap U.S. Equities	16.00%	5.80%
Developed Non-U.S. Equities	14.00%	6.60%
Emerging Markets (Non-U.S.)	7.00%	8.30%
Core Fixed Income	8.00%	1.30%
Inflation Linked Bond Fund	5.00%	1.00%
Emerging Market Bond	8.00%	3.70%
High Yield Bonds	14.00%	3.90%
Real Estate	7.00%	5.10%
Private Equity	10.00%	7.60%
Alternative Investments	8.00%	4.10%
Liquidity Fund	<u>3.00%</u>	0.40%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. 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 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Increase 9.0%
Net Pension Liability as of June 30, 2018	\$ 1,239,242	\$ 725,068	\$ 288,952

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 \$41,366 to this plan during the year ended June 30, 2018. 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 2018 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,906,242.

Employees Covered by Benefit Terms: At June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	271
Active plan members	435
	<u>706</u>

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Total OPEB Liability: The Town's total OPEB liability of \$72,981,869 was measured as of July 1, 2017 and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the July 1, 2016 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	July 1, 2017 for June 30, 2018 Reporting Date		
Actuarial Cost Method	Individual Entry Age Normal		
Actuarial Value of Assets	Market Value		
Discount Rate	3.25% (previously 4.00%)		
Salary Increases	3.00%		
Inflation	2.75%		
Mortality Rates	RP-2000 employees mortality table projected generationally with scale BB and a base year of 2009 for males and females.		
Healthcare Cost Trend Rates	FYE	Medical	Dental
	2019	5%	5%
	2020+	5%	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, 2017 - Restated	\$ 63,114,489	\$ 1,409	\$ 63,113,080
Changes for the year:			
Service Cost	1,841,510	-	1,841,510
Interest	2,080,341	-	2,080,341
Differences Between Expected and Actual Experience	7,851,771	-	7,851,771
Net Investment Income	-	7	(7)
Employer Contributions	-	1,906,242	(1,906,242)
Benefit Payments including Implicit Costs	(1,906,242)	(1,906,242)	-
Net Changes	9,867,380	7	9,867,373
Balance at June 30, 2018	\$ 72,981,869	\$ 1,416	\$ 72,980,453

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 (2.25%) or 1-percentage-point higher (4.25%) than the current discount rate:

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Total OPEB Liability	\$ 86,658,715	\$ 72,981,869	\$ 62,324,422
Plan Fiduciary Net Position	1,416	1,416	1,416
Net OPEB Liability	\$ 86,657,299	\$ 72,980,453	\$ 62,323,006

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 (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rates:

	1% Decrease 4.00%	Current Trend Rate 5.00%	1% Increase 6.00%
Total OPEB Liability	\$ 60,280,921	\$ 72,981,869	\$ 89,547,494
Plan Fiduciary Net Position	1,416	1,416	1,416
Net OPEB Liability	<u>\$ 60,279,505</u>	<u>\$ 72,980,453</u>	<u>\$ 89,546,078</u>

OPEB Expense: For the year ended June 30, 2018, the Town recognized OPEB expense of \$3,385,868. As of June 30, 2018, deferred inflows and outflows of resources related to OPEB are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings	\$ 26	\$ -
Difference between expected and actual experience	6,481,479	-
Total	<u>\$ 6,481,505</u>	<u>\$ -</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:

2019	\$ 1,370,298
2020	1,370,298
2021	1,370,298
2022	1,370,300
2023	<u>1,000,311</u>
	<u>\$ 6,481,505</u>

Connecticut Teachers' Retirement System - OPEB

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

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

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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

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 \$87,353.

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, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary increases	3.25-6.50%, including inflation
Long-term investment rate of return	2.75%, net of OPEB plan investment expense, including inflation

Municipal bond index rate:

Measurement Date	3.56%
Prior Measurement Date	3.01%

The projected fiduciary net position is projected to be depleted in 2018.

Single equivalent interest rate

Measurement Date	3.56%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.01%, net of OPEB plan investment expense, Including price inflation

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Healthcare cost trend rates:

Pre-Medicare	7.25% for 2017 decreasing to an ultimate Rate of 5.00% by 2022
Medicare	7.25% for 2017 decreasing to an ultimate Rate of 5.00% by 2022

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%	0.04%	2.79%
Price inflation		2.75%	
Expected rate of return (Rounded nearest 0.25%)		2.75%	

Discount Rate - The discount rate used to measure the total OPEB liability was 3.56%. 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, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 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.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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 2018 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	6.25%	7.25%	8.25%
Ultimate Healthcare Cost Trend Rate	4.00%	5.00%	6.00%
Total OPEB Liability	\$ 12,546,795	\$ 15,238,515	\$ 18,862,585

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 (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 18,364,850	\$ 15,238,515	\$ 12,780,314

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2018 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>15,238,515</u>
Total	<u>\$ 15,238,515</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the Town had no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$87,353 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$706,230 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
2018	\$ 2,269,310	\$ 223,860	\$ (419,252)	\$ 2,073,918
2017	2,136,058	641,938	(508,686)	2,269,310
2016	2,599,325	253,500	(716,767)	2,136,058

