

FINAL OFFICIAL STATEMENT DATED OCTOBER 16, 2018

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 Series A Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Series A Bonds and the Notes are not "private activity bonds" and interest on the Series A Bonds and the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax for individuals; however, for tax years beginning before January 1, 2018, interest on the Series A Bonds and the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal alternative minimum tax for certain corporations; interest on the Series B Bonds is **not** excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Series A Bonds, the Series B 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 Series A Bonds, the Series B 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 Appendices B-1 "Form of Opinion of Bond Counsel and Tax Status – Series A Bonds and Notes" and B-2 "Form of Opinion of Bond Counsel and Tax Status – Series B Bonds" herein.)



Town of Watertown, Connecticut

\$11,000,000

Tax-Exempt General Obligation Bonds, Issue of 2018, Series A

Dated: Date of Delivery

**Due: Serially October 15, 2020-2038
as detailed inside the front cover**

Interest on the Series A Bonds will be payable October 15, 2019 and semiannually thereafter on April 15 and October 15 in each year until maturity.

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

\$5,810,000

Federally Taxable General Obligation Bonds, Issue of 2018, Series B

Dated: Date of Delivery

**Due: Serially October 15, 2019-2038
as detailed inside the front cover**

Interest on the Series B Bonds will be payable October 15, 2019 and semiannually thereafter on April 15 and October 15 in each year until maturity.

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

BAIRD

\$6,100,000

General Obligation Bond Anticipation Notes

Dated: October 25, 2018

Due: October 24, 2019

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 9, 2018.

The Notes are not subject to redemption prior to maturity.

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

The Series A Bonds and Series B Bonds (collectively 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 25, 2018.

Town of Watertown, Connecticut
\$11,000,000
Tax-Exempt General Obligation Bonds, Issue of 2018, Series A

Dated: Date of Delivery

Due: Serially October 15, 2020-2038
as shown below:

| Year | Principal | Coupon | Yield | CUSIP¹ | Year | Principal | Coupon | Yield | CUSIP¹ |
|-------------|------------------|---------------|--------------|--------------------------|-------------|------------------|---------------|--------------|--------------------------|
| 2020 | \$580,000 | 5.000% | 1.950% | 941893H69 | 2030* | \$ 580,000 | 4.000% | 3.280% | 941893J83 |
| 2021 | 580,000 | 5.000% | 2.060% | 941893H77 | 2031* | 580,000 | 4.000% | 3.380% | 941893J91 |
| 2022 | 580,000 | 5.000% | 2.150% | 941893H85 | 2032* | 580,000 | 4.000% | 3.480% | 941893K24 |
| 2023 | 580,000 | 5.000% | 2.260% | 941893H93 | 2033* | 580,000 | 4.000% | 3.530% | 941893K32 |
| 2024 | 580,000 | 5.000% | 2.400% | 941893J26 | 2034* | 580,000 | 4.000% | 3.640% | 941893K40 |
| 2025* | 580,000 | 4.000% | 2.580% | 941893J34 | 2035* | 575,000 | 4.000% | 3.700% | 941893K57 |
| 2026* | 580,000 | 4.000% | 2.710% | 941893J42 | 2036* | 575,000 | 4.000% | 3.750% | 941893K65 |
| 2027* | 580,000 | 4.000% | 2.850% | 941893J59 | 2037* | 575,000 | 4.000% | 3.780% | 941893K73 |
| 2028* | 580,000 | 4.000% | 3.030% | 941893J67 | 2038* | 575,000 | 4.000% | 3.820% | 941893K81 |
| 2029* | 580,000 | 4.000% | 3.160% | 941893J75 | | | | | |

* Priced assuming redemption on October 15, 2024; however, any such redemption is at the option of the Town.

The Series A Bonds were purchased by J.P. Morgan Securities LLC through a competitive bid process.

\$5,810,000
Federally Taxable General Obligation Bonds, Issue of 2018, Series B

Dated: Date of Delivery

Due: Serially October 15, 2019-2038
as shown below:

| Year | Principal | Coupon | Yield | CUSIP¹ | Year | Principal | Coupon | Yield | CUSIP¹ |
|-------------|------------------|---------------|--------------|--------------------------|-------------|------------------|---------------|--------------|--------------------------|
| 2019 | \$ 295,000 | 5.000% | 2.850% | 941893K99 | 2029 | \$ 290,000 | 4.000% | 4.000% | 941893M30 |
| 2020 | 295,000 | 5.000% | 3.100% | 941893L23 | 2030 | 290,000 | 4.050% | 4.050% | 941893M48 |
| 2021 | 290,000 | 5.000% | 3.250% | 941893L31 | 2031 | 290,000 | 4.100% | 4.100% | 941893M55 |
| 2022 | 290,000 | 5.000% | 3.350% | 941893L49 | 2032 | 290,000 | 4.150% | 4.150% | 941893M63 |
| 2023 | 290,000 | 5.000% | 3.450% | 941893L56 | 2033 | 290,000 | 4.200% | 4.200% | 941893M71 |
| 2024* | 290,000 | 4.000% | 3.500% | 941893L64 | 2034 | 290,000 | 4.250% | 4.250% | 941893M89 |
| 2025* | 290,000 | 4.000% | 3.600% | 941893L72 | 2035 | 290,000 | 4.300% | 4.300% | 941893M97 |
| 2026* | 290,000 | 4.000% | 3.700% | 941893L80 | 2036 | 290,000 | 4.350% | 4.350% | 941893N21 |
| 2027* | 290,000 | 4.000% | 3.800% | 941893L98 | 2037 | 290,000 | 4.400% | 4.400% | 941893N39 |
| 2028* | 290,000 | 4.000% | 3.900% | 941893M22 | 2038 | 290,000 | 4.450% | 4.450% | 941893N47 |

* Priced assuming redemption on October 15, 2023; however, any such redemption is at the option of the Town.

BAIRD

\$6,100,000
General Obligation Bond Anticipation Notes

Dated: October 25, 2018

Due: October 24, 2019

CUSIP:¹ 941893N54

Rate: 3.00%

Yield: 2.03%

Underwriter: Jefferies

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 – “2017 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-1 "Form of Opinion of Bond Counsel and Tax Status – Series A Bonds and Notes" and Appendix B-2 “Form of Opinion of Bond Counsel and Tax Status – Series B Bonds” herein), and makes no representation that it has independently verified the same.

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Series A Bond Issue Summary

The information in this Series A 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 16, 2018 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: | \$11,000,000 Tax Exempt General Obligation Bonds, Issue of 2018, Series A (the "Series A Bonds"). |
| Dated Date: | Date of Delivery |
| Principal and Interest Due: | Principal due serially October 15, 2020 through October 15, 2038. Interest due April 15 and October 15 in each year until maturity, commencing October 15, 2019. |
| Purpose: | The Series A Bond proceeds will be used to finance various general purpose, water and sewer projects. See "Authorization and Purpose" herein. |
| Redemption: | The Series A Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein. |
| Security: | The Series A Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Series A Bonds when due. |
| Credit Rating: | The Series A 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 Exemption: | See Appendix B-1 – "Form of Opinion of Bond Counsel and Tax Status – Series A Bonds and Notes". |
| Bank Qualification: | The Series A 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 Series A 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 Series A Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-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 Series A Bonds are required. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Series A Bonds prior to delivery. |
| Delivery and Payment: | It is expected that delivery of the Series A Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 25, 2018. Delivery of the Series A Bonds will be made against payment in Federal Funds. |
| Issuer Official: | Questions concerning the Official Statement should be addressed to Susan Zappone, Acting Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street Watertown, CT 06795. Phone: (860) 945-5259. |

Series B Bond Issue Summary

The information in this Series B 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 16, 2018 at 12:00 Noon (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: | \$5,810,000 Federally Taxable General Obligation Bonds, Issue of 2018, Series B (the "Series B Bonds"). |
| Dated Date: | Date of Delivery |
| Principal and Interest Due: | Principal due serially October 15, 2019 through October 15, 2038. Interest due April 15 and October 15 in each year until maturity, commencing October 15, 2019. |
| Purpose: | The Series B Bond proceeds will be used to finance Watertown High School and Judson Elementary School projects. See "Authorization and Purpose" herein. |
| Redemption: | The Series B Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein. |
| Security: | The Series B Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Series B Bonds when due. |
| Credit Rating: | The Series B 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 Exemption: | See Appendix B-2 – "Form of Opinion of Bond Counsel and Tax Status – Series B Bonds". |
| Bank Qualification: | The Series B 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 Series B 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 Series B Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-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 Series B Bonds are required. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Series B Bonds prior to delivery. |
| Delivery and Payment: | It is expected that delivery of the Series B Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 25, 2018. Delivery of the Series B Bonds will be made against payment in Federal Funds. |
| Issuer Official: | Questions concerning the Official Statement should be addressed to Susan Zappone, Acting Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street Watertown, CT 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 16, 2018 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: | \$6,100,000 General Obligation Bond Anticipation Notes (the "Notes"). |
| Dated Date: | Date of Delivery |
| Interest Due: | At maturity: October 24, 2019 |
| Principal Due: | At maturity: October 24, 2019 |
| Authorization and Purpose: | The Notes are being issued to finance various general purpose, water and sewer projects. See "Authorization and Purpose" herein. |
| Redemption: | The Notes are NOT subject to redemption prior to maturity. |
| Security: | The Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due. |
| Credit Rating: | The Notes are rated "SP-1+" by S&P Global Ratings ("S&P"). |
| Basis of Award: | Lowest Net Interest Cost (NIC), as of the dated date. |
| Tax Exemption: | See Appendix B-1 - "Form of Opinion of Bond Counsel and Tax Exemption – Series A Bonds and Notes". |
| 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 25, 2018. 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, Acting Finance Director, Town of Watertown, Town Hall Annex, 424 Main Street Watertown, CT 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 \$11,000,000 Tax Exempt General Obligation Bonds, Issue of 2018, Series A (the "Series A Bonds"), \$5,810,000 Federally Taxable General Obligation Bonds, Issue of 2018, Series B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") and \$6,100,000 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 9, 2018 have been furnished to prospective bidders. Reference is made to the Notices of Sale, which are included as Appendices D-1, D-2 and D-3 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, 2019. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of March and September, in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree.

Redemption Provisions

The Series A Bonds maturing on or before October 15, 2024 are not subject to redemption prior to maturity. The Series A Bonds maturing on October 15, 2025 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2024 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 Series A 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, 2024 and thereafter..... | 100% |

The Series B Bonds maturing on or before October 15, 2023 are not subject to redemption prior to maturity. The Series B Bonds maturing on October 15, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2023 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 Series B 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, 2023 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 25, 2018 and will be due and payable as to both principal and interest at maturity on October 24, 2019. 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 opinions for the Bonds and the Notes will be rendered by Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. See Appendices B-1 and B-2 “Form of Opinion of Bond Counsel and Tax Status – Series A Bonds and Notes” and “Form of Bond Counsel Opinion and Tax Status – Series B Bonds”.

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:

| Project | Aggregate Amount Authorized | Maturing Notes Due: 10/25/18 | Paydowns | New Money | This Issue: | | |
|--------------------------------|-----------------------------------|------------------------------------|---------------------|---------------------|----------------------------|------------------------------|--|
| | | | | | The Notes Due: 10/24/19 | Tax Exempt Series A Bonds | Federally Taxable Series B Bonds |
| Watertown High School | \$ 56,157,000 | \$ 4,990,000 | \$ (80,000) | \$ - | \$ - | \$ - | \$ 4,910,000 |
| Judson Elementary School | 15,859,000 | 900,000 | - | - | - | - | 900,000 |
| Water & Sewer Projects | 6,330,550 | 3,500,000 | - | 2,830,000 | 2,830,000 | 3,500,000 | - |
| Municipal Center | 11,900,000 | 7,510,000 | (30,000) | 3,290,000 | 3,270,000 | 7,500,000 | - |
| Total | \$ 90,246,550 | \$ 16,900,000 | \$ (110,000) | \$ 6,120,000 | \$ 6,100,000 | \$ 11,000,000 | \$ 5,810,000 |

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.

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 respective 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 Continuing Disclosure Agreement for the Bonds or the Notes.

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.

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 | - |
| Acting Director of Finance | 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 Service Contract (the "Service Contract") with the Connecticut Resources Recovery Authority (the "Authority") for the disposal of solid waste through the Mid-Connecticut System (the "System"). The Service Contract became effective upon execution and will remain in effect so long as any bonds issued by the Authority 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 Service Contract.

Each municipality signing a Service Contract, 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. The Authority is required to impose Service Payments at a uniform rate per ton for all municipalities. If the municipality delivers less than its minimum commitment (as defined in the Service Contract) such rates shall be applied to its minimum commitment amount.

The Authority is required to accept and dispose of solid waste in accordance with the Service Contract 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 the Authority refuses or is unable to accept under the Service Contract.

The Authority 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 the Authority shall be sufficient to pay for the net cost of operation of the System as defined in the Service Contract. 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 Service Contract) such rate shall be applied to its Minimum Commitment amount. For fiscal year 2017-18, the Town's Minimum Commitment is 9,000 tons, and its cost is \$69.00 per ton for regular solid waste and \$85.00 per ton for bulky solid waste. The Authority 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, 2017 was 2,766. 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 | | | | |
| 2008-09 | 1,758 | 598 | 976 | 3,332 |
| 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 |
| Projected | | | | |
| 2018-19 | 1,125 | 641 | 763 | 2,529 |
| 2019-20 | 1,110 | 627 | 726 | 2,463 |
| 2020-21 | 1,089 | 609 | 720 | 2,418 |

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 10/1/2017 | Operating Capacity |
|------------------------------------|---------------|--|-----------------------------|-----------------------------|-----------------------------------|---------------------------|
| Watertown High School | 9-12 | 1972 | Brick | 48 | 835 | 1,123 |
| Swift Junior High School | 6-8 | 1972 | Brick | 76 | 669 | 1,000 |
| Judson Elementary School | 3-5 | 1971 | Brick | 31 | 301 | 452 |
| Polk Elementary School | 3-5 | 1990 | Brick | 28 | 327 | 512 |
| John Trumbull Primary School | Pre-K-2 | 2000 | Brick | 35 | 634 | 950 |
| Total | | | | 218 | 2,766 | 4,037 |

Employee Relations and Collective Bargaining Municipal Employees

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| General Government | 129 | 136 | 133 | 133 | 133 |
| Board of Education | 457 | 445 | 467 | 459 | 435 |
| Total | 586 | 581 | 600 | 592 | 568 |

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.... | 28 | 6/30/2017 ¹ |
| American Fed. of State, County and Municipal Employees – Local 541 - Police..... | 35 | 3/31/2018 ¹ |
| The United Public Service Employees Union Unit 083 - Communications..... | 10 | 6/30/2017 ¹ |
| The United Public Service Employees Union - White Collar..... | 35 | 6/30/2020 |
| Connecticut State Employees Association/SEIU, Local 2001 - Supervisors..... | 7 | 6/30/2019 |
| Total Organized | 115 | |
| Non-Union | 10 | |
| Sub-Total | 125 | |
| <u>Board of Education</u> | | |
| Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO..... | 86 | 8/31/2019 |
| Watertown Education Association..... | 233 | 8/31/2019 |
| American Federation of State, County and Municipal Employees – Local 1049..... | 39 | 6/30/2021 |
| American Federation of State, County and Municipal Employees – Local 1303..... | 31 | 6/30/2021 |
| Watertown Principals Association..... | 10 | 6/30/2020 |
| American Federation of State, County and Municipal Employees – Local 1049..... | 25 | 6/30/2021 |
| Watertown School Nurses Association..... | 8 | 6/30/2021 |
| Total Organized | 432 | |
| Non-Union | 8 | |
| Sub-Total | 440 | |
| Total | 565 | |

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. Effective October 1, 1997, 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

| <i>Year</i> | <i>Actual Population¹</i> | <i>% Increase</i> | <i>Density²</i> |
|-------------------|--|-------------------|----------------------------|
| 2016 ³ | 22,048 | -2.1% | 739.9 |
| 2010 | 22,514 | 3.9% | 755.5 |
| 2000 | 21,661 | 5.9% | 726.9 |
| 1990 | 20,456 | 5.0% | 686.4 |
| 1980 | 19,489 | 4.2% | 654.0 |
| 1970 | 18,704 | 26.4% | 627.7 |
| 1960 | 14,800 | -- | 496.6 |

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

² Per square mile: 29.8 square miles.

³ American Community Survey 2012-2016

Age Distribution of the Population

| <i>Age</i> | <i>Town of Watertown</i> | | <i>State of Connecticut</i> | |
|---|--------------------------|----------------|-----------------------------|----------------|
| | <i>Number</i> | <i>Percent</i> | <i>Number</i> | <i>Percent</i> |
| Under 5 years | 995 | 4.5% | 188,812 | 5.3% |
| 5 to 9 years | 1,286 | 5.8 | 210,557 | 5.9% |
| 10 to 14 years | 1,422 | 6.4 | 228,543 | 6.4% |
| 15 to 19 years | 1,541 | 7.0 | 252,522 | 7.0% |
| 20 to 24 years | 1,202 | 5.5 | 242,007 | 6.7% |
| 25 to 34 years | 2,309 | 10.5 | 438,471 | 12.2% |
| 35 to 44 years | 2,280 | 10.3 | 439,606 | 12.3% |
| 45 to 54 years | 3,810 | 17.3 | 545,977 | 15.2% |
| 55 to 59 years | 1,695 | 7.7 | 263,778 | 7.4% |
| 60 to 64 years | 1,688 | 7.7 | 223,274 | 6.2% |
| 65 to 74 years | 2,124 | 9.6 | 303,959 | 8.5% |
| 75 to 84 years | 1,054 | 4.8 | 163,137 | 4.5% |
| 85 years and over | 642 | 2.9 | 87,927 | 2.5% |
| Total..... | 22,048 | 100% | 3,588,570 | 100% |
| Median Age (Years) 2016..... | 45.0 | | 40.6 | |
| Median Age (Years) 2010. ¹ | 42.4 | | 40.0 | |

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

Source: American Community Survey 2012-2016

Income Distribution

| Income | Town of Watertown | | State of Connecticut | |
|------------------------|--------------------------|----------------|-----------------------------|----------------|
| | Families | Percent | Families | Percent |
| \$ 0 - \$ 9,999..... | 147 | 2.6% | 29,623 | 3.3% |
| 10,000 - 14,999..... | 9 | 0.2 | 17,060 | 1.9% |
| 15,000 - 24,999..... | 129 | 2.3 | 44,354 | 5.0% |
| 25,000 - 34,999..... | 295 | 5.2 | 54,456 | 6.1% |
| 35,000 - 49,999..... | 476 | 8.3 | 81,300 | 9.1% |
| 50,000 - 74,999..... | 874 | 15.3 | 137,336 | 15.4% |
| 75,000 - 99,999..... | 954 | 16.7 | 124,033 | 13.9% |
| 100,000 - 149,999..... | 1,328 | 23.3 | 186,214 | 20.8% |
| 150,000 - 199,999..... | 829 | 14.5 | 96,075 | 10.7% |
| 200,000 and over..... | 660 | 11.6 | 123,962 | 13.9% |
| Total..... | 5,701 | 100.0% | 894,413 | 100.0% |

Source: American Community Survey 2012-2016

Income Levels

| | Town of Watertown | State of Connecticut |
|-------------------------------------|------------------------------|---------------------------------|
| Per Capita Income, 2016..... | \$ 38,530 | \$ 39,906 |
| Median Family Income, 2016..... | \$ 99,375 | \$ 91,274 |
| Median Household Income, 2016 | \$ 71,755 | \$ 76,175 |

Source: American Community Survey 2012-2016

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

| | Town of Watertown | | State of Connecticut | |
|---|--------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than 9th grade..... | 556 | 3.6% | 103,279 | 4.2% |
| 9th to 12th grade..... | 635 | 4.1 | 139,653 | 5.7 |
| High School graduate..... | 4,640 | 29.7 | 673,220 | 27.3 |
| Some college, no degree..... | 3,137 | 20.1 | 427,232 | 17.3 |
| Associate's degree | 1,729 | 11.1 | 184,426 | 7.5 |
| Bachelor's degree..... | 2,726 | 17.5 | 524,370 | 21.3 |
| Graduate or professional degree..... | 2,179 | 14.0 | 413,949 | 16.8 |
| Total..... | 15,602 | 100.0% | 2,466,129 | 100.0% |
| Total high school graduate or higher (%)..... | | 92.4% | | 90.1% |
| Total bachelor's degree or higher (%)..... | | 31.4% | | 38.0% |

Source: American Community Survey 2012-2016

**Major Employers
As of September 2018**

| Employer | Type of Business | Approximate Number of Employees |
|------------------------------|------------------------------|--|
| The Siemon Company..... | Manufacturer | 311 |
| Global Steering System..... | Manufacturer | 300 |
| ALBEA..... | Manufacturer | 300 |
| Crystal Rock..... | Manufacturer - Bottled Water | 285 |
| The Taft School..... | Private school | 235 |
| PM Engineered Solutions..... | Manufacturer | 175 |
| Super Stop & Shop..... | Supermarket | 170 |
| Braxton Manufacturing..... | Manufacturer | 170 |
| Apple Rehab..... | Health care | 125 |
| Truelove & Maclean..... | Manufacturer | 120 |

**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..... | 86 | 0.7% | 7,209 | 0.4% |
| Construction..... | 673 | 5.6 | 101,497 | 5.7 |
| Manufacturing..... | 1,902 | 15.9 | 190,713 | 10.6 |
| Wholesale trade..... | 226 | 1.9 | 45,110 | 2.5 |
| Retail trade..... | 1,074 | 9.0 | 193,853 | 10.8 |
| Transportation warehousing, and utilities..... | 457 | 3.8 | 66,516 | 3.7 |
| Information..... | 291 | 2.4 | 42,374 | 2.4 |
| Finance, insurance, real estate, and leasing.... | 938 | 7.8 | 163,765 | 9.1 |
| Professional, scientific, management, administrative, and waste management..... | 765 | 6.4 | 206,042 | 11.5 |
| Education, health and social services..... | 3,661 | 30.6 | 474,976 | 26.5 |
| Arts, entertainment, recreation, accommodation and food services..... | 736 | 6.2 | 153,754 | 8.6 |
| Other services (except public admin.)..... | 657 | 5.5 | 81,588 | 4.5 |
| Public Administration..... | 486 | 4.1 | 66,291 | 3.7 |
| Total Labor Force, Employed..... | 11,952 | 100.0% | 1,793,688 | 100.0% |

Source: American Community Survey 2012-2016

**Employment Data
By Place of Residence**

| Period | Town of Watertown | | Percentage Unemployed | | |
|-----------------------|--------------------------|-------------------|------------------------------|-------------------------------|-----------------------------|
| | Employed | Unemployed | Town of Watertown | Waterbury Labor Market | State of Connecticut |
| July 2018..... | 12,634 | 530 | 4.0 | 5.6 | 4.5 |
| Annual Average | | | | | |
| 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 |
| 2008..... | 11,580 | 711 | 5.8 | 7.6 | 5.7 |

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..... | 1,649 | 18.6% | 334,202 | 22.4% |
| 1940 to 1969..... | 3,347 | 37.9 | 533,202 | 35.7 |
| 1970 to 1979..... | 1,499 | 17.0 | 200,614 | 13.4 |
| 1980 to 1989..... | 875 | 9.9 | 190,755 | 12.8 |
| 1990 to 1999..... | 896 | 10.1 | 113,584 | 7.6 |
| 2000 or 2009..... | 514 | 5.8 | 104,308 | 7.0 |
| 2010 or later..... | 62 | 0.7 | 17,133 | 1.1 |
| Total Housing Units | 8,842 | 100.0% | 1,493,798 | 100.0% |

Source: American Community Survey 2012-2016

Housing Inventory

| Housing Units | Town of Watertown | | State of Connecticut | |
|-----------------------------|--------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1-unit, detached..... | 6,979 | 78.9% | 882,236 | 59.1% |
| 1-unit, attached..... | 238 | 2.7 | 80,639 | 5.4 |
| 2 units..... | 613 | 6.9 | 123,152 | 8.2 |
| 3 or 4 units..... | 437 | 4.9 | 130,686 | 8.7 |
| 5 to 9 units..... | 382 | 4.3 | 82,581 | 5.5 |
| 10 to 19 units..... | 75 | 0.8 | 56,858 | 3.8 |
| 20 or more units..... | 107 | 1.2 | 125,758 | 8.4 |
| Mobile home..... | 11 | 0.1 | 11,534 | 0.8 |
| Boat, RV, van, etc..... | - | - | 354 | 0.0 |
| Total Inventory..... | 8,842 | 100.0% | 1,493,798 | 100.0% |

Source: American Community Survey 2012-2016

Owner Occupied Housing Values

| Specified Owner-Occupied Units | Town of Watertown | | State of Connecticut | |
|--------------------------------|-------------------|---------------|----------------------|---------------|
| | Number | Percent | Number | Percent |
| Less than \$50,000..... | 131 | 2.0% | 24,343 | 2.7% |
| \$50,000 to \$99,000..... | 166 | 2.5 | 29,703 | 3.3 |
| \$100,000 to \$149,999..... | 675 | 10.1 | 81,158 | 9.0 |
| \$150,000 to \$199,000..... | 1,202 | 18.0 | 139,979 | 15.5 |
| \$200,000 to \$299,999..... | 2,387 | 35.7 | 246,071 | 27.3 |
| \$300,000 to \$499,999..... | 1,745 | 26.1 | 233,345 | 25.9 |
| \$500,000 to \$999,999..... | 349 | 5.2 | 104,952 | 11.7 |
| \$1,000,000 or more..... | 27 | 0.4 | 40,672 | 4.5 |
| Total..... | 6,682 | 100.0% | 900,223 | 100.0% |
| Median Value..... | \$241,100 | | \$269,300 | |

Source: American Community Survey 2012-2016

Building Permits

| Ending 6/30 | Residential | | Commercial / Industrial | | Other | | All Categories | |
|----------------|-------------|--------------|----------------------------|--------------|-------|---------------|----------------|---------------|
| | No. | Value | No. | Value | No. | Value | No. | Value |
| 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 |
| 2009 | 186 | 4,732,707 | 31 | 31,451,893 | 1,138 | 37,580,508 | 1,355 | 73,765,108 |

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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 physical revaluation effective as of October 1, 2013, a statistical revaluation is currently underway as of October 1, 2018.

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. The State of Connecticut's 2017-2019 biennium budget legislation amended that statute to provide that (1) for the assessment year October 1, 2016 (the fiscal year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) 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.

For the fiscal year ending June 30, 2018, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 39 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 39 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 (the fiscal year ending June 30, 2015), and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 39 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 | |
|---------------------------|--------------------------------------|---|--------------------------------|------------------------------|--------------------------|---------------------------------|-----------------------|--------------------|-----------------------|
| | Residential Real Property (%) | & Industrial Real Property (%) | Other Real Property (%) | | | | | Grand List | Percent Change |
| 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 |
| 2008 ¹ | 73.3 | 12.1 | 0.1 | 6.7 | 7.8 | 1,967,095 | 54,350 | 1,912,745 | 13.61 |

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 6/30/2018¹ |
|--------------------------------|---------------------------|--------------------------------------|------------------|-----------------------------|---|---|---|
| 2019 ¹ | 2017 | \$1,771,996 | 33.59 | \$ 59,521,344 | IN COLLECTION | | |
| 2018 ² | 2016 | 1,767,974 | 31.88 | 56,356,316 | 98.56% | 1.44% | 1.44% |
| | 2015 | 1,745,276 | 30.89 | 53,911,545 | 98.62% | 1.38% | 0.48% |
| | 2014 | 1,737,686 | 30.10 | 52,539,751 | 98.71% | 1.29% | 0.15% |
| | 2013 | 1,718,661 | 29.12 | 50,047,408 | 99.36% | 0.64% | 0.09% |
| | 2012 | 1,958,271 | 25.09 | 49,217,960 | 98.80% | 1.20% | 0.09% |
| | 2011 | 1,942,449 | 24.23 | 47,146,848 | 98.37% | 1.63% | 0.08% |
| | 2010 | 1,923,262 | 23.32 | 44,928,338 | 98.53% | 1.47% | 0.04% |
| | 2009 | 1,912,861 | 22.91 | 43,871,041 | 98.47% | 1.53% | 0.03% |
| | 2008 | 1,912,745 | 22.38 | 42,863,646 | 98.49% | 1.51% | 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 |
| 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 |
| 2009 | 593,836 | 827,344 |

Ten Largest Taxpayers

| Name | Nature of Business | Taxable | Percent of |
|------------------------------------|---------------------------|----------------------|--------------------------------|
| | | Valuation | Net Taxable |
| | | | Grand List ¹ |
| Connecticut Light & Power..... | Utility | \$ 40,651,980 | 2.29% |
| The Siemon Company..... | Manufacturing | 6,345,740 | 0.36% |
| Global Steering System..... | Manufacturing | 5,401,030 | 0.30% |
| Heitkamp Inc. | Manufacturing | 4,768,680 | 0.27% |
| JSD Partners..... | Manufacturing | 7,884,200 | 0.44% |
| Greenbriar Associates, LLC..... | Real Estate | 6,737,500 | 0.38% |
| DP 38 LLC & FP 3 LLC..... | Manufacturing | 4,581,500 | 0.26% |
| Siemon Realty Company..... | Real Estate | 6,038,900 | 0.34% |
| Straits Commercial Assoc. LTD..... | Supermarket | 5,950,000 | 0.34% |
| Yankee Gas Services | Utility | 5,917,550 | 0.33% |
| Total..... | | \$ 94,277,080 | 5.32% |

¹Based on October 1, 2017 Net Taxable Grand List of \$1,771,996,000.