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
2018	\$ 629,469	\$ 12,990,295	\$ (12,836,301)	\$ 783,463
2017	939,481	12,083,889	(12,393,901)	629,469
2016	487,000	10,474,905	(10,022,424)	939,481

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, 2018, are based on the requirements of U.S. GAAP, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

Contingent Liabilities

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

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

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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

Water Agreement with City of Waterbury – The Town has an agreement with the City of Waterbury (“City”) through June 30, 2018 whereby the Town agrees to pay operation and maintenance costs to the city based on the Town’s metered water usage. 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. 83 - *Certain Asset Retirement Obligations* - This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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 reporting periods beginning December 15, 2018.

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 reporting periods beginning after December 15, 2019.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

GASB Statement No. 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* - The primary objective of this statement is to improve the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

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 reporting periods beginning after December 15, 2019.

NOTE 12 – ADOPTION OF NEW ACCOUNTING STANDARD

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

The adoption of GASB Statement No. 75 requires the Town to report a Total OPEB liability. The Town's Net Position at June 30, 2017, has been restated for the effects of this liability, which reduces the Net Position by \$43,442,153 at July 1, 2017, in the Government-Wide Financial Statements. The Statement has also required additional footnote disclosures regarding OPEB.

NOTE 13 – SUBSEQUENT EVENTS

On October 25, 2018, the Town paid off the \$16,900,000 Bond Anticipation Note with General Fund appropriations and the issuance of General Obligation Bonds of \$16,810,000. The bonds bear annual interest ranging from 4% to 5% with principal and interest due serially from October 2019 through October 2038. On October 25, 2018, The Town also issued General Obligation Bond Anticipation Notes in the amount of \$6,100,000. The notes bear interest at 3% and are due on October 24, 2019.

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, 2018

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	<u>Budgeted Amounts</u>		Actual	
	<u>Original</u>	<u>Amended</u>	Budgetary Basis	<u>Variance</u>
REVENUES				
Property Taxes				
Current Year	\$ 55,670,486	\$ 55,670,486	\$ 55,896,699	\$ 226,213
Prior Year	495,000	495,000	773,536	278,536
Interest and Lien Fees	285,000	285,000	362,581	77,581
Scholarship Fund	1,600	1,600	650	(950)
Total Property Taxes	<u>56,452,086</u>	<u>56,452,086</u>	<u>57,033,466</u>	<u>581,380</u>
Intergovernmental				
State of Connecticut - Education				
School Construction	551,527	551,527	1,103,054	551,527
Interest Subsidy	34,261	34,261	64,943	30,682
Nonpublic Health and Social Services	32,610	32,610	25,998	(6,612)
Equalization (ECS)	11,167,044	11,167,044	10,216,006	(951,038)
Total State of Connecticut - Education	<u>11,785,442</u>	<u>11,785,442</u>	<u>11,410,001</u>	<u>(375,441)</u>
Federal and State of Connecticut - Other				
PILOT State Property	11,662	11,662	8,900	(2,762)
Mashantucket Pequot	69,660	69,660	69,660	-
Elderly Tax Relief	192,074	192,074	2,021	(190,053)
Tax Relief for Veterans	27,664	27,664	33,910	6,246
Other to Town	-	-	103	103
Heminway Pond Dam	-	-	22,000	22,000
Telephone Access	46,475	46,475	38,519	(7,956)
Municipal Aid Adjustment	652,100	652,100	642,281	(9,819)
Veteran's Park Grant	-	-	1,300	1,300
Skilton Road Bridge	-	-	16,586	16,586
Municipal Stabilization Grant	-	-	96,500	96,500
Steele Brook Greenway	-	-	89,885	89,885
STEAP Grant - Fire House	-	-	190,207	190,207
Total Federal and State of Connecticut - Other	<u>999,635</u>	<u>999,635</u>	<u>1,211,872</u>	<u>212,237</u>
Total Intergovernmental	<u>12,785,077</u>	<u>12,785,077</u>	<u>12,621,873</u>	<u>(163,204)</u>
Departmental				
Local Revenues				
Communication for Tower Rental	184,362	184,362	239,441	55,079
Equipment and Scrap Sales	18,000	18,000	-	(18,000)
Scrap Iron, Oil, Glass	3,500	3,500	17,554	14,054
Water and Sewer Authority	11,000	11,000	1,350	(9,650)
Miscellaneous Town Clerk Fees	37,000	37,000	45,429	8,429
Miscellaneous Fishing and Hunting	13,000	13,000	11,750	(1,250)
Town Clerk Dog Licenses	12,000	12,000	10,570	(1,430)
Conveyance Tax	175,000	175,000	215,328	40,328

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

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Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual Budgetary Basis	<u>Variance</u>
	<u>Original</u>	<u>Amended</u>		
Local Revenues (Continued)				
Town Clerk Recording	160,000	160,000	160,180	180
Assessor Photocopies	650	650	637	(13)
Supplemental Dog Licenses	700	700	726	26
Supplemental Marriage Licenses	1,300	1,300	1,349	49
Animal Population Control	3,500	3,500	3,180	(320)
3-LOCIP Preservation	8,000	8,000	8,175	175
Pool Fees	8,300	8,300	9,444	1,144
Damage Claims and Settlements	3,500	3,500	24,669	21,169
Miscellaneous Local Revenue	57,000	57,000	29,966	(27,034)
Deposits on Plans & Specs	500	500	-	(500)
Recreation Mini-Bus	500	500	402	(98)
Town Vehicle Use	11,500	11,500	10,503	(997)
Transfer Station Fees	73,500	73,500	125,079	51,579
Landfill Fees	54,000	54,000	50,274	(3,726)
Total Local Revenues	<u>836,812</u>	<u>836,812</u>	<u>966,006</u>	<u>129,194</u>
Permits and Fees				
Zoning Board of Appeals	3,000	3,000	2,750	(250)
Planning and Zoning	19,400	19,400	8,360	(11,040)
Zoning Compliance Fees	30,000	30,000	55,565	25,565
Soil/Waste State Fee	21,000	21,000	21,300	300
Inland - Wetlands	5,000	5,000	2,760	(2,240)
Building Permits	276,000	276,000	304,615	28,615
Building Inspection Education Fee	3,000	3,000	3,367	367
Blasting Permits	400	400	120	(280)
Street Opening Permits	4,000	4,000	4,573	573
Miscellaneous Permits and Fees	500	500	551	51
Total Permits and Fees	<u>362,300</u>	<u>362,300</u>	<u>403,961</u>	<u>41,661</u>
Police				
Parking Tickets	3,000	3,000	19,267	16,267
Pistol Permits	25,000	25,000	16,468	(8,532)
Police Reports	2,500	2,500	3,281	781
Solicitor Permits	600	600	1,520	920
Bingo and Raffle	100	100	439	339
Alarm Charges	11,000	11,000	17,700	6,700
Police Service	689,500	689,500	755,476	65,976
Miscellaneous Police Service	55,500	55,500	54,843	(657)
Animal Control Fees	1,000	1,000	1,756	756
Total Police	<u>788,200</u>	<u>788,200</u>	<u>870,750</u>	<u>82,550</u>

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

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Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual Budgetary Basis	<u>Variance</u>
	<u>Original</u>	<u>Amended</u>		
Board of Education				
Tuition	4,600	4,600	6,363	1,763
Latchkey Program	3,500	3,500	7,823	4,323
Miscellaneous School	3,300	3,300	7,147	3,847
Community Service Reimbursement	5,000	5,000	6,255	1,255
Total Board of Education	<u>16,400</u>	<u>16,400</u>	<u>27,588</u>	<u>11,188</u>
Total Departmental	<u>2,003,712</u>	<u>2,003,712</u>	<u>2,268,305</u>	<u>264,593</u>
Investment Income	<u>55,000</u>	<u>55,000</u>	<u>157,565</u>	<u>102,565</u>
Other				
Taft Contributions	170,000	170,000	180,000	10,000
Other Miscellaneous Revenue	87,108	87,108	87,109	1
Insurance Premium Dividend	-	-	25	25
Heritage Bond Reimbursement	66,748	66,748	66,748	-
Cancellation of Prior Year Encumbrances	-	-	96,269	96,269
Total Other	<u>323,856</u>	<u>323,856</u>	<u>430,151</u>	<u>106,295</u>
Total Revenues	<u>\$ 71,619,731</u>	<u>\$ 71,619,731</u>	<u>\$ 72,511,360</u>	<u>\$ 891,629</u>
EXPENDITURES				
General Government				
Town Council	5,588	5,545	4,853	692
Town Manager	260,052	267,232	267,228	4
Economic Development	36,481	36,481	34,658	1,823
Finance Department:				
Administration	490,791	530,358	513,702	16,656
Treasurer	62,564	62,564	62,532	32
Tax Collector	202,745	212,106	207,645	4,461
Assessor	254,647	261,733	257,851	3,882
Board of Tax Review	1,500	1,500	1,500	-
Town Clerk	212,554	214,879	213,958	921
Elections	93,416	78,295	68,986	9,309
Planning and Zoning	253,739	255,777	248,221	7,556
Board of Appeals	13,584	13,584	10,258	3,326
Historic Districts	575	575	239	336
Public Building	557,721	585,132	566,039	19,093
Building Inspections	192,336	192,336	190,839	1,497
Conservation Commission	13,204	13,204	9,277	3,927
Total General Government	<u>2,651,497</u>	<u>2,731,301</u>	<u>2,657,786</u>	<u>73,515</u>