Source: Tax Assessor, Town of Watertown

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V. Debt Summary
Principal Amount of Indebtedness
As of October 25, 2018
(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 | \$ 725,605 | 2020 |
| 02/01/05 | School | 3.00-5.00 | 15,521,000 | 350,000 | 2020 |
| 08/27/09 | Public Improvement | 3.00-5.00 | 6,290,000 | 1,890,000 | 2023 |
| 08/27/09 | School | 3.00-5.00 | 11,160,000 | 2,365,000 | 2023 |
| 08/27/09 | Sewer | 3.00-5.00 | 470,000 | 120,000 | 2022 |
| 08/27/09 | Water | 3.00-5.00 | 840,000 | 315,000 | 2022 |
| 08/02/11 | Public Improvement | 2.00-4.00 | 2,671,500 | 1,631,100 | 2025 |
| 08/02/11 | School | 2.00-4.00 | 3,005,800 | 2,944,200 | 2025 |
| 08/02/11 | Sewer | 2.00-4.00 | 112,000 | 86,600 | 2023 |
| 08/02/11 | Water | 2.00-4.00 | 320,700 | 248,100 | 2023 |
| 05/29/12 | Public Improvement | 2.00-3.00 | 652,400 | 648,900 | 2027 |
| 05/29/12 | School | 2.00-3.00 | 8,433,300 | 8,365,500 | 2029 |
| 05/29/12 | Sewer | 2.00-3.00 | 419,300 | 415,600 | 2029 |
| 02/15/13 | School | 2.50-4.50 | 8,549,700 | 8,549,700 | 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 | 1,325,000 | 2028 |
| 03/26/15 | Public Improvement | 2.00-4.00 | 3,000,000 | 2,585,000 | 2035 |
| 04/30/15 | Refunding - Series B (Schools) | 2.00-4.00 | 5,550,000 | 4,050,000 | 2029 |
| 04/30/15 | Refunding - Series C (Sewer) | 1.50-3.00 | 715,000 | 465,000 | 2027 |
| 04/25/17 | Public Improvement | 2.00-2.75 | 550,000 | 550,000 | 2029 |
| 04/25/17 | School | 2.00-2.75 | 525,000 | 525,000 | 2029 |
| Total..... | | | \$ 78,817,660 | \$ 38,205,605 | |
| This Issue | | | | | |
| 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 | 5,810,000 | 2039 |
| Sub-Total This Issue..... | | | \$ 16,810,000 | \$ 16,810,000 | |
| Total..... | | | \$ 95,627,660 | \$ 55,015,605 | |

¹ Self-Supporting debt.

Short-Term Debt
As of October 25, 2018
(Pro Forma)

| Project | Aggregate Amount Authorized | This Issue The Notes Due: 10/24/19 |
|------------------------------|--|---|
| Water & Sewer Projects | \$ 6,330,550 | \$ 2,830,000 |
| Municipal Center | 11,900,000 | 3,270,000 |
| Total | \$ 18,230,550 | \$ 6,100,000 |

Annual Bonded Debt Maturity Schedule
As of October 25, 2018
(Pro Forma)

| Fiscal Year Ended 6/30 | Principal Payments | Interest Payments | Total Payments | This Issue: | | Total Principal | Cumulative Principal Retired % |
|---|-------------------------------|------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---|
| | | | | Series A Bonds | Series B Bonds | | |
| 2019 ¹ | \$ 1,145,974 | \$ 647,977 | \$ 1,793,950 | \$ - | \$ - | \$ 1,145,974 | 2.08% |
| 2020 | 4,884,632 | 1,190,929 | 6,075,561 | - | 295,000 | 5,179,632 | 11.50% |
| 2021 | 4,130,000 | 1,034,313 | 5,164,313 | 580,000 | 295,000 | 5,005,000 | 20.60% |
| 2022 | 4,125,000 | 880,700 | 5,005,700 | 580,000 | 290,000 | 4,995,000 | 29.67% |
| 2023 | 3,970,000 | 731,513 | 4,701,513 | 580,000 | 290,000 | 4,840,000 | 38.47% |
| 2024 | 3,965,000 | 582,000 | 4,547,000 | 580,000 | 290,000 | 4,835,000 | 47.26% |
| 2025 | 3,405,000 | 452,103 | 3,857,103 | 580,000 | 290,000 | 4,275,000 | 55.03% |
| 2026 | 3,060,000 | 357,194 | 3,417,194 | 580,000 | 290,000 | 3,930,000 | 62.17% |
| 2027 | 2,510,000 | 273,938 | 2,783,938 | 580,000 | 290,000 | 3,380,000 | 68.32% |
| 2028 | 2,265,000 | 199,038 | 2,464,038 | 580,000 | 290,000 | 3,135,000 | 74.02% |
| 2029 | 1,855,000 | 132,088 | 1,987,088 | 580,000 | 290,000 | 2,725,000 | 78.97% |
| 2030 | 925,000 | 81,863 | 1,006,863 | 580,000 | 290,000 | 1,795,000 | 82.23% |
| 2031 | 560,000 | 59,513 | 619,513 | 580,000 | 290,000 | 1,430,000 | 84.83% |
| 2032 | 555,000 | 42,713 | 597,713 | 580,000 | 290,000 | 1,425,000 | 87.42% |
| 2033 | 550,000 | 26,063 | 576,063 | 580,000 | 290,000 | 1,420,000 | 90.00% |
| 2034 | 150,000 | 9,375 | 159,375 | 580,000 | 290,000 | 1,020,000 | 91.86% |
| 2035 | 150,000 | 4,688 | 154,688 | 580,000 | 290,000 | 1,020,000 | 93.71% |
| 2036 | - | - | - | 575,000 | 290,000 | 865,000 | 95.28% |
| 2037 | - | - | - | 575,000 | 290,000 | 865,000 | 96.86% |
| 2038 | - | - | - | 575,000 | 290,000 | 865,000 | 98.43% |
| 2039 | - | - | - | 575,000 | 290,000 | 865,000 | 100.00% |
| Total..... | \$ 38,205,605 | \$ 6,706,003 | \$ 44,911,608 | \$ 11,000,000 | \$ 5,810,000 | \$ 55,015,605 | |

¹ Excludes principal payments of \$4,388,658 and interest payments of \$744,739 made between July 1, 2018 and October 25, 2018.

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 25, 2018
(Pro Forma)

Long-Term Debt Outstanding:

| | |
|--|----------------------|
| General Purpose (Includes this issue)..... | \$ 16,130,000 |
| Schools (Includes this issue)..... | 32,959,400 |
| Sewer (Includes this issue)..... | 4,003,105 |
| Water (Includes this issue)..... | 1,923,100 |
| Total Long-Term Debt | 55,015,605 |
| Short-Term Debt (Includes the Notes due 10/24/19)..... | 6,100,000 |
| Total Direct Debt | 61,115,605 |
| Less: School Construction Grants Receivable (As of June 30, 2018) ¹ | - |
| Less: Self-Supporting Sewer Debt | (725,605) |
| Total Direct Net Debt..... | 60,390,000 |
| Overlapping/Underlying Debt..... | - |
| Total Overall Net Debt..... | \$ 60,390,000 |

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 25, 2018
(Pro Forma)

| | |
|---|------------------|
| Population ¹ | 22,048 |
| Net Taxable Grand List at 70% of Full Value (10/1/17) | \$ 1,771,996,000 |
| Estimated Full Value | \$ 2,531,422,857 |
| Equalized Net Taxable Grand List (10/1/15) ² | \$ 2,613,640,810 |
| Money Income per Capita (2016) ¹ | \$ 38,530 |

| | Total Direct Debt: \$61,115,605 | Total Net Direct Debt / Overall Net Debt: \$60,390,000 |
|---|--|---|
| Debt per Capita..... | \$2,771.93 | \$2,739.02 |
| Ratio to Net Taxable Grand List..... | 3.45% | 3.41% |
| Ratio to Estimated Full Value..... | 2.41% | 2.39% |
| Ratio to Equalized Grand List..... | 2.34% | 2.31% |
| Debt per Capita to Money Income per Capita..... | 7.19% | 7.11% |

¹ American Community Survey 2012-2016

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 25, 2018
(Pro Forma)

Total Tax Collections (including interest and lien fees)

For the year ended June 30, 2018 (unaudited).....¹ \$ 57,141,151

Reimbursement For Revenue Loss:

Tax relief for elderly..... 2,021

Base for Debt Limitation Computation..... \$ 57,143,172

| | General Purpose | Schools | Sewers | Urban Renewal | Unfunded Pension |
|------------------------------------|--------------------|----------------|----------------|------------------|---------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times base..... | \$ 128,572,137 | - | - | - | - |
| 4 1/2 times base..... | - | \$ 257,144,274 | - | - | - |
| 3 3/4 times base..... | - | - | \$ 214,286,895 | - | - |
| 3 1/4 times base..... | - | - | - | \$ 185,715,309 | - |
| 3 times base..... | - | - | - | - | \$ 171,429,516 |
| Total Debt Limitation | \$ 128,572,137 | \$ 257,144,274 | \$ 214,286,895 | \$ 185,715,309 | \$ 171,429,516 |

Indebtedness:²

| | | | | | |
|---|--------------|---------------|--------------|------|------|
| Bonds Outstanding | \$ 8,630,000 | \$ 27,149,400 | \$ 1,863,105 | \$ - | \$ - |
| Bonds (This Issue)..... | 7,500,000 | 5,810,000 | 2,140,000 | - | - |
| Notes (This Issue) | 3,270,000 | - | 1,730,000 | - | - |
| Debt Authorized But Unissued ³ | 3,277,672 | 2,449,254 | 36,980 | - | - |
| Total Indebtedness | 22,677,672 | 35,408,654 | 5,770,085 | - | - |
| Less: | | | | | |
| State School Grants Receivable ⁴ | - | - | - | - | - |
| Self-Supporting Debt | - | - | (725,605) | - | - |
| Total Net Indebtedness | 22,677,672 | 35,408,654 | 5,044,480 | - | - |

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS..... \$ 105,894,465 \$ 221,735,620 \$ 209,242,415 \$ 185,715,309 \$ 171,429,516

¹ Excludes tax collections of coterminous municipalities.

² Excludes \$676,000 in outstanding Water Bonds, \$1,360,000 of Water Bonds and \$1,100,000 Water Notes as a part of this issue, as allowed under the Connecticut General Statutes.

³ Excludes \$1,100,220 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.

Authorized but Unissued Debt
As of October 25, 2018
(Pro Forma)

| Project | Aggregate Amount Authorized | Bonds Issued | Grants / Paydowns | Maturing Notes Due: 10/25/18 | (Paydowns) | New Money | This Issue: | | | Authorized but Unissued |
|-------------------------------------|-----------------------------------|-----------------|----------------------|------------------------------------|--------------|--------------|----------------------------|------------------------------|--|-------------------------------|
| | | | | | | | The Notes Due: 10/24/19 | Tax Exempt Series A Bonds | Federally Taxable Series B Bonds | |
| Watertown High School | \$ 56,157,000 | \$ 24,600,000 | \$26,537,988 | \$ 4,990,000 | \$ (80,000) | \$ - | \$ - | \$ - | \$ 4,910,000 | \$ 29,012 |
| Judson Elementary School | 15,859,000 | 7,500,000 | 7,389,408 | 900,000 | - | - | - | - | 900,000 | 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 | 3,500,000 | - | 550 |
| Municipal Center | 11,900,000 | - | - | 7,510,000 | (30,000) | 3,290,000 | 3,270,000 | 7,500,000 | - | 1,100,000 |
| 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 |
| 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 | \$ 152,226,791 | \$ 65,205,000 | \$58,237,665 | \$16,900,000 | \$ (110,000) | \$ 6,120,000 | \$ 6,100,000 | \$ 11,000,000 | \$ 5,810,000 | \$ 5,764,126 |

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 (%) |
|-------------------------------|----------------------------------|---|----------------------------------|--|--|--------------------------------|--------------------------------------|---|
| 2018 | \$ 1,767,974 | \$ 2,525,677 | \$ 42,699 | 2.42% | 1.69% | 22,048 | \$ 1,936.64 | 5.03% |
| 2017 | 1,745,276 | 2,493,251 | 48,039 | 2.75% | 1.93% | 22,048 | 2,178.84 | 5.65% |
| 2016 | 1,737,686 | 2,482,409 | 50,675 | 2.92% | 2.04% | 22,048 | 2,298.39 | 5.97% |
| 2015 | 1,718,661 | 2,455,230 | 55,580 | 3.23% | 2.26% | 22,048 | 2,520.86 | 6.54% |
| 2014 | 1,958,272 | 2,797,531 | 57,335 | 2.93% | 2.05% | 22,048 | 2,600.46 | 6.75% |
| 2013 | 1,942,449 | 2,774,927 | 61,945 | 3.19% | 2.23% | 22,048 | 2,809.55 | 7.29% |
| 2012 | 1,923,262 | 2,747,517 | 64,375 | 3.35% | 2.34% | 22,048 | 2,919.77 | 7.58% |

¹ Assessment Ratio: 70%.

² American Community Survey, 2012-2016.

³ Money Income per Capita: American Community Survey 2012-2016 data: \$38,530 used for all calculations.

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 |
|-------------------------------|---------------------------|---|--|
| 2018 | \$ 6,755,728 | \$ 73,754,795 | 9.16% |
| 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% |
| 2009 | 5,559,514 | 61,554,403 | 9.03% |

¹ GAAP basis of accounting. Includes Transfers out.

Source: Annual Audited Financial Statements.

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VI. Financial Administration

Fiscal Year

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

Basis of Accounting

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

Budget Procedure

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

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

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

Audit

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

Liability Insurance

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

Pensions

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

Town of Watertown - General Town Employees

Police Benefit Fund - Police Employees

The pension plans are included in the financial statements as Pension Trust Funds. Individual stand-alone statements are not issued. Prudential Financial is the trustee of the Plan's assets. The latest actuarial valuation was completed for January 1, 2017. The budgeted fiscal year 2018–19 annual required contributions ("ARCs") is \$606,363 for the Town Retirement System and \$983,828 for the Police Benefit Fund for a total ARC of \$1,590,191. 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) |
|-------------------------------------|--|--|--|-----------------------------------|
| 1/1/2017 | \$ 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% |
| 1/1/2013 | 17,637,843 | 18,732,739 | (1,094,896) | 94.2% |
| 1/1/2012 | 16,935,651 | 18,004,766 | (1,069,115) | 94.1% |
| 1/1/2011 | 16,402,816 | 17,102,475 | (699,659) | 95.9% |
| 1/1/2010 | 15,888,764 | 16,624,132 | (735,368) | 95.6% |
| 1/1/2009 | 13,617,941 | 14,488,555 | (870,614) | 94.0% |
| 1/1/2008 | 15,739,354 | 15,238,116 | 501,238 | 103.3% |

| Fiscal Year Ended | Actual Contribution | Annual Required Contribution (ARC) | % of ARC Contributed |
|------------------------------|--------------------------------|---|---------------------------------|
| 6/30/2019 ¹ | \$ 606,363 | \$ 606,363 | 100.0% |
| 6/30/2018 ² | 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% |
| 6/30/2014 | 364,691 | 364,691 | 100.0% |
| 6/30/2013 | 367,373 | 367,373 | 100.0% |
| 6/30/2012 | 360,395 | 360,395 | 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) |
|-------------------------------------|--|--|--|-----------------------------------|
| 1/1/2017 | \$ 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% |
| 1/1/2013 | 16,381,494 | 21,296,992 | (4,915,498) | 76.9% |
| 1/1/2012 | 15,581,062 | 20,131,988 | (4,550,926) | 77.4% |
| 1/1/2011 | 14,982,718 | 18,719,827 | (3,737,109) | 80.0% |
| 1/1/2010 | 14,238,384 | 17,976,016 | (3,737,632) | 79.2% |
| 1/1/2009 | 12,513,012 | 16,253,686 | (3,740,674) | 77.0% |
| 1/1/2008 | 13,856,444 | 15,249,691 | (1,393,247) | 90.9% |

| Fiscal Year Ended | Actual Contribution | Annual Required Contribution (ARC) | % of ARC Contributed |
|------------------------------|--------------------------------|---|---------------------------------|
| 6/30/2019 ¹ | \$ 983,828 | \$ 983,828 | 100.0% |
| 6/30/2018 ² | 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% |
| 6/30/2014 | 770,262 | 770,262 | 100.0% |
| 6/30/2013 | 736,930 | 736,930 | 100.0% |
| 6/30/2012 | 689,641 | 689,641 | 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, 2017 containing information to assist the Town in meeting the requirements of GASB 67. These reports indicated the following results as of June 30, 2017 in accordance with GASB 67:

| | <u>Town Retirement Income Program</u> | <u>Police Retirement Income Program</u> |
|---|--|--|
| Total Pension Liability | \$24,680,632 | \$27,901,430 |
| Fiduciary Net Position | (\$21,480,644) | (\$20,986,225) |
| Net Pension Liability | \$3,199,988 | \$6,915,205 |
| Ratio of Fiduciary Net Position to Total Pension Liability | 87.0% | 75.2% |

The report for the Town of Watertown Retirement Income Program as of June 30, 2017 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 \$544,883, or increase the NPL to \$5,305,839, respectively.