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

Page 4 of 5

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	
	<u>Original</u>	<u>Amended</u>	Budgetary Basis	<u>Variance</u>
Public Safety				
Fire Department:				
Administration	250,876	282,075	276,113	5,962
Suppression and Rescue	398,162	413,073	389,232	23,841
Maintenance and Support	218,230	342,829	332,210	10,619
Police Department:				
Administration	475,307	532,234	527,877	4,357
Patrol and Detectives	3,611,277	3,673,298	3,668,670	4,628
Maintenance and Support	139,425	139,775	136,552	3,223
Traffic	5,000	8,879	8,821	58
Animal Control	95,766	90,402	82,547	7,855
Communications	603,764	614,904	613,631	1,273
Total Public Safety	<u>5,797,807</u>	<u>6,097,469</u>	<u>6,035,653</u>	<u>61,816</u>
Public Works				
Engineering and Administration	617,175	619,827	509,361	110,466
Highway	2,648,748	2,909,376	2,683,941	225,435
Snow Removal	433,123	425,214	423,419	1,795
Solid Waste Disposal	259,020	256,330	203,583	52,747
Street Lighting	200,000	193,500	171,557	21,943
Tree Removal	39,668	44,168	44,168	-
Total Public Works	<u>4,197,734</u>	<u>4,448,415</u>	<u>4,036,029</u>	<u>412,386</u>
Parks and Recreation				
Parks Administration	484,417	483,588	442,000	41,588
Recreation Administration	366,286	367,849	366,648	1,201
Senior Center	126,506	126,506	119,324	7,182
Total Parks and Recreation	<u>977,209</u>	<u>977,943</u>	<u>927,972</u>	<u>49,971</u>
Health and Welfare				
Social Services	21,100	16,132	16,132	-
Health Services	131,783	131,783	129,702	2,081
Total Health and Welfare	<u>152,883</u>	<u>147,915</u>	<u>145,834</u>	<u>2,081</u>
Education				
Board of Education	<u>41,957,678</u>	<u>43,685,178</u>	<u>43,679,827</u>	<u>5,351</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, 2018

Page 5 of 5

	Budgeted Amounts		Actual	
	Original	Amended	Budgetary Basis	Variance
Miscellaneous				
Legal	174,639	174,639	155,189	19,450
Employee Benefits	5,927,270	6,645,827	6,567,094	78,733
Centralized Services	742,239	746,905	705,680	41,225
Non-Town Agencies	1,966,397	2,062,833	2,041,568	21,265
Reserved for Wages and Benefits	200,664	46,437	46,437	-
Reserved for Contingency	35,000	19,843	-	19,843
Total Miscellaneous	9,046,209	9,696,484	9,515,968	180,516
Debt Service	6,838,714	6,838,714	6,755,729	82,985
Total Expenditures	71,619,731	74,623,419	73,754,798	868,621
Excess (Deficiency) of Revenues over Expenditures - Budgetary Basis	\$ -	\$ (3,003,688)	(1,243,438)	\$ 1,760,250
Adjustments to Generally Accepted Accounting Principles (GAAP):				
Payments on Behalf of the Town not Recorded on a Budgetary Basis:				
Revenues from Teachers' Retirement and OPEB			4,525,434	
Expenditures from Teachers' Retirement and OPEB			(4,525,434)	
Payments on Behalf of the Town not Recorded on a Budgetary Basis:				
Revenues from Excess Cost Grant			882,512	
Expenditures from Excess Cost Grant			(882,512)	
Encumbrances Recorded on a Budget Basis, but not on the Modified Accrual Basis:				
Prior Year Encumbrances			(691,815)	
Current Year Encumbrances			932,456	
Town Budgets for Payroll on a Cash Basis:				
Prior Year Accrued Payroll			205,199	
Current Year Accrued Payroll			(179,832)	
Other Financing Sources - Difference in Treatment of Lease Financing:				
Proceeds from Lease Financing			243,602	
Purchase of Equipment with Lease Financing			(243,602)	
Other Financing Sources - Transfer in from Transition Academy:				
Board of Education Expenditures			127,543	
Transfers In			(127,543)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis			\$ (977,430)	

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; 6. Transfer in from Transition Academy was net with special ed. expenditures in the budget.