The report for the Town of Watertown Police Retirement Income Program as of June 30, 2017 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 \$5,129,398, or increase the NPL to \$11,127,778, 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 annual OPEB cost is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the Town’s net OPEB obligation:

| | Retiree Welfare Plan |
|---|---------------------------------|
| ARC..... | \$ 3,234,809 |
| Interest on net OPEB obligation..... | 677,808 |
| Adjustment to ARC | (942,249) |
| Amortization of actuarial losses..... | <u>1,661,632</u> |
| Annual OPEB cost | 4,632,000 |
| Contributions made | <u>1,906,242</u> |
| | |
| Increase in net OPEB obligation | 2,725,758 |
| Net OPEB obligation, beginning of year..... | <u>16,945,169</u> |
| | |
| Net OPEB obligation, end of year | <u>\$ 19,670,927</u> |

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 2016-17 totaled \$4,632,000 and the Town budgeted the current pay-as-you-go OPEB cost of approximately \$1,906,242.

| Fiscal Year Ended | Annual OPEB Cost (AOC) | Actual Contribution | % of AOC Contributed |
|------------------------------|---------------------------------------|--------------------------------|---------------------------------|
| 6/30/2018 ¹ | \$ 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% |
| 6/30/2014 | 3,561,560 | 1,438,191 | 40.4% |
| 6/30/2013 | 3,061,982 | 1,338,660 | 43.7% |

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.

| Actuarial Valuation Date | For Fiscal Year Ending | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Overfunded (Unfunded) AAL (b-a) | Funded Ratio (a/b) |
|-------------------------------------|-----------------------------------|--|--|--|-----------------------------------|
| 7/1/2017 | 6/30/2018 | \$ 1,416 | \$ 57,899,038 | \$ (57,897,622) | 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% |
| 7/1/2013 | 6/30/2014 | 624,638 | 40,413,326 | (39,788,688) | 1.55% |

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> 6/30/2018 ¹ | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
|---|--|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | |
| Cash and Cash Equivalents..... | \$ 7,748,218 | \$ 8,426,206 | \$ 10,803,217 | \$ 9,191,841 | \$ 8,035,042 |
| Receivables: | | | | | |
| Property Taxes | 1,299,760 | 1,209,402 | 1,515,499 | 1,073,868 | 1,072,102 |
| Other | 631,702 | 1,579,295 | 1,208,512 | 1,635,468 | 1,413,411 |
| Intergovernmental | 419,708 | 736,651 | 1,328,381 | 2,025,600 | 2,393,822 |
| Pre-Paid Expenses | - | - | - | - | - |
| Due From Other funds | 227,143 | 9,946 | 9,946 | 906,009 | 279,685 |
| Total Assets | 10,326,531 | 11,961,500 | 14,865,555 | 14,832,786 | 13,194,062 |
| Liabilities and Fund Balances | | | | | |
| Accounts Payable | 701,841 | 2,240,289 | 568,499 | 2,576,036 | 653,452 |
| Accrued Payroll & Related | 1,903,082 | - | 1,725,456 | - | - |
| Unearned Revenue | 189,267 | 582,209 | 595,760 | 609,311 | - |
| Deferred Revenue | - | - | - | - | 5,024,199 |
| Total Liabilities | 2,794,190 | 2,822,498 | 2,889,715 | 3,185,347 | 5,677,651 |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenues | 2,815,456 | 3,144,753 | 3,492,126 | 3,788,034 | - |
| Total Deferred Inflows of Resources | 2,815,456 | 3,144,753 | 3,492,126 | 3,788,034 | - |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | 736,684 | 691,815 | 467,589 | 488,840 | 563,130 |
| Unassigned | 3,980,201 | 5,302,434 | 8,016,125 | 7,370,555 | 6,953,281 |
| Total Fund Balance | 4,716,885 | 5,994,249 | 8,483,714 | 7,859,395 | 7,516,411 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | 10,326,531 | 11,961,500 | 14,865,555 | 14,832,776 | 13,194,062 |
| Analysis of General Fund Balance | | | | | |
| Operating Revenues | \$ 72,477,431 | \$ 76,021,126 | \$ 74,942,672 | \$ 72,723,052 | \$ 70,892,451 |
| Fund balance as a percent of | | | | | |
| operating revenues | 6.51% | 7.88% | 11.32% | 10.81% | 10.60% |
| Unassigned fund balance as | | | | | |
| a percent of operating revenues | 5.49% | 6.97% | 10.70% | 10.14% | 9.81% |

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 6/30/2019¹ | Projected 6/30/2018² | Actual 6/30/2017 | Actual 6/30/2016 | Actual 6/30/2015 | Actual 6/30/2014 |
|---|---|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revenues: | | | | | | |
| Property taxes | \$ 59,708,894 | \$ 57,141,800 | \$ 54,558,200 | \$ 52,586,977 | \$ 50,856,154 | \$ 49,654,477 |
| Intergovernmental revenues | 11,278,433 | 12,625,452 | 18,993,022 | 19,352,704 | 18,117,139 | 18,760,371 |
| Departmental revenues | 2,022,043 | 2,218,733 | 2,157,916 | 2,632,660 | 3,266,303 | 2,141,776 |
| Investment income | 125,000 | 157,565 | 64,859 | 40,093 | 24,543 | 22,488 |
| Other revenue | 323,359 | 333,881 | 247,129 | 330,238 | 458,913 | 313,339 |
| Total..... | 73,457,729 | 72,477,431 | 76,021,126 | 74,942,672 | 72,723,052 | 70,892,451 |
| Expenditures: | | | | | | |
| General Government | 2,704,756 | 2,622,892 | 2,743,069 | 2,467,694 | 2,551,251 | 2,582,652 |
| Public Safety | 5,706,505 | 6,035,650 | 5,558,464 | 5,673,640 | 5,343,081 | 5,095,921 |
| Public Works | 3,776,447 | 4,036,026 | 3,293,044 | 4,243,905 | 3,756,872 | 3,426,475 |
| Parks and Recreation | 919,931 | 944,104 | 893,017 | 796,623 | 812,692 | 807,063 |
| Health and Welfare | 128,669 | 129,703 | 144,276 | 260,012 | 143,104 | 139,094 |
| Education | 43,686,030 | 43,679,827 | 48,887,757 | 45,068,233 | 44,456,479 | 43,236,872 |
| Debt Service | 6,794,001 | 6,755,728 | 7,258,827 | 6,461,700 | 6,616,270 | 6,857,649 |
| Capital Outlay | - | - | 752,684 | 483,634 | 418,681 | 592,437 |
| Other | 9,741,390 | 9,550,865 | 9,538,802 | 8,763,452 | 8,205,314 | 7,451,025 |
| Total..... | 73,457,729 | 73,754,795 | 79,069,940 | 74,218,893 | 72,303,744 | 70,189,188 |
| Excess (Deficiency) of Revenues Over Expenditures..... | - | (1,277,364) | (3,048,814) | 723,779 | 419,308 | 703,263 |
| Other financing sources (uses): | | | | | | |
| Issuance of Refunding Bonds | - | - | - | - | 6,265,000 | - |
| Bond Premium..... | - | - | 28,346 | - | 472,694 | - |
| Bond Proceeds..... | - | - | 550,000 | - | - | - |
| Deposit to Escrow & Costs of Debt Issuance .. | - | - | - | - | (6,607,647) | - |
| Capital Lease Proceeds | - | - | 202,762 | 483,634 | 418,681 | 592,437 |
| Operating Transfers In | - | - | 114,775 | 33,031 | 43,579 | 130,787 |
| Operating Transfers Out | - | - | (336,534) | (616,125) | (668,631) | (282,359) |
| Total Other financing sources (uses)..... | - | - | 559,349 | (99,460) | (76,324) | 440,865 |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses..... | - | (1,277,364) | (2,489,465) | 624,319 | 342,984 | 1,144,128 |
| Fund Balance, Beginning of Year..... | 4,716,885 | 5,994,249 | 8,483,714 | 7,859,395 | 7,516,411 | 6,372,283 |
| Fund Balance, End of Year..... | \$ 4,716,885 | \$ 4,716,885 | \$ 5,994,249 | \$ 8,483,714 | \$ 7,859,395 | \$ 7,516,411 |

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. For fiscal years ending June 30, 2018 and June 30, 2019, the Town will receive municipal revenue sharing grant monies from the State in the amount of \$652,100.

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 Town Treasurer or 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 Appendices B-1 and B-2 to this Official Statement.
5. A 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 16, 2018. 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 and the Notes 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, *Acting Finance Director*

Dated: October 16, 2018

Appendix A

2017 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, 2017. 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

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, 2017, 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. 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 16 and 67 through 71 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

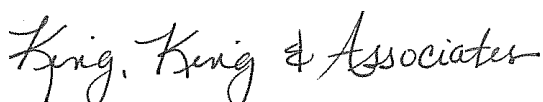
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Watertown, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented 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 22, 2017 on our consideration of the Town of Winchester, 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 Winchester, Connecticut's internal control over financial reporting and compliance.



King, King & Associates, CPAs
Winsted, CT
December 22, 2017

TOWN OF WATERTOWN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 \$3.8 million as a result of this year's operations. Net position of our governmental activities decreased by \$3.7 million.
- In the Town's business-type activities, total net position decreased by \$87,962.
- Unrestricted net position of the Town's business-type activities increased by \$322,509 (\$3.9 million in 2017 compared to \$3.6 million in 2016.)
- Total cost of all of the Town's programs was \$89.9 million with no new programs added this year.
- The General Fund reported an unassigned fund balance this year of \$5.3 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, 2017

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, 2017

- *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 28-66 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 \$112 million at the close of the most recent fiscal year.

| <i>In Thousands</i> | Governmental Activities | | Business-Type Activities | | Totals | |
|-------------------------------------|-------------------------|------------|--------------------------|-----------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and Other Assets | \$ 20,113 | \$ 22,712 | \$ 6,445 | \$ 4,856 | \$ 26,558 | \$ 27,568 |
| Capital Assets | 184,568 | 188,163 | 14,113 | 16,185 | 198,681 | 204,348 |
| Total Assets | 204,681 | 210,875 | 20,558 | 21,041 | 225,239 | 231,916 |
| Deferred Outflows of Resources | 5,734 | 5,317 | 78 | 222 | 5,812 | 5,539 |
| Long-term Liabilities | 84,322 | 85,200 | 1,733 | 2,426 | 86,055 | 87,626 |
| Other Liabilities | 13,236 | 13,487 | 780 | 605 | 14,016 | 14,092 |
| Total Liabilities | 97,558 | 98,687 | 2,513 | 3,031 | 100,071 | 101,718 |
| Deferred Inflows of Resources | 459 | 1,422 | 61 | 82 | 520 | 1,504 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 130,504 | 130,139 | 14,113 | 14,524 | 144,617 | 144,663 |
| Restricted | 1,262 | 1,880 | - | - | 1,262 | 1,880 |
| Unrestricted | (19,368) | (15,936) | 3,949 | 3,626 | (15,419) | (12,310) |
| Total Net Position | \$ 112,398 | \$ 116,083 | \$ 18,062 | \$ 18,150 | \$ 130,460 | \$ 134,233 |

Net position of the Town's governmental activities decreased by \$3.7 million (\$112.4 million in 2017 compared to \$116.1 million in 2016). The Town's unrestricted net position of \$(19.4) million decreased by \$3.5 million compared with last year's unrestricted net position of \$(15.9) million. The decrease is primarily attributable to the increase in post-retirement benefit obligations. Net investment in capital assets increased \$365,020 primarily due to the repayment of debt related to capital assets less current years depreciation expense.