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Retirement Income Plan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 512,203	\$ 534,404	\$ 488,264	\$ 505,034	\$ 493,898
Interest	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	486,806	486,567	107,640	531,097	(225,659)
Benefit Payments, Including Refunds of Member Contributions	<u>(1,377,117)</u>	<u>(1,201,225)</u>	<u>(1,074,321)</u>	<u>(1,070,456)</u>	<u>(958,346)</u>
Net Change in Total Pension Liability	1,721,940	1,439,875	1,082,282	1,455,366	731,503
Total Pension Liability - Beginning	<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>
Total Pension Liability - Ending (a)	<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>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 538,056	\$ 446,566	\$ 411,648	\$ 372,789	\$ 364,691
Contributions - Member	276,657	300,260	286,125	301,598	319,890
Net Investment Income	1,466,341	2,201,418	162,277	866,764	2,802,274
Benefit Payments, Including Refunds of Member Contributions	(1,377,117)	(1,201,225)	(1,074,321)	(1,070,456)	(958,346)
Administrative Expenses	<u>(55,404)</u>	<u>(60,412)</u>	<u>(71,158)</u>	<u>(53,019)</u>	<u>(52,566)</u>
Net Change in Pension Fiduciary Net Position	848,533	1,686,607	(285,429)	417,676	2,475,943
Plan Fiduciary Net Position - Beginning	<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>
Plan Fiduciary Net Position - Ending (b)	<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>
Net Pension Liability - Ending: (a) - (b)	<u>\$ 3,688,076</u>	<u>\$ 2,814,669</u>	<u>\$ 3,061,401</u>	<u>\$ 1,693,690</u>	<u>\$ 656,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.86%	88.45%	86.64%	92.24%	96.78%
Covered Payroll	\$ 6,249,539	\$ 6,363,036	\$ 6,326,497	\$ 6,505,288	\$ 6,409,573
Net Pension Liability as a Percentage of Covered Payroll	59.01%	44.23%	48.39%	26.04%	10.23%

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

Town of Watertown Retirement Income Plan

Schedule of Contributions

Last Five Fiscal Years

For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 538,056	\$ 446,566	\$ 411,648	\$ 372,789	\$ 364,691
Contributions in Relation to the ADEC	<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>
Covered Payroll	6,249,539	6,363,036	6,326,497	6,505,288	6,409,573
Contributions as a Percentage of Covered Payroll	8.61%	7.02%	6.51%	5.73%	5.69%

Notes to Schedule

Valuation Date: 1/1/2017

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	7.25%
Normal Retirement	Earlier of age 55 with 25 years of service or age 65
Mortality	RP-2014 Mortality Table

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

Town of Watertown Retirement Income Plan

Schedule of Investment Returns

Last Five Fiscal Years

For the Year Ended June 30, 2018

	<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	6.90%	11.20%	0.80%	4.40%	16.40%

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
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 538,120	\$ 471,622	\$ 457,058	\$ 343,549	\$ 329,808
Interest	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	(423,677)	1,705,330	1,606,784	7,870	317,189
Benefit Payments, Including Refunds of Member Contributions	<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>
Net Change in Total Pension Liability	749,923	2,719,235	2,534,094	867,763	1,131,793
Total Pension Liability - Beginning	<u>28,825,031</u>	<u>26,105,796</u>	<u>23,571,702</u>	<u>22,703,939</u>	<u>21,572,146</u>
Total Pension Liability - Ending (a)	<u>\$ 29,574,954</u>	<u>\$ 28,825,031</u>	<u>\$ 26,105,796</u>	<u>\$ 23,571,702</u>	<u>\$ 22,703,939</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 980,141	\$ 981,681	\$ 875,571	\$ 780,140	\$ 770,262
Contributions - Member	252,446	247,888	226,756	218,034	186,890
Net Investment Income	1,316,031	1,931,673	180,904	826,329	2,422,469
Benefit Payments, Including Refunds of Member Contributions	(1,404,319)	(1,294,672)	(1,181,881)	(1,130,152)	(1,115,817)
Administrative Expenses	<u>(27,680)</u>	<u>(28,923)</u>	<u>(34,663)</u>	<u>(30,002)</u>	<u>(25,288)</u>
Net Change in Pension Fiduciary Net Position	1,116,619	1,837,647	66,687	664,349	2,238,516
Plan Fiduciary Net Position - Beginning	<u>20,831,374</u>	<u>18,993,727</u>	<u>18,927,040</u>	<u>18,262,691</u>	<u>16,024,175</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 21,947,993</u>	<u>\$ 20,831,374</u>	<u>\$ 18,993,727</u>	<u>\$ 18,927,040</u>	<u>\$ 18,262,691</u>
Net Pension Liability - Ending: (a) - (b)	<u>\$ 7,626,961</u>	<u>\$ 7,993,657</u>	<u>\$ 7,112,069</u>	<u>\$ 4,644,662</u>	<u>\$ 4,441,248</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.21%	72.27%	72.76%	80.30%	80.44%
Covered Payroll	\$ 3,368,353	\$ 3,460,441	\$ 3,220,197	\$ 2,909,407	\$ 3,059,132
Net Pension Liability as a Percentage of Covered Payroll	226.43%	231.00%	220.86%	159.64%	145.18%

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Police Department Pension Plan
Schedule of Contributions
Last Five Fiscal Years
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 980,141	\$ 981,681	\$ 875,571	\$ 780,140	\$ 770,262
Contributions in Relation to the ADEC	<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>
Covered Payroll	3,368,353	3,460,441	3,220,197	2,909,407	3,059,132
Contributions as a Percentage of Covered Payroll	29.10%	28.37%	27.19%	26.81%	25.18%

Notes to Schedule

Valuation Date: 1/1/2017

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	7.15%
Normal Retirement	Later of age 55 or 25 years of service.
Mortality	RP-2014 Mortality Table