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2017

During 2017, the net position of the Town's business-type activities decreased by \$87,962. Unrestricted net position increased by \$322,509 (\$3.9 million in 2017 compared to \$3.6 million in 2016). 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>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| REVENUES | | | | | | |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | \$ 54,797 | \$ 53,218 | \$ - | \$ - | \$ 54,797 | \$ 53,218 |
| Unrestricted Grants & Contributions | 1,454 | 343 | - | - | 1,454 | 343 |
| Unrestricted Investment Income | 75 | 50 | 12 | - | 87 | 50 |
| Other General Revenues, Net | 175 | 928 | - | - | 175 | 928 |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | 3,530 | 3,796 | 4,123 | 3,858 | 7,653 | 7,654 |
| Operating Grants and Contributions | 21,748 | 19,419 | - | - | 21,748 | 19,419 |
| Capital Grants and Contributions | 204 | 781 | - | - | 204 | 781 |
| Total Revenues | <u>81,983</u> | <u>78,535</u> | <u>4,135</u> | <u>3,858</u> | <u>86,118</u> | <u>82,393</u> |
| EXPENSES | | | | | | |
| <i>Governmental Activities:</i> | | | | | | |
| General Government | 20,952 | 18,632 | - | - | 20,952 | 18,632 |
| Public Safety | 7,656 | 7,057 | - | - | 7,656 | 7,057 |
| Public Works | 5,523 | 6,830 | - | - | 5,523 | 6,830 |
| Parks and Recreation | 1,489 | 1,386 | - | - | 1,489 | 1,386 |
| Health and Welfare | 148 | 279 | - | - | 148 | 279 |
| Education | 48,197 | 44,848 | - | - | 48,197 | 44,848 |
| Interest on Long-Term Debt | 1,715 | 1,918 | - | - | 1,715 | 1,918 |
| <i>Business-Type Activities:</i> | | | | | | |
| Sewer | - | - | 2,114 | 2,087 | 2,114 | 2,087 |
| Water | - | - | 1,556 | 1,638 | 1,556 | 1,638 |
| Golf | - | - | 541 | 602 | 541 | 602 |
| Total Expenses | <u>85,680</u> | <u>80,950</u> | <u>4,211</u> | <u>4,327</u> | <u>89,891</u> | <u>85,277</u> |
| Change in Net Position Before Transfers | <u>(3,697)</u> | <u>(2,415)</u> | <u>(76)</u> | <u>(469)</u> | <u>(3,773)</u> | <u>(2,884)</u> |
| Transfers | <u>12</u> | <u>(83)</u> | <u>(12)</u> | <u>83</u> | <u>-</u> | <u>-</u> |
| Change in Net Position | <u>(3,685)</u> | <u>(2,498)</u> | <u>(88)</u> | <u>(386)</u> | <u>(3,773)</u> | <u>(2,884)</u> |
| Beginning Net Position | <u>116,083</u> | <u>118,581</u> | <u>18,150</u> | <u>18,536</u> | <u>134,233</u> | <u>137,117</u> |
| Ending Net Position | <u>\$ 112,398</u> | <u>\$ 116,083</u> | <u>\$ 18,062</u> | <u>\$ 18,150</u> | <u>\$ 130,460</u> | <u>\$ 134,233</u> |

The Town's total revenues were \$86.1 million. The total cost of all programs and services was \$89.9 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, 2017

Governmental Activities

The Town's governmental activities reported a decrease of \$3.7 million in net position in 2017. The decrease was primarily driven by medical expenses. The Town's total governmental revenue for the year was \$82 million. Total program expenses were \$85.7 million. During 2017, property taxes increased by \$1.6 million as the Town's property tax mill rate increased by 0.79 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>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| <i>Governmental Activities:</i> | | | | |
| General Government | \$ 20,952 | \$ 18,632 | \$ 19,658 | \$ 17,737 |
| Public Safety | 7,656 | 7,057 | 6,771 | 5,711 |
| Public Works | 5,523 | 6,830 | 4,805 | 5,463 |
| Parks and Recreation | 1,489 | 1,386 | 1,090 | 1,022 |
| Health and Welfare | 148 | 279 | 52 | 217 |
| Education | 48,197 | 44,848 | 26,106 | 24,886 |
| Interest on Long-Term Debt | 1,715 | 1,918 | 1,715 | 1,918 |
| | <u>\$ 85,680</u> | <u>\$ 80,950</u> | <u>\$ 60,197</u> | <u>\$ 56,954</u> |

Business-Type Activities

The Town's business-type activities reported a decrease of \$87,962 in net position in 2017. 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>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| <i>Business-Type Activities:</i> | | | | |
| Sewer | \$ 2,114 | \$ 2,087 | \$ 42 | \$ 184 |
| Water | 1,556 | 1,638 | 60 | 266 |
| Golf | 541 | 602 | (14) | 20 |
| | <u>\$ 4,211</u> | <u>\$ 4,327</u> | <u>\$ 88</u> | <u>\$ 470</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 \$3.7 million, which is a decrease of \$2.3 million from the prior year's total. During 2017 the Town's general fund balance decreased by \$2.5 million primarily due to medical expenditures, the capital improvement fund balance increased by \$377,552 due to the receipt of bond proceeds, and the non-major governmental funds decreased by \$214,393.

TOWN OF WATERTOWN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

Proprietary Funds

Net position of the Town's three self-insured internal service funds increased by \$694,254 during the year. Net position of The Health and Dental Benefits Fund increased by \$552,257. Net position of the Town's Workers' Compensation Fund increased \$141,997. 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 \$70 million by \$1.6 million 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 \$636,380 less than the amended appropriations budget amount of \$75 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, 2017, amounts to \$198,680,831 (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:

- Land purchase for \$550,000 for recreational and other municipal purposes.

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|-----------------------|-----------------------|
| <i>Governmental Activities:</i> | | |
| Land | \$ 3,147,876 | \$ 2,597,876 |
| Buildings and Improvements | 127,927,146 | 131,167,356 |
| Vehicles | 1,449,765 | 1,942,944 |
| Machinery and Equipment | 1,461,961 | 1,150,636 |
| Infrastructure | 50,580,972 | 51,304,358 |
| | <u>\$ 184,567,720</u> | <u>\$ 188,163,170</u> |

TOWN OF WATERTOWN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2017

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|----------------------|----------------------|
| <i>Business-type Activities:</i> | | |
| Land | \$ 1,019,600 | \$ 1,019,600 |
| Construction in Progress | 248,733 | 183,206 |
| Buildings and Improvements | 884,974 | 910,429 |
| Vehicles | 31,932 | 66,090 |
| Machinery and Equipment | 15,385 | 9,982 |
| Infrastructure | 11,912,487 | 12,334,275 |
| | <u>\$ 14,113,111</u> | <u>\$ 14,523,582</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 \$53,275,000 in governmental activities bonds and notes outstanding. This is a decrease of \$3.8 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 2018 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 4.3% versus 4.6% a year ago. This compares with the State's unemployment rate of 5.0% and the national rate of 4.9%.

Inflation in the Northeast area continues to be less than the national Consumer Price Index (CPI) increase. The Town required two budget referendums to pass its 2017-2018 budget. The mill rate for fiscal year 2017-2018 is 31.88 mills, which was a .99 mill increase from the prior year. The Board of Education budget increased 2.16% and the Town's portion increased 2.41%.

In the Town's 2017-2018 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 2017-2018 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.

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Basic Financial Statements

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TOWN OF WATERTOWN, CONNECTICUT

Statement of Net Position

June 30, 2017

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 13,173,792 | \$ 3,627,456 | \$ 16,801,248 |
| Investments | 2,896 | - | 2,896 |
| Restricted Cash and Cash Equivalents | - | 155,578 | 155,578 |
| Receivables, Net | 6,903,357 | 1,427,938 | 8,331,295 |
| Internal Balances | 9,946 | (9,946) | - |
| Inventories | 23,139 | - | 23,139 |
| Other Charges | - | 1,243,896 | 1,243,896 |
| Capital Assets: | | | |
| Assets Not Being Depreciated | 3,147,876 | 1,268,333 | 4,416,209 |
| Assets Being Depreciated, Net | 181,419,844 | 12,844,778 | 194,264,622 |
| Total Assets | <u>\$ 204,680,850</u> | <u>\$ 20,558,033</u> | <u>\$ 225,238,883</u> |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows - Pension | 4,330,866 | 77,918 | 4,408,784 |
| Deferred Charge on Refunding | 1,404,044 | - | 1,404,044 |
| Total Deferred Outflows of Resources | <u>5,734,910</u> | <u>77,918</u> | <u>5,812,828</u> |
| Liabilities: | | | |
| Accounts Payable and Accrued Items | \$ 3,150,524 | \$ 728,661 | \$ 3,879,185 |
| Accrued Interest Payable | 677,619 | - | 677,619 |
| Bond Anticipation Notes Payable | 6,480,000 | - | 6,480,000 |
| Long-Term Claims Payable | 2,268,089 | - | 2,268,089 |
| Unearned Revenue | 660,607 | 51,869 | 712,476 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 6,789,363 | 478,983 | 7,268,346 |
| Due In More Than One Year | 77,532,150 | 1,254,163 | 78,786,313 |
| Total Liabilities | <u>97,558,352</u> | <u>2,513,676</u> | <u>100,072,028</u> |
| Deferred Inflows of Resources: | | | |
| Deferred Inflows - Pension | 458,835 | 60,631 | 519,466 |
| Total Deferred Inflows of Resources | <u>458,835</u> | <u>60,631</u> | <u>519,466</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 130,504,297 | 14,113,111 | 144,617,408 |
| Restricted: | | | |
| Nonexpendable | 901,812 | - | 901,812 |
| Expendable | 359,995 | - | 359,995 |
| Unrestricted | (19,367,531) | 3,948,533 | (15,418,998) |
| Total Net Position | <u>\$ 112,398,573</u> | <u>\$ 18,061,644</u> | <u>\$ 130,460,217</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, 2017

| 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 | \$ 20,951,979 | \$ 1,105,899 | \$ 85,537 | \$ 102,456 | \$ (19,658,087) | \$ - | \$ (19,658,087) |
| Public Safety | 7,655,963 | 857,351 | 27,378 | - | (6,771,234) | - | (6,771,234) |
| Public Works | 5,523,038 | 125,165 | 566,460 | 26,726 | (4,804,687) | - | (4,804,687) |
| Parks and Recreation | 1,488,398 | 393,443 | 5,275 | - | (1,089,680) | - | (1,089,680) |
| Health and Welfare | 147,889 | 1,007 | 95,089 | - | (51,793) | - | (51,793) |
| Education | 48,197,167 | 1,047,725 | 20,968,119 | 74,914 | (26,106,409) | - | (26,106,409) |
| Interest on Long-Term Debt | 1,715,491 | - | - | - | (1,715,491) | - | (1,715,491) |
| Total Governmental Activities | <u>85,679,925</u> | <u>3,530,590</u> | <u>21,747,858</u> | <u>204,096</u> | <u>(60,197,381)</u> | <u>-</u> | <u>(60,197,381)</u> |
| Business-Type Activities: | | | | | | | |
| Sewer | 2,114,459 | 2,072,644 | - | - | - | (41,815) | (41,815) |
| Water | 1,556,315 | 1,495,921 | - | - | - | (60,394) | (60,394) |
| Golf | 540,530 | 554,433 | - | - | - | 13,903 | 13,903 |
| Total Business-Type Activities | <u>4,211,304</u> | <u>4,122,998</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(88,306)</u> | <u>(88,306)</u> |
| Total Primary Government | <u>\$ 89,891,229</u> | <u>\$ 7,653,588</u> | <u>\$ 21,747,858</u> | <u>\$ 204,096</u> | <u>(60,197,381)</u> | <u>(88,306)</u> | <u>(60,285,687)</u> |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 54,796,869 | - | 54,796,869 |
| Grants not Restricted to Specific Programs | | | | | 1,454,222 | - | 1,454,222 |
| Unrestricted Investment Earnings | | | | | 74,563 | 12,469 | 87,032 |
| Other General Revenues | | | | | 175,000 | - | 175,000 |
| Transfers | | | | | 12,125 | (12,125) | - |
| Total General Revenues and Transfers | | | | | <u>56,512,779</u> | <u>344</u> | <u>56,513,123</u> |
| Change in Net Position | | | | | (3,684,602) | (87,962) | (3,772,564) |
| Net Position - Beginning of Year | | | | | <u>116,083,175</u> | <u>18,149,606</u> | <u>134,232,781</u> |
| Net Position - End of Year | | | | | <u>\$ 112,398,573</u> | <u>\$ 18,061,644</u> | <u>\$ 130,460,217</u> |

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

TOWN OF WATERTOWN, CONNECTICUT

Balance Sheet Governmental Funds June 30, 2017

| | General | Capital Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 8,426,206 | \$ 1,977,092 | \$ 1,556,708 | \$ 11,960,006 |
| Investments | - | - | 2,896 | 2,896 |
| Receivables, Net of Allowance | 3,525,348 | 2,336,988 | 1,041,021 | 6,903,357 |
| Due from Other Funds - Enterprise | 9,946 | - | - | 9,946 |
| Inventories | - | - | 23,139 | 23,139 |
| Total Assets | <u>\$ 11,961,500</u> | <u>\$ 4,314,080</u> | <u>\$ 2,623,764</u> | <u>\$ 18,899,344</u> |
| Liabilities | | | | |
| Accounts Payable and Accrued Items | \$ 2,240,289 | \$ 4,478 | \$ 275,067 | \$ 2,519,834 |
| Bond Anticipation Notes Payable | - | 6,480,000 | - | 6,480,000 |
| Unearned Revenue | 582,209 | - | 78,398 | 660,607 |
| Total Liabilities | <u>2,822,498</u> | <u>6,484,478</u> | <u>353,465</u> | <u>9,660,441</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenues: | | | | |
| Property Taxes and Interest | 1,501,196 | - | - | 1,501,196 |
| Special Assessments | 744,148 | - | - | 744,148 |
| School Building Grants | 736,651 | 2,336,988 | - | 3,073,639 |
| Other | 162,758 | - | - | 162,758 |
| Total Deferred Inflows of Resources | <u>3,144,753</u> | <u>2,336,988</u> | <u>-</u> | <u>5,481,741</u> |
| Fund Balances | | | | |
| Nonspendable | - | - | 924,951 | 924,951 |
| Restricted | - | - | 359,995 | 359,995 |
| Committed | - | - | 1,019,850 | 1,019,850 |
| Assigned | 691,815 | - | - | 691,815 |
| Unassigned | 5,302,434 | (4,507,386) | (34,497) | 760,551 |
| Total Fund Balances | <u>5,994,249</u> | <u>(4,507,386)</u> | <u>2,270,299</u> | <u>3,757,162</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 11,961,500</u> | <u>\$ 4,314,080</u> | <u>\$ 2,623,764</u> | <u>\$ 18,899,344</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, 2017

Fund balances reported in governmental funds Balance Sheet \$ 3,757,162

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> | 267,155,128 |
| <i>Depreciation</i> | (82,587,408) |

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> | 1,132,052 |
| <i>Interest receivable on property taxes</i> | 369,144 |
| <i>Receivable from the State for school construction projects</i> | 3,073,639 |
| <i>Assessment receivables</i> | 744,148 |
| <i>Other accounts receivable</i> | 162,758 |

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.

(1,684,993)

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.