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Town of Watertown Police Department Pension Plan
Schedule of Investment Returns
Last Five Fiscal Years
For the Year Ended June 30, 2018

	<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	6.40%	10.20%	1.00%	4.50%	15.20%

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 1,841,510
Interest	2,080,341
Differences Between Expected and Actual Experience	7,851,771
Benefit Payments, Including Implicit Cost	<u>(1,906,242)</u>
Net Change in Total OPEB Liability	9,867,380
Total OPEB Liability - Beginning	<u>63,114,489</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 72,981,869</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,906,242
Net Investment Income	7
Benefit Payments, Including Implicit Cost	<u>(1,906,242)</u>
Net Change in Plan Fiduciary Net Position	7
 Plan Fiduciary Net Position - Beginning	<u>1,409</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,416</u></u>
Net OPEB Liability - Ending: (a) - (b)	<u><u>\$ 72,980,453</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
 Covered-Employee Payroll	\$ 28,286,748
 Net OPEB Liability as a Percentage of Covered-Employee Payroll	258.00%

Notes to Schedule

Measurement Date	July 1, 2017
Valuation Date	July 1, 2016
Inflation Rate	2.75%
Actuarial Cost Method	Individual Entry Age Normal
Salary Increases	3.00%
Healthcare Cost Trend Rates	FYE Medical/Dental
	2019 5%
	2020+ 5%

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Connecticut Municipal Employees' Retirement System
Proportionate Share of the Net Pension Liability and Schedule of Contributions
June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Percentage of Collective Net Pension Liability	0.439%	0.439%	0.573%	0.611%
Town's Portion of Net Pension Liability	<u>\$ 725,068</u>	<u>\$ 860,942</u>	<u>\$ 836,477</u>	<u>\$ 628,487</u>
Town's Covered Payroll	<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	89.22%	82.45%	61.70%	48.95%
Plan Fiduciary Net Position as a % of Total Pension Liability	91.68%	88.29%	92.72%	90.48%

Schedule of Employer Contributions
Since Inception of GASB 68

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's Contractually Required Contribution	\$ 95,411	\$ 118,825	\$ 154,637	\$ 153,818	\$ 165,978
Town's Contributions in Relation to the Contractually Required Contribution	<u>95,411</u>	<u>118,825</u>	<u>154,637</u>	<u>153,818</u>	<u>165,978</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	812,706	1,044,159	1,355,765	1,283,958	1,385,459
Town's Contributions as a Percentage of Covered-Employee Payroll	11.74%	11.38%	11.41%	11.98%	11.98%

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	None
Actuarial cost method	Entry age, normal cost method
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Investment rate of return	8.0% net of investment expense, including inflation

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

State Teacher's Retirement System
Proportionate Share of Net Pension Liability
June 30, 2018

Schedule of Proportionate Share of Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's percentage of the net pension liability	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	<u>59,204,351</u>	<u>62,461,044</u>	<u>48,464,850</u>	<u>44,796,041</u>
Total	<u>\$ 59,204,351</u>	<u>\$ 62,461,044</u>	<u>\$ 48,464,850</u>	<u>\$ 44,796,041</u>
Town's covered-employee payroll	<u>\$ 18,559,222</u>	<u>\$ 17,963,928</u>	<u>\$ 17,085,880</u>	<u>\$ 16,464,299</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	The total pension liability was determined by an actuarial valuation as of June 30, 2016.
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

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

State Teacher's Retirement System
Proportionate Share of Net OPEB Liability
June 30, 2018

Schedule of Proportionate Share of Net OPEB Liability

	<u>2018</u>
Town's percentage of the net OPEB liability	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	<u>15,238,515</u>
Total	<u>\$ 15,238,515</u>
Town's covered-employee payroll	<u>\$ 18,559,222</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.79%</u>

Notes to Schedule

Changes in Benefit Terms	None
Changes of Assumptions	The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate. Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
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	4.25%, net of investment related expense

See accountant's report.

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Appendix B

Form of Opinion of Bond Counsel and Tax Status

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APPENDIX B - OPINION OF BOND COUNSEL AND TAX STATUS

The following information has been prepared by Bond Counsel in connection with this bond and note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Bonds and Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds and Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds and Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds and Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Watertown
Watertown, Connecticut

We have represented the Town of Watertown, Connecticut as Bond Counsel in connection with the issuance by the Town of \$7,200,000 General Obligation Bonds, Issue of 2019, dated as of October 24, 2019 and \$5,000,000 Bond Anticipation Notes, dated as of October 24, 2019.

We have examined a record of proceedings authorizing the Bonds and Notes, and based on our examination, we are of the opinion that the Town of Watertown is authorized to issue the Bonds and Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds and Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds and Notes; the Bonds and Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds and Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds and Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds and Notes will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds and Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds and Notes are not "private activity bonds" and

interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds and Notes, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds and Notes 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.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds and Notes is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds and Notes. Failure to comply with any of these requirements may cause the interest on the Bonds and Notes to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds and Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds and Notes, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds and Notes will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds and Notes are not "private activity bonds" so that interest on the Bonds and Notes will not be treated as a preference item for individuals.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds And Notes will **not** be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity ("qualified stated interest"), or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity ("original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to short-term debt obligations, taxpayers holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Bonds and Notes should consult their own tax advisors with respect to the tax consequences of ownership of the Bonds and Notes and the treatment elected.