(275,024)

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

| | |
|------------------------------------|-----------|
| <i>Deferred Outflows - Pension</i> | 4,330,866 |
| <i>Deferred Inflows - Pension</i> | (458,835) |

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> | (677,619) |
| <i>Bonds payable</i> | (46,795,000) |
| <i>Capital leases payable</i> | (513,399) |
| <i>Compensated absences</i> | (3,449,357) |
| <i>Post-closure landfill costs</i> | (223,752) |
| <i>Special termination benefits</i> | (110,774) |
| <i>Pension buy in payable</i> | (539,448) |
| <i>Net pension liability</i> | (11,339,788) |
| <i>OPEB obligation</i> | <u>(19,670,927)</u> |

Net position of governmental activities \$112,398,573

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, 2017

| | General | Capital Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes, Interest and Lien Fees | \$ 54,558,200 | \$ - | \$ - | \$ 54,558,200 |
| Intergovernmental Revenues | 18,993,022 | 445,656 | 2,183,457 | 21,622,135 |
| Licenses, Permits, and Charges for Services | 2,157,916 | - | 1,409,243 | 3,567,159 |
| Investment Income | 64,859 | 4,855 | 3,841 | 73,555 |
| Other Revenue | 247,129 | 9,779 | 163,331 | 420,239 |
| Total Revenues | <u>76,021,126</u> | <u>460,290</u> | <u>3,759,872</u> | <u>80,241,288</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,743,069 | - | 117,900 | 2,860,969 |
| Public Safety | 5,558,464 | - | 19,945 | 5,578,409 |
| Public Works | 3,293,044 | - | 372,374 | 3,665,418 |
| Parks and Recreation | 893,017 | - | 430,420 | 1,323,437 |
| Health and Welfare | 144,276 | - | 46,957 | 191,233 |
| Education | 48,887,757 | - | 2,655,319 | 51,543,076 |
| Other | 9,538,802 | - | - | 9,538,802 |
| Debt Service | 7,258,827 | 64,195 | - | 7,323,022 |
| Capital Outlay | 752,684 | 650,089 | 526,350 | 1,929,123 |
| Total Expenditures | <u>79,069,940</u> | <u>714,284</u> | <u>4,169,265</u> | <u>83,953,489</u> |
| Excess/(Deficiency) of Revenues over Expenditures | (3,048,814) | (253,994) | (409,393) | (3,712,201) |
| Other Financing Sources/(Uses) | | | | |
| Transfers In | 114,775 | 60,000 | 195,000 | 369,775 |
| Transfers Out | (336,534) | (21,116) | - | (357,650) |
| Issuance of Capital Leases | 202,762 | - | - | 202,762 |
| Bond Proceeds | 550,000 | 525,000 | - | 1,075,000 |
| Premium on Financing | 28,346 | 67,662 | - | 96,008 |
| Total Other Financing Sources/(Uses) | <u>559,349</u> | <u>631,546</u> | <u>195,000</u> | <u>1,385,895</u> |
| Net Change in Fund Balances | (2,489,465) | 377,552 | (214,393) | (2,326,306) |
| Fund Balances at Beginning of Year | <u>8,483,714</u> | <u>(4,884,938)</u> | <u>2,484,692</u> | <u>6,083,468</u> |
| Fund Balances at End of Year | <u>\$ 5,994,249</u> | <u>\$ (4,507,386)</u> | <u>\$ 2,270,299</u> | <u>\$ 3,757,162</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (2,326,306)

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

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

| | |
|-----------------------------|-------------|
| <i>Capital expenditures</i> | 2,479,921 |
| <i>Depreciation expense</i> | (6,075,371) |

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> | 171,329 |
| <i>Assessment revenue accrual basis change</i> | (105,654) |
| <i>Interest income on property taxes accrual basis change</i> | 67,340 |
| <i>School building grant receipts</i> | (997,183) |
| <i>Other revenues accrual basis change</i> | 71,139 |

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

| | |
|--|-------------|
| <i>Proceeds from long-term debt - general obligation bonds</i> | (1,075,000) |
| <i>Proceeds from long-term debt - capital leases</i> | (202,762) |
| <i>Principal payments on long-term debt - general obligation bonds</i> | 4,955,000 |
| <i>Principal payments on long-term debt - capital leases</i> | 457,462 |
| <i>Amortization of deferred charge on refunding</i> | (64,549) |
| <i>Amortization of premiums</i> | 130,606 |

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> | 76,940 |
| <i>Compensated Absences</i> | 78,355 |
| <i>Post-closure landfill costs</i> | 51,868 |
| <i>Special termination benefits</i> | 101,238 |
| <i>Pension buy-in payable</i> | 17,790 |
| <i>Pension obligations</i> | 533,739 |
| <i>OPEB obligations</i> | (2,724,758) |

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.

694,254

Change in net position of governmental activities \$ (3,684,602)

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, 2017

| | 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 | \$ 2,063,345 | \$ 1,564,111 | \$ - | \$ 3,627,456 | \$ 1,213,786 |
| Receivables, Net | | | | | |
| Usage | 639,947 | 380,988 | - | 1,020,935 | - |
| Intergovernmental | 135,668 | - | - | 135,668 | - |
| Total Current Assets | <u>2,838,960</u> | <u>1,945,099</u> | <u>-</u> | <u>4,784,059</u> | <u>1,213,786</u> |
| Noncurrent Assets: | | | | | |
| Restricted Cash | 155,578 | - | - | 155,578 | - |
| Receivables: Intergovernmental | 271,335 | - | - | 271,335 | - |
| Other Charges | 1,243,896 | - | - | 1,243,896 | - |
| Nondepreciable Capital Assets | 200,703 | 132,630 | 935,000 | 1,268,333 | - |
| Capital Assets, Net of Accum. Depreciation | 6,462,702 | 6,121,151 | 260,925 | 12,844,778 | - |
| Total Noncurrent Assets | <u>8,334,214</u> | <u>6,253,781</u> | <u>1,195,925</u> | <u>15,783,920</u> | <u>-</u> |
| Total Assets | <u>\$ 11,173,174</u> | <u>\$ 8,198,880</u> | <u>\$ 1,195,925</u> | <u>\$ 20,567,979</u> | <u>\$ 1,213,786</u> |
| Deferred Outflows of Resources | | | | | |
| Deferred Outflows - Pension | <u>33,444</u> | <u>33,444</u> | <u>11,030</u> | <u>77,918</u> | <u>-</u> |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable and Accrued Items | \$ 257,774 | \$ 104,822 | \$ 366,065 | \$ 728,661 | \$ - |
| Due to Other Funds - Governmental | 9,946 | - | - | 9,946 | - |
| Unearned Revenues | 51,869 | - | - | 51,869 | - |
| Notes Payable | 414,632 | - | - | 414,632 | - |
| Compensated Absences | 29,085 | 29,085 | 6,181 | 64,351 | - |
| Risk Management Claims | - | - | - | - | 630,690 |
| Total Current Liabilities | <u>763,306</u> | <u>133,907</u> | <u>372,246</u> | <u>1,269,459</u> | <u>630,690</u> |
| Noncurrent Liabilities: | | | | | |
| Notes Payable | 829,264 | - | - | 829,264 | - |
| Net Pension Liability | 147,852 | 147,852 | 33,776 | 329,480 | - |
| Compensated Absences | 40,098 | 40,098 | 15,223 | 95,419 | - |
| Risk Management Claims | - | - | - | - | 2,268,089 |
| Total Noncurrent Liabilities | <u>1,017,214</u> | <u>187,950</u> | <u>48,999</u> | <u>1,254,163</u> | <u>2,268,089</u> |
| Total Liabilities | <u>1,780,520</u> | <u>321,857</u> | <u>421,245</u> | <u>2,523,622</u> | <u>2,898,779</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred Inflows - Pension | <u>28,807</u> | <u>28,807</u> | <u>3,017</u> | <u>60,631</u> | <u>-</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | 6,663,405 | 6,253,781 | 1,195,925 | 14,113,111 | - |
| Unrestricted | <u>2,733,886</u> | <u>1,627,879</u> | <u>(413,232)</u> | <u>3,948,533</u> | <u>(1,684,993)</u> |
| Total Net Position | <u>\$ 9,397,291</u> | <u>\$ 7,881,660</u> | <u>\$ 782,693</u> | <u>\$ 18,061,644</u> | <u>\$ (1,684,993)</u> |

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, 2017

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|--|--|------------------------|--|----------------------|--------------------------------|
| | Sewer Authority | Water Authority | Nonmajor Crestbrook Golf Operations | Total | Internal Service |
| OPERATING REVENUES | | | | | |
| Charges for Services | \$ 2,066,504 | \$ 1,492,811 | \$ 554,433 | \$ 4,113,748 | \$ 15,525,606 |
| Permits and Fees | 6,140 | 3,110 | - | 9,250 | - |
| Total Operating Revenues | <u>2,072,644</u> | <u>1,495,921</u> | <u>554,433</u> | <u>4,122,998</u> | <u>15,525,606</u> |
| OPERATING EXPENSES | | | | | |
| Salaries | 258,279 | 257,599 | 231,956 | 747,834 | - |
| Benefits | 103,311 | 105,480 | 84,454 | 293,245 | - |
| Purchased Services | 1,048,959 | 956,521 | 200,987 | 2,206,467 | - |
| Depreciation | 256,821 | 236,715 | 23,133 | 516,669 | - |
| Amortization | 417,715 | - | - | 417,715 | - |
| Claims | - | - | - | - | 12,725,827 |
| Premiums and Administrative Charges | - | - | - | - | 2,106,533 |
| Total Operating Expenses | <u>2,085,085</u> | <u>1,556,315</u> | <u>540,530</u> | <u>4,181,930</u> | <u>14,832,360</u> |
| Operating Income/(Loss) | (12,441) | (60,394) | 13,903 | (58,932) | 693,246 |
| NON-OPERATING REVENUE (EXPENSE) | | | | | |
| Interest Income | 7,052 | 5,417 | - | 12,469 | 1,008 |
| Interest Expense | (29,374) | - | - | (29,374) | - |
| Total Non-Operating Expenses | <u>(22,322)</u> | <u>5,417</u> | <u>-</u> | <u>(16,905)</u> | <u>1,008</u> |
| Income/(Loss) before Transfers | <u>(34,763)</u> | <u>(54,977)</u> | <u>13,903</u> | <u>(75,837)</u> | <u>694,254</u> |
| Transfers: | | | | | |
| Transfers In | - | 30,820 | - | 30,820 | - |
| Transfers Out | (42,945) | - | - | (42,945) | - |
| Total Transfers | <u>(42,945)</u> | <u>30,820</u> | <u>-</u> | <u>(12,125)</u> | <u>-</u> |
| Change in Net Position | (77,708) | (24,157) | 13,903 | (87,962) | 694,254 |
| Net Position - Beginning of Year | <u>9,474,999</u> | <u>7,905,817</u> | <u>768,790</u> | <u>18,149,606</u> | <u>(2,379,247)</u> |
| Net Position - End 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> |

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, 2017

| | 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 | \$ 2,034,321 | \$ 1,487,047 | \$ 554,433 | \$ 4,075,801 | \$ 15,525,606 |
| Payments to Employees | (258,279) | (257,599) | (231,956) | (747,834) | - |
| Payments to Suppliers | (892,547) | (962,622) | (165,919) | (2,021,088) | - |
| Payments for Benefits and Claims | (147,421) | (149,590) | (149,158) | (446,169) | (12,902,587) |
| Premiums and Administrative Charges | - | - | - | - | (2,106,533) |
| Net Cash Provided by Operating Activities | <u>736,074</u> | <u>117,236</u> | <u>7,400</u> | <u>860,710</u> | <u>516,486</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Advance/(Repayment) from General Fund | (42,945) | 30,820 | - | (12,125) | - |
| Principal Payments on Debt | (417,715) | - | - | (417,715) | - |
| Principal Received on Reimbursement Obligation | 136,676 | - | - | 136,676 | - |
| Interest Paid on Debt | (29,374) | - | - | (29,374) | - |
| Net Cash Used by Noncapital Financing Activities | <u>(353,358)</u> | <u>30,820</u> | <u>-</u> | <u>(12,125)</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Purchase of Capital Assets | (79,753) | (19,045) | (7,400) | (106,198) | - |
| Net Cash Used by Capital and Related Financing Activities | <u>(79,753)</u> | <u>(19,045)</u> | <u>(7,400)</u> | <u>(106,198)</u> | <u>-</u> |
| Cash Flows from Investing Activities: | | | | | |
| Interest Income | 7,052 | 5,417 | - | 12,469 | 1,008 |
| Net Cash Provided by Investing Activities | <u>7,052</u> | <u>5,417</u> | <u>-</u> | <u>12,469</u> | <u>1,008</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 310,015 | 134,428 | - | 754,856 | 517,494 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,908,908</u> | <u>1,429,683</u> | <u>-</u> | <u>3,338,591</u> | <u>696,292</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,218,923</u> | <u>\$ 1,564,111</u> | <u>\$ -</u> | <u>\$ 4,093,447</u> | <u>\$ 1,213,786</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities: | | | | | |
| Operating Income/(Loss) | \$ (12,441) | \$ (60,394) | \$ 13,903 | \$ (58,932) | \$ 693,246 |
| Adjustments to Reconcile Income to Net Cash | | | | | |
| Provided by Operating Activities: | | | | | |
| Depreciation and Amortization | 674,536 | 236,715 | 23,133 | 934,384 | - |
| Change in Assets and Liabilities: | | | | | |
| (Increase) Decrease in Accounts Receivable | (38,323) | (8,874) | - | (47,197) | - |
| (Increase) Decrease in Deferred Outflows | 74,789 | 74,789 | (6,674) | 142,904 | - |
| Increase (Decrease) in Deferred Inflows | (5,772) | (5,772) | (11,175) | (22,719) | - |
| Increase (Decrease) in Net Pension Liability | (116,867) | (116,867) | (18,731) | (252,465) | - |
| Increase (Decrease) in Accounts Payable | 156,412 | (6,101) | 35,068 | 185,379 | - |
| Increase (Decrease) in Claims Payable | - | - | - | - | (176,760) |
| Increase (Decrease) in Compensated Absences | 3,740 | 3,740 | (28,124) | (20,644) | - |
| Total Adjustments | <u>748,515</u> | <u>177,630</u> | <u>(6,503)</u> | <u>919,642</u> | <u>(176,760)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 736,074</u> | <u>\$ 117,236</u> | <u>\$ 7,400</u> | <u>\$ 860,710</u> | <u>\$ 516,486</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, 2017

| | Pension and OPEB Trust Funds | Agency Funds |
|---|---|-------------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 1,416 | \$ 515,505 |
| Investments, at Fair Value | | |
| Guaranteed Deposit Accounts | 5,881,863 | - |
| Mutual Funds | 36,474,005 | - |
| Total Assets | \$ 42,357,284 | \$ 515,505 |
| Deferred Outflows of Resources | - | - |
| Liabilities | | |
| Fiduciary Deposits | \$ - | \$ 515,505 |
| Total Liabilities | - | \$ 515,505 |
| Deferred Inflows of Resources | - | - |
| Net Position | | |
| Restricted for Pension Benefits | 42,355,868 | |
| Restricted for OPEB Benefits | 1,416 | |
| Total Net Position | \$ 42,357,284 | |

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, 2017

| | <u>Pension and OPEB Trust Funds</u> |
|---|--|
| Additions | |
| Contributions: | |
| Employer | \$ 1,469,842 |
| Plan Members | <u>548,148</u> |
| Total Contributions | <u>2,017,990</u> |
| Investment Income: | |
| Net Appreciation/(Depreciation) in Fair Value of Investments | 3,319,089 |
| Interest and Dividends | <u>919,002</u> |
| Total Investment Income | 4,238,091 |
| Less: Investment Management Fees | <u>(209,072)</u> |
| Total Additions | <u>6,047,009</u> |
| Deductions | |
| Pension Benefits | 2,495,897 |
| Administrative Expenses | <u>89,335</u> |
| Total Deductions | <u>2,585,232</u> |
| Change in Net Position | 3,461,777 |
| Net Position at Beginning of Year | <u>38,895,507</u> |
| Net Position at End of Year | <u>\$ 42,357,284</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
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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 Expense in this category. Deferred pension expense results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension 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 government 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, 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. 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 plans. The amounts will be amortized over a five-year closed period beginning in the year in which the difference occurred.

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Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the year they are incurred.

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

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

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

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

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

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

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

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

Nonspendable Fund Balance - Indicates amounts that cannot be spent because they are either not in spendable form (inventories), or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including prepaid expenditures and permanent fund principal.

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

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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 deferred 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.

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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 \$4,927,827 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.

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- **Excess Cost Grant** – The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue.
- **Long-Term Debt and Lease Financing** – Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash Basis Payroll** – Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

Deficit Fund Equity

The following funds had deficit fund balances as of June 30, 2017:

| | |
|--------------------------|----------------|
| Capital Improvement Fund | \$ (4,507,386) |
| Internal Service Funds | (1,684,993) |
| Recreation Programs | (34,497) |

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, 2017.

Detailed Cash Notes on all Funds

| | Governmental <u>Funds</u> | Fiduciary <u>Funds</u> | Proprietary <u>Funds</u> | <u>Total</u> |
|------------------|------------------------------|---------------------------|-----------------------------|----------------------|
| Cash | \$ 11,130,201 | \$ 516,921 | \$ 4,841,217 | \$ 16,488,339 |
| Cash Equivalents | 829,805 | - | 25 | 829,830 |
| Restricted Cash | - | - | 155,578 | 155,578 |
| Total | <u>\$ 11,960,006</u> | <u>\$ 516,921</u> | <u>\$ 4,996,820</u> | <u>\$ 17,473,747</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.

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Notes to the Financial Statements

At year-end, the Town's carrying amount of deposits was \$16,643,917 and the bank balance was \$17,275,177. Of the bank balance, the Federal Depository Insurance Corporation insured \$1,276,614.

As of June 30, 2017, \$15,988,563 of the Town's bank balance of \$17,275,177 was exposed to custodial credit risk as follows:

| | |
|--|----------------------|
| Uninsured and uncollateralized | \$ 14,273,707 |
| Uninsured and collateral held by pledging bank's Trust department not in the Town's name | <u>1,724,856</u> |
| Total | <u>\$ 15,998,563</u> |

Cash Equivalents

At June 30, 2017, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$829,830. 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- | \$ 5,881,863 | N/A | \$ 5,881,863 | N/A |
| Mutual Funds | N/A | 36,474,005 | N/A | N/A | N/A |
| Common Stock | N/A | <u>2,896</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Total Investments | | <u>\$ 42,358,764</u> | <u>\$ -</u> | <u>\$ 5,881,863</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, 2017 | 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 | \$ 5,881,863 | \$ 5,881,863 | \$ - | \$ - |
| Mutual Funds | 36,474,005 | 36,474,005 | - | - |
| Common Stock | <u>2,896</u> | <u>2,896</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 42,358,764</u> | <u>\$ 42,358,764</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 | \$ 1,377,402 | \$ - | \$ - | \$ - | \$ - | \$ 1,377,402 |
| Interest, Liens, and Fees | 409,278 | - | - | - | - | 409,278 |
| Assessments | 744,148 | - | - | - | - | 744,148 |
| Usage Charges | - | 639,947 | 380,988 | - | - | 1,020,935 |
| Loans | - | - | - | - | 804,669 | 804,669 |
| Intergovernmental | 736,651 | 407,003 | - | 2,336,988 | 236,352 | 3,716,994 |
| Accounts | 497,869 | - | - | - | - | 497,869 |
| Gross Receivables | <u>3,765,348</u> | <u>1,046,950</u> | <u>380,988</u> | <u>2,336,988</u> | <u>1,041,021</u> | <u>8,571,295</u> |
| Less allowance for uncollectibles: | | | | | | |
| Property taxes | (168,000) | - | - | - | - | (168,000) |
| Interest, Liens, and Fees | (41,000) | - | - | - | - | (41,000) |
| Accounts | (31,000) | - | - | - | - | (31,000) |
| Total allowance | <u>(240,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(240,000)</u> |
| Net Total Receivables | <u>\$ 3,525,348</u> | <u>\$ 1,046,950</u> | <u>\$ 380,988</u> | <u>\$ 2,336,988</u> | <u>\$ 1,041,021</u> | <u>\$ 8,331,295</u> |

Of the intergovernmental receivables, \$736,651 in reimbursements for education bonds from the State is a long-term receivable and not expected to be collected within one year. Intergovernmental receivables in the Sewer Authority of \$407,003 are to be collected from the Watertown Fire District for their portion of the Waterbury Sewer Plan. \$271,335 of this is long-term and not expected to be collected within one year. In addition, the assessments receivable of \$744,148 and the loans receivable of \$804,669 in the other governmental funds are long-term receivables and not expected to be collected within one year.

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Notes to the Financial Statements

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Governmental Funds |
|--|-------------------------------|
| General Fund: | |
| Advances on Grants | \$ 582,209 |
| Nonmajor Funds: | |
| Advances on Grants | 30,086 |
| Rehab Loans | 1,157 |
| Fees Collected in Advance | <u>47,155</u> |
| Total Unearned Revenue for Governmental Funds | <u><u>\$ 660,607</u></u> |

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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 | \$ 2,597,876 | \$ 550,000 | \$ - | \$ 3,147,876 |
| Total capital assets, not being depreciated | <u>2,597,876</u> | <u>550,000</u> | <u>-</u> | <u>3,147,876</u> |
| Capital assets, being depreciated | | | | |
| Buildings and Improvements | 164,945,089 | 293,347 | - | 165,238,436 |
| Vehicles | 9,634,427 | 170,664 | (210,826) | 9,594,265 |
| Machinery & Equipment | 6,621,052 | 713,831 | - | 7,334,883 |
| Infrastructure | 81,087,589 | 752,079 | - | 81,839,668 |
| Total capital assets, being depreciated | <u>262,288,157</u> | <u>1,929,921</u> | <u>(210,826)</u> | <u>264,007,252</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | 33,777,733 | 3,533,557 | - | 37,311,290 |
| Vehicles | 7,691,483 | 663,843 | (210,826) | 8,144,500 |
| Machinery & Equipment | 5,470,416 | 402,506 | - | 5,872,922 |
| Infrastructure | 29,783,231 | 1,475,465 | - | 31,258,696 |
| Total accumulated depreciation, net | <u>76,722,863</u> | <u>6,075,371</u> | <u>(210,826)</u> | <u>82,587,408</u> |
| Total capital assets, being depreciated | <u>185,565,294</u> | <u>(4,145,450)</u> | <u>-</u> | <u>181,419,844</u> |
| <i>Governmental Activities capital assets, net</i> | <u>\$ 188,163,170</u> | <u>\$ (3,595,450)</u> | <u>\$ -</u> | <u>\$ 184,567,720</u> |
| <i>Business-Type Activities:</i> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,019,600 | \$ - | \$ - | \$ 1,019,600 |
| Construction in Progress | 183,206 | 65,527 | - | 248,733 |
| Total capital assets, not being depreciated | <u>1,202,806</u> | <u>65,527</u> | <u>-</u> | <u>1,268,333</u> |
| Capital assets, being depreciated | | | | |
| Buildings and Improvements | 2,777,724 | 33,876 | - | 2,811,600 |
| Vehicles | 324,777 | - | - | 324,777 |
| Machinery & Equipment | 963,781 | 7,400 | - | 971,181 |
| Infrastructure | 23,555,110 | - | (605) | 23,554,505 |
| Total capital assets, being depreciated | <u>27,621,392</u> | <u>41,276</u> | <u>(605)</u> | <u>27,662,063</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | 1,867,295 | 59,331 | - | 1,926,626 |
| Vehicles | 258,687 | 34,158 | - | 292,845 |
| Machinery & Equipment | 953,799 | 1,997 | - | 955,796 |
| Infrastructure | 11,220,835 | 421,183 | - | 11,642,018 |
| Total accumulated depreciation | <u>14,300,616</u> | <u>516,669</u> | <u>-</u> | <u>14,817,285</u> |
| Total capital assets, being depreciated, net | <u>13,320,776</u> | <u>(475,393)</u> | <u>(605)</u> | <u>12,844,778</u> |
| <i>Business-Type Activities capital assets, net</i> | <u>\$ 14,523,582</u> | <u>\$ (409,866)</u> | <u>\$ (605)</u> | <u>\$ 14,113,111</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 | \$ 5,539 |
| Public Safety | 896,858 |
| Public Works | 1,863,055 |
| Education | 3,140,105 |
| Parks and Recreation | <u>169,814</u> |

Total Depreciation Expense

| | |
|-------------------------|----------------------------|
| Governmental Activities | <u><u>\$ 6,075,371</u></u> |
|-------------------------|----------------------------|

Business-Type Activities:

| | |
|-------|---------------|
| Sewer | \$ 256,821 |
| Water | 236,714 |
| Golf | <u>23,133</u> |

Total Depreciation Expense

| | |
|--------------------------|--------------------------|
| Business-Type Activities | <u><u>\$ 516,668</u></u> |
|--------------------------|--------------------------|

Construction Commitments

The Town has several active bridge construction projects as of June 30, 2017. 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 | \$ 306,685 | \$ 306,685 | \$ 249,118 | \$ 11,344,197 |
| Roadway and Drainage | 2,034,704 | 4,635 | 1,867,040 | - | 167,664 |
| Road, Bridge and Drainage | <u>4,000,000</u> | <u>573,767</u> | <u>3,056,486</u> | <u>363,557</u> | <u>579,957</u> |
| | <u><u>\$ 17,934,704</u></u> | <u><u>\$ 885,087</u></u> | <u><u>\$ 5,230,211</u></u> | <u><u>\$ 612,675</u></u> | <u><u>\$ 12,091,818</u></u> |

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund transfers is presented below:

| Transfer to: | Transfer from: | | | | Total |
|----------------------------------|--------------------------|-------------------------|-------------------------|--------------------------------|-----------------------|
| | General Fund | Sewer Fund | Water Fund | Capital Improvement Fund | |
| General Fund | \$ - | \$ 42,945 | \$ 50,714 | \$ 21,116 | \$ 114,775 |
| Vehicle Replacement | 125,000 | - | - | - | 125,000 |
| Public Works Vehicle Replacement | 70,000 | - | - | - | 70,000 |
| Capital Improvement Fund | 60,000 | - | - | - | 60,000 |
| Water Fund | <u>81,534</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>81,534</u> |
| | <u><u>\$ 336,534</u></u> | <u><u>\$ 42,945</u></u> | <u><u>\$ 50,714</u></u> | <u><u>\$ 21,116</u></u> | <u><u>451,309</u></u> |

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

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

Interfund receivables and payables are a result of temporary loans and/or advances to various funds. The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. The composition of interfund balances as of June 30, 2017 is as follows:

| Due From: | Due To: | Amount |
|------------|--------------|--------|
| Sewer Fund | General Fund | \$ |
| | | 9,946 |

NOTE 7 – LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Governmental Activities long-term liabilities for the year ended June 30, 2017 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| General Obligation Bonds | \$ 50,675,000 | \$ 1,075,000 | \$ 4,955,000 | \$ 46,795,000 | \$ 5,030,000 |
| Unamortized Premiums | 1,809,674 | 28,346 | 158,952 | 1,679,068 | 131,867 |
| Total Bonds Payable | <u>52,484,674</u> | <u>1,103,346</u> | <u>5,113,952</u> | <u>48,474,068</u> | <u>5,161,867</u> |
| Capital Leases | 768,099 | 202,762 | 457,462 | 513,399 | 309,104 |
| Compensated Absences | 3,527,712 | 265,215 | 343,570 | 3,449,357 | 1,187,776 |
| Post-Closure Landfill Costs | 275,620 | - | 51,868 | 223,752 | 27,969 |
| Special Termination Benefits | 212,012 | 28,661 | 129,899 | 110,774 | 83,381 |
| Pension Buy-In | 557,238 | - | 17,790 | 539,448 | 19,266 |
| Net Pension Liability | 10,428,002 | 911,786 | - | 11,339,788 | - |
| OPEB Obligation | <u>16,946,169</u> | <u>4,631,000</u> | <u>1,906,242</u> | <u>19,670,927</u> | <u>-</u> |
| Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$ 85,199,526</u> | <u>\$ 7,142,770</u> | <u>\$ 8,020,783</u> | <u>\$ 84,321,513</u> | <u>\$ 6,789,363</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, 2017 consisted of the following:

| Purpose | Year of Issue | Maturity Date | Interest Rate | Original Amount | Balance June 30, 2017 |
|--------------------------------|---------------|---------------|---------------|----------------------|-----------------------|
| Education* | 2005 | 8/1/2019 | 3-5% | \$ 16,375,000 | \$ 2,470,000 |
| General, Education and Sewer | 2009 | 7/1/2022 | 3-5% | 18,760,000 | 10,335,000 |
| General, Education and Sewer* | 2011 | 8/1/2025 | 2-4% | 6,110,000 | 5,240,000 |
| General, Education and Sewer* | 2012 | 4/1/2029 | 2-3% | 9,505,000 | 9,505,000 |
| Education | 2013 | 3/15/2028 | 2-3% | 2,000,000 | 1,460,000 |
| 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 | 2,740,000 |
| Education* | 2015 | 9/15/2029 | 2-4% | 5,550,000 | 4,785,000 |
| Sewer* | 2015 | 9/15/2027 | 1.5-3.0% | 715,000 | 585,000 |
| 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>\$ 46,795,000</u> |

*Refunding Bonds

Payments to maturity on general obligation bonds are as follows:

| Fiscal Year Ending | Principal | Interest |
|--------------------|----------------------|---------------------|
| 2018 | \$ 5,030,000 | \$ 1,597,842 |
| 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 |
| 2023-2027 | 16,910,000 | 2,396,748 |
| 2028-2032 | 6,160,000 | 515,215 |
| 2033-2037 | 850,000 | 40,126 |
| | <u>\$ 46,795,000</u> | <u>\$ 9,031,316</u> |

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2017 totaled \$1,692,658.

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

Pension Buy-In

The town has a note outstanding totaling \$539,448 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 |
|-----------------------|-------------------|-------------------|
| 2018 | \$ 19,266 | \$ 42,459 |
| 2019 | 20,865 | 40,860 |
| 2020 | 22,597 | 39,129 |
| 2021 | 24,471 | 37,253 |
| 2022 | 26,503 | 35,222 |
| 2023-2027 | 169,397 | 139,228 |
| 2028-2032 | 150,115 | 71,403 |
| 2033-2037 | 106,234 | 13,610 |
| | <u>\$ 539,448</u> | <u>\$ 419,164</u> |

Interest incurred and expensed on the buy-in for the year ended June 30, 2017 totaled \$43,936.

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 | \$ 1,867,408 |
| Less accumulated depreciation | <u>(878,034)</u> |
| Total | <u>\$ 989,374</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

| | Governmental Activities |
|---|----------------------------|
| Year ending June 30: | |
| 2018 | \$ 324,527 |
| 2019 | 160,916 |
| 2020 | <u>50,394</u> |
| Total Lease Payments | 535,837 |
| Less Amount Representing Interest | <u>(22,438)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 513,399</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 | \$ 24,600,000 | \$ 26,262,988 | \$ 5,294,012 |
| Judson Elementary School | | | | |
| Renovations and Additions | 15,859,000 | 7,500,000 | 7,389,408 | 969,592 |
| 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 | - | - | 11,900,000 |
| Water and Sewer Extension | 6,330,550 | - | - | 6,330,550 |
| | <u>\$ 136,532,469</u> | <u>\$ 52,025,000</u> | <u>\$ 57,457,045</u> | <u>\$ 27,050,424</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 \$223,752. The cost estimate is subject to change due to inflation or changes in cost estimate components. Current year costs amounted to \$32,581.