In addition to the matters addressed above, prospective purchasers of the Bonds and Notes should be aware that the ownership of tax-exempt obligations, such as the Bonds and Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds and Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds and Notes, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds and Notes 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 Bonds and Notes is included in gross income for purposes of the Connecticut corporation business tax.

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

ORIGINAL ISSUE DISCOUNT.

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

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for federal income tax purposes. Accrued original issue discount on a 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 in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

ORIGINAL ISSUE PREMIUM.

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

The discussion in this paragraph applies to those Bonds and Notes having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce 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. Owners of the Bonds and Notes having original issue premium, and especially any owner who is not an original owner of a bond or note who bought the bond or note at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds and notes.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds and Notes will not have an effect on the federal tax status or the market price of the Bonds and Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds and Notes, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds and Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds and Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

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 the Bonds and Notes. Prospective owners of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds and Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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Appendix C-1

Form of Continuing Disclosure Agreement - Bonds

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APPENDIX C-1 - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement 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 for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of October 24, 2019 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$7,200,000 General Obligation Bonds, Issue of 2019, dated as of October 24, 2019 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

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

"Final Official Statement" means the official statement of the Issuer dated October 15, 2019 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, 2019) as follows:

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

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

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,

- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
- (F) total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (G) ratios of the total direct debt, total net direct debt and total overall net debt of the Issuer to the Issuer's applicable net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

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

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

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

Section 3. Notice of Certain Events.

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;

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

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

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

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

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

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Finance Director is Town Hall Annex, 424 Main Street, 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 _____
Robert M. Scannell
Town Manager

By _____
Susan E. Zappone
Finance Director

Appendix C-2

Form of Continuing Disclosure Agreement - Notes

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APPENDIX C-2 - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

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

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of October 24, 2019 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$5,000,000 Bond Anticipation Notes, dated as of October 24, 2019 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

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

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

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

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

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

Section 2. Notice of Certain Events.

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the notes, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;

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

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

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

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

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

Section 3. Use of Agents.

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

Section 4. Termination.

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

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer

shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Finance Director is Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795.

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

Section 6. Miscellaneous.

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

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

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

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

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

TOWN OF WATERTOWN

By: _____
Robert M. Scannell
Town Manager

By: _____
Susan E. Zappone
Finance Director

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Appendix D-1

Notice of Sale – Bonds

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NOTICE OF SALE
\$7,200,000
Town of Watertown, Connecticut
General Obligation Bonds
(BOOK-ENTRY)

ELECTRONIC BIDS via PARITY® will be received by the Town of Watertown, Connecticut at the Town Manager's Conference Room, Town Hall Annex, 424 Main Street, Watertown, Connecticut, until **11:30 A.M. Eastern Time on TUESDAY,**

OCTOBER 15, 2019

for the purchase, when issued, at not less than par and accrued interest from the date of the Bonds to the date of delivery, of the whole of

\$7,200,000 General Obligation Bonds, Issue of 2019
Payable annually on October 15 as follows:

\$360,000 in 2021 through 2040

The Bonds will be dated October 24, 2019, with interest payable on October 15, 2020 and thereafter semiannually on each April 15th and October 15th.

The Bonds will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

DTC Book Entry. The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal, redemption premium, if any, and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal, redemption premium, if any, and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

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 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 authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates will be the last business day of March and September.

Redemption. Bonds maturing on October 15, 2028 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after October 15, 2027, 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, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
October 15, 2027 and thereafter	100%

Proposals. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth or one eighth of one percent the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than three (3%) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

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

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

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Basis of Award. As between proposals which comply with this Notice of Sale, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to October 24, 2019, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

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

Delivery. At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by the Town’s Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town’s Municipal Advisor.

By submitting a bid for the Bonds, a bidder represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Bonds for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:

1. the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
2. all bidders shall have an equal opportunity to bid;
3. the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Town the prices at which the unsold Bonds of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Bonds of that maturity or the sale of all Bonds of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “Public” means any person other than an Underwriter or a Related Party,
2. “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a

written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

3. a purchaser of any of the Bonds is a "Related Party" to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
4. "Sale Date" means the date that the Bonds are awarded by the Town to the winning bidder.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, 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, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; and (3) 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 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.

The Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expense that is allocable to tax-exempt obligations.

Municipal Advisor. The Town of Watertown has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

Official Statement. The Town of Watertown has prepared a preliminary Official Statement for the Bond issue which is dated October 7, 2019. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 25 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's Municipal Advisor by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's Municipal Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional or revised cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C-1 to the Official Statement (the "Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2 12, (i) annual financial information and operating data, (ii) timely 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. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for Bonds.

CUSIP Numbers. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Bonds. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Global Services charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about October 24, 2019 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Copies of the Official Statement may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from Ms. Susan E. Zappone, Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795 (telephone: (860) 945-5259).

ROBERT M. SCANNELL,
Town Manager

SUSAN E. ZAPPONE,
Finance Director

October 7, 2019

**APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE**

Competitive Sale Requirements Satisfied

**TOWN OF WATERTOWN, CONNECTICUT
\$7,200,000 GENERAL OBLIGATION BONDS, ISSUE OF 2019**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Underwriter Short Name are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by Underwriter Short Name in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Bonds.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 15, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Issuer* means the Town of Watertown, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the

Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2019

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

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Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF WATERTOWN, CONNECTICUT
\$7,200,000 GENERAL OBLIGATION BONDS, ISSUE OF 2019**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

- (a) ***"Issuer"*** means the Town of Watertown, Connecticut.
- (b) ***"Maturity"*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (c) ***"Public"*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (d) ***"Underwriter"*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2019

Attachment:

**SCHEDULE A
SALE PRICES**

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Appendix D-2

Notice of Sale and Bid Form – Notes

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NOTICE OF SALE
\$5,000,000
Town of Watertown, Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Watertown, Connecticut at the Town Manager's Conference Room, Town Hall Annex, 424 Main Street, Watertown, Connecticut until **11:00 A.M. Eastern Time on TUESDAY,**

OCTOBER 15, 2019

for the purchase of \$5,000,000 Bond Anticipation Notes of the Town of Watertown, dated October 24, 2019, maturing on October 23, 2020 (the "Notes").

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal, and may, at the option of the bidder, include a premium. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Sealed Proposals Bidding Procedure. All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Watertown Notes." All proposals should be addressed to Mr. Robert M. Scannell, Town Manager, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021, email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Notes.

Basis of Award. As between proposals which comply with this Notice of Sale, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. The Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association also will act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this Note issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town’s Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town’s Municipal Advisor.

By submitting a bid for the Notes, a bidder represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Requirements”) because:

1. the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
2. all bidders shall have an equal opportunity to bid;
3. the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Notes (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the Town the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “Public” means any person other than an Underwriter or a Related Party,
2. “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
3. a purchaser of any of the Notes is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

4. "Sale Date" means the date that the Notes are awarded by the Town to the winning bidder.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, 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, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

Municipal Advisor. The Town of Watertown has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460, to serve as its municipal advisor (the "Municipal Advisor") in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

Official Statement. The Town of Watertown has prepared a preliminary Official Statement for the Note issue which is dated October 7, 2019. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 5 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's Municipal Advisor by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. If the Town's Municipal Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Notes are received, the copies of the Official Statement will include an additional or revised cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Notes and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix C-2 to the Official Statement (the "Continuing Disclosure Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, timely notice of the occurrence of certain events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for Notes.

CUSIP Numbers. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Notes. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Global Services charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on October 24, 2019.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from

Ms. Susan E. Zappone, Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795 (telephone: (860) 945-5259).

ROBERT M. SCANNELL,
Town Manager

SUSAN E. ZAPPONE,
Finance Director

October 7, 2019

**APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE**

Competitive Sale Requirements Satisfied

**TOWN OF WATERTOWN, CONNECTICUT
\$5,000,000 BOND ANTICIPATION NOTES, DATED OCTOBER 24, 2019**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by Underwriter Short Name are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by Underwriter Short Name in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Notes.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Notes.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is October 15, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means the Town of Watertown, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the

Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2019

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

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Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF WATERTOWN, CONNECTICUT
\$5,000,000 BOND ANTICIPATION NOTES, DATED OCTOBER 24, 2019**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. ***Sale of the Notes.*** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) "*Issuer*" means the Town of Watertown, Connecticut.

(b) "*Maturity*" means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public*" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "*Underwriter*" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2019

Attachment:

**SCHEDULE A
SALE PRICES**

[Remainder of page intentionally left blank]

PROPOSAL FOR NOTES

October 15, 2019

Mr. Robert M. Scannell
Town Manager
Town of Watertown
Town Hall Annex
424 Main Street
Watertown, Connecticut 06795

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated October 7, 2019 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$5,000,000 Bond Anticipation Notes of the Town of Watertown, dated October 24, 2019, maturing October 23, 2020, we bid the following:

Principal Amount	\$	_____	Principal Amount	\$	_____
Interest Rate		_____ %	Interest Rate		_____ %
Premium	\$	_____	Premium	\$	_____
Net Interest Rate		_____ % (four decimals)	Net Interest Rate		_____ % (four decimals)
Principal Amount	\$	_____	Principal Amount	\$	_____
Interest Rate		_____ %	Interest Rate		_____ %
Premium	\$	_____	Premium	\$	_____
Net Interest Rate		_____ % (four decimals)	Net Interest Rate		_____ % (four decimals)

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or
Authorized Agent of Bidder: _____

Telephone Number: _____