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, 2017 is \$110,774. This amount consists of payments due to retired individuals for retirement incentives that have been amortized over the following years:

| | Amount |
|----------------------|-------------------|
| Year ending June 30: | |
| 2018 | \$ 83,381 |
| 2019 | 22,109 |
| 2020 | 5,284 |
| Total | <u>\$ 110,774</u> |

Short-Term Obligations – 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 short-term obligations for the year ended June 30, 2017:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|------------------------|----------------------|----------------------|----------------------|---------------------|
| Bond Anticipation Note | <u>\$ 6,400,000</u> | <u>\$ 13,000,000</u> | <u>\$ 12,920,000</u> | <u>\$ 6,480,000</u> |

The outstanding bond anticipation note carries an interest rate of 2.0% and matures in January 2018. Total interest incurred and expensed on bond anticipation notes during the year was \$105,161.

Business-Type Activities

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2017 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|-----------------|-------------------|---------------------|------------------------|
| Business-Type Activities | | | | | |
| Clean Water Fund CWF 201-D1 | \$ 3,083 | \$ - | \$ 3,083 | \$ - | \$ - |
| Clean Water Fund CWF 201-C2 | 1,658,528 | - | 414,632 | 1,243,896 | 414,632 |
| Net Pension Liability | 581,945 | - | 252,465 | 329,480 | - |
| Compensated Absences | 180,414 | 7,480 | 28,124 | 159,770 | 64,351 |
| Pension Buy-In | 1,560 | - | 1,560 | - | - |
| Business-Type Activities | | | | | |
| Long-Term Liabilities | <u>\$ 2,425,530</u> | <u>\$ 7,480</u> | <u>\$ 699,864</u> | <u>\$ 1,733,146</u> | <u>\$ 478,983</u> |

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 \$1,243,896 as of June 30, 2017.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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 \$1,243,896 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 2017 totaled \$414,632.

Serial notes payable at June 30, 2017 comprise the following:

| | <u>Year of Issue</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Balance June 30, 2017</u> |
|--|--------------------------|--------------------------|--------------------------|----------------------------|----------------------------------|
| State of Connecticut Serial Note CWF 201-C2 | 2001 | 6/30/2020 | 2.00% | <u>\$ 8,085,318</u> | <u>\$ 1,243,896</u> |

The annual requirements to amortize serial notes payable as of June 30, 2017 are as follows:

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> |
|-------------------------------|---------------------|------------------|
| 2018 | \$ 414,632 | \$ 21,077 |
| 2019 | 414,632 | 12,784 |
| 2020 | <u>414,632</u> | <u>4,492</u> |
| | <u>\$ 1,243,896</u> | <u>\$ 38,353</u> |

Interest incurred and expensed in the enterprise funds for the year ended June 30, 2017 totaled \$29,374.

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, 2017 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 | - | - | 804,669 | 804,669 |
| Total Nonspendable | \$ - | \$ - | \$ 924,951 | \$ 924,951 |
| Restricted for: | | | | |
| General Government | \$ - | \$ - | \$ 32,957 | \$ 32,957 |
| Public Safety | - | - | 13,015 | 13,015 |
| Public Works | - | - | 167,955 | 167,955 |
| Health and Welfare | - | - | 136,486 | 136,486 |
| Education | - | - | 5,573 | 5,573 |
| Capital | - | - | 4,009 | 4,009 |
| Total Restricted | \$ - | \$ - | \$ 359,995 | \$ 359,995 |
| Committed to: | | | | |
| General Government | \$ - | \$ - | \$ 85,931 | \$ 85,931 |
| Public Safety | - | - | 17,871 | 17,871 |
| Public Works | - | - | 778 | 778 |
| Parks and Recreation | - | - | 282,793 | 282,793 |
| Health and Welfare | - | - | 53,216 | 53,216 |
| Education | - | - | 204,775 | 204,775 |
| Capital | - | - | 374,486 | 374,486 |
| Total Committed | \$ - | \$ - | \$ 1,019,850 | \$ 1,019,850 |
| Assigned: | | | | |
| General Fund - Encumbrances | \$ 691,815 | \$ - | \$ - | \$ 691,815 |
| Total Assigned | \$ 691,815 | \$ - | \$ - | \$ 691,815 |
| Unassigned: | \$ 5,302,434 | \$ (4,507,386) | \$ (34,497) | \$ 760,551 |

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 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 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, 2016), membership consisted of the following:

| | Town | Police |
|---|------------|-----------|
| Inactive plan members or beneficiaries receiving payments | 95 | 28 |
| Inactive plan members entitled but not yet receiving payments | 20 | - |
| Active Members | 127 | 36 |
| | <u>242</u> | <u>64</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 7.0% for the Town Retirement System and 28.4% 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, 2016). In the fiduciary fund financial statements, the Guaranteed Deposit account is recorded at market value as of June 30, 2017 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, 2017:

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Target Allocation and Expected Rate of Return June 30, 2017

| Town | | | |
|-----------------------------------|-------------------|-----------------------|---------------------|
| | Target | Long-Term | |
| <u>Asset Class</u> | <u>Allocation</u> | <u>Expected Real</u> | <u>Weighting</u> |
| | | <u>Rate of Return</u> | |
| Large Cap Equity | 31.00% | 8.00% | 2.48% |
| Mid Cap Equity | 4.00% | 8.50% | 0.34% |
| Small Cap Equity | 8.00% | 8.75% | 0.70% |
| International Equity | 12.00% | 7.50% | 0.90% |
| Fixed Income | 24.00% | 5.00% | 1.20% |
| Real Estate | 5.00% | 7.00% | 0.35% |
| Stable Value | 16.00% | 4.60% | 0.74% |
| | <u>100.00%</u> | | <u>6.71%</u> |
| Long-Term Inflation Expectation | | | <u>2.50%</u> |
| Long-Term Expected Nominal Return | | | <u><u>9.21%</u></u> |

| Police | | | |
|-----------------------------------|-------------------|-----------------------|---------------------|
| | Target | Long-Term | |
| <u>Asset Class</u> | <u>Allocation</u> | <u>Expected Real</u> | <u>Weighting</u> |
| | | <u>Rate of Return</u> | |
| Large Cap Equity | 26.00% | 8.00% | 2.08% |
| Mid Cap Equity | 7.00% | 8.50% | 0.60% |
| Small Cap Equity | 7.00% | 8.75% | 0.61% |
| International Equity | 10.00% | 7.50% | 0.75% |
| Fixed Income | 27.00% | 5.00% | 1.35% |
| Real Estate | 5.00% | 7.00% | 0.35% |
| Stable Value | 18.00% | 4.60% | 0.83% |
| | <u>100.00%</u> | | <u>6.57%</u> |
| Long-Term Inflation Expectation | | | <u>2.50%</u> |
| Long-Term Expected Nominal Return | | | <u><u>9.07%</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, 2017 | 11.2% |
| Police - Net money-weighted rate of return for the year ended June 30, 2017 | 10.2% |

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, 2017, were as follows:

| | Town | Police |
|--|---------------|---------------|
| Total pension liability | \$ 24,359,989 | \$ 28,825,031 |
| Plan fiduciary net position | 21,545,320 | 20,831,374 |
| Net pension liability (asset) | 2,814,669 | 7,993,657 |
| Plan fiduciary net position as a percentage of total pension liability | 88.45% | 72.27% |
| Covered-employee payroll | 6,363,036 | 3,460,441 |
| Net pension liability as a % of covered-employee payroll | 44.23% | 231.00% |

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2016 valuation and projected forward to a measurement date of June 30, 2017:

| | | |
|----------------------------------|---|-----------------------|
| Valuation timing | Actuarially determined contribution rates are calculated as of January 1, 2016, 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 | 7.25% 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 | RP-2014 Mortality Table | |

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 | \$ 5,305,839 | \$ 2,814,669 | \$ 544,883 |
| | | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
| Police | Net Pension Liability | \$ 11,127,778 | \$ 7,993,657 | \$ 5,129,398 |

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, 2016 | \$ 22,920,114 | \$ 19,858,713 | \$ 3,061,401 |
| Changes for the year: | | | |
| Service Cost | 534,404 | - | 534,404 |
| Interest | 1,620,129 | - | 1,620,129 |
| Differences Between Expected and Actual Experience | 486,567 | - | 486,567 |
| Employer Contributions | - | 446,566 | (446,566) |
| Member Contributions | - | 300,260 | (300,260) |
| Net Investment Income | - | 2,201,418 | (2,201,418) |
| Benefit Payments | (1,201,225) | (1,201,225) | - |
| Administrative Expenses | - | (60,412) | 60,412 |
| Net Changes | 1,439,875 | 1,686,607 | (246,732) |
| Balance at June 30, 2017 | <u>\$ 24,359,989</u> | <u>\$ 21,545,320</u> | <u>\$ 2,814,669</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | 88.45% |
| Covered-Employee Payroll | | | \$ 6,363,036 |
| Net pension liability as a percentage of covered-employee payroll | | | 44.23% |

| Police | Increase (Decrease) | | |
|--|----------------------|----------------------|------------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| | Liability (a) | Net Position (b) | Liability (a) - (b) |
| Balance at June 30, 2016 | \$ 26,105,796 | \$ 18,993,727 | \$ 7,112,069 |
| Changes for the year: | | | |
| Service Cost | 471,622 | - | 471,622 |
| Interest | 1,836,955 | - | 1,836,955 |
| Differences Between Expected and Actual Experience | 1,705,330 | - | 1,705,330 |
| Employer Contributions | - | 981,681 | (981,681) |
| Member Contributions | - | 247,888 | (247,888) |
| Net Investment Income | - | 1,931,673 | (1,931,673) |
| Benefit Payments | (1,294,672) | (1,294,672) | - |
| Administrative Expenses | - | (28,923) | 28,923 |
| Net Changes | 2,719,235 | 1,837,647 | 881,588 |
| Balance at June 30, 2017 | <u>\$ 28,825,031</u> | <u>\$ 20,831,374</u> | <u>\$ 7,993,657</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | 72.27% |
| Covered-Employee Payroll | | | \$ 3,460,441 |
| Net pension liability as a percentage of covered-employee payroll | | | 231.00% |

TOWN OF WATERTOWN, CONNECTICUT
Notes to the Financial Statements

For the year ended June 30, 2017, the total pension expense recognized was \$2,641,100 for the Town plan and \$4,013,907 for the Police plan. As of June 30, 2017, 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 | \$ - | \$ 269,236 |
| Differences between expected and actual experience | 2,175,029 | - |
| Changes of assumptions | 2,007,489 | - |
| Total | <u>\$ 4,182,518</u> | <u>\$ 269,236</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:

| | |
|------|---------------------|
| 2018 | \$ 495,547 |
| 2019 | 810,372 |
| 2020 | 1,345,753 |
| 2021 | 1,103,361 |
| 2022 | 158,249 |
| | <u>\$ 3,913,282</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% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2017 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$1,302,350. Covered payroll for the Town for the year ended June 30, 2017 was approximately \$17,963,928.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2017 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>62,461,044</u> |
| Total | <u>\$ 62,461,044</u> |

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

For the year ended June 30, 2017, the Town recognized benefits expense and contribution revenue of \$4,277,670 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$6,811,601 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, 2016, 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 retire on or after September 1, 1992 are assumed to receive an annual cost-of-living adjustment of 2%.

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 | 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.

Support Provided by Non-employer contributing Entities: The Town has a special funding situation whereby the State is obligated to pay the pension costs of the teachers' Retirement System and the Town is not required to pay any of the costs. However, the Town must record the costs paid by the State on behalf of the Town's employees as revenue and expense in its GAAP financial statements which amounted to \$4,277,670 as revenue and expense.

Obtaining a Report of the Plan: Teachers' Retirement System 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. The reports include information on the plan's assets, deferred outflows of resource, liabilities, deferred inflows of resources, and fiduciary net position. The stand-alone financial report may be obtained through the Teachers' retirement Board at www.ct.gov/trb

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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

Municipal Employees' Retirement System

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

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

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, 2017 the Town reports a total liability of \$860,942 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2016, 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, 2016, the Town's proportion was 4.39%.

For the year ended June 30, 2017, the Town recognized pension expense of \$206,525. As of June 30, 2017, 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 | \$ 109,976 | \$ - |
| Difference between projected and actual earnings | - | 250,230 |
| Difference between expected and actual experience | (18,555) | - |
| Change in proportional share | 134,845 | - |
| Total | <u>\$ 226,266</u> | <u>\$ 250,230</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:

| | |
|------|--------------------|
| 2018 | \$ 85,752 |
| 2019 | (24,224) |
| 2020 | (60,343) |
| 2021 | <u>(25,149)</u> |
| | <u>\$ (23,964)</u> |

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

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 | Current Discount Rate | 1% Increase |
|---|----------------|-----------------------------|----------------|
| | 7.0% | 8.0% | 9.0% |
| Net Pension Liability as of June 30, 2017 | \$ 135,837,801 | \$ 860,942 | \$ 46,439,015 |

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 \$41,595 to this plan during the year ended June 30, 2017. Participants are 100% vested, and are not required to contribute.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

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. 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. All retired program members receiving benefits are required to contribute up to 13% 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 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 – 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 2017 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,906,242.

The Town's funding strategy for postemployment obligations are based upon characteristics of benefits on several distinct groups of employees are established within their respective collective bargaining units and/or contracts. Full-time employees of the Town or Board of Education who retire from the Town are eligible if they meet the following criteria:

- Completion of 25 years of service (police only)
- Attainment of age 55 as an active member and completion of 10 years of service.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

Effect of 1% Change in Healthcare Trend Rates – In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$72,828,809 or by 29.9% and the corresponding Normal Cost would increase to \$2,150,676 or by 44%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$45,766,727 or by 18.3% and the corresponding Normal Cost would decrease to \$905,324 or by 39.4%.

Annual OPEB Cost and Net OPEB Obligations

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, that if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

| | |
|--|-----------------------------|
| Annual required contribution (ARC) | \$ 3,234,809 |
| Interest on net OPEB obligation | 677,808 |
| Adjustment to annual required contribution | (942,249) |
| Amortization of Actuarial (Gains)/Losses | <u>1,661,632</u> |
| Annual OPEB cost | 4,632,000 |
| Contributions made | <u>1,906,242</u> |
| Increase in net OPEB obligation | 2,725,758 |
| Net OPEB Obligation, Beginning of Year | <u>16,945,169</u> |
| Net OPEB Obligation, End of Year | <u><u>\$ 19,670,927</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented below.

| Fiscal Year Ended | Annual OPEB Cost (AOC) | Actual Contribution | Percentage of AOC Contributed | Net OPEB Obligation |
|-------------------------|------------------------------|------------------------|-------------------------------------|---------------------------|
| June 30, 2015 | \$ 3,455,906 | \$ 1,199,068 | 34.7% | \$ 14,542,308 |
| June 30, 2016 | 3,657,120 | 1,254,259 | 34.3% | 16,945,169 |
| June 30, 2017 | 4,632,000 | 1,906,242 | 41.2% | 19,670,927 |

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$56,047,433, and the actuarial value of assets was \$1,409, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,046,024. The covered payroll (annual payroll of active employees covered by the plan) was \$28,286,748 and the ratio of the UAAL to covered payroll was 198.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2016 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 5%. The actuarial value of assets was determined using market value. The general inflation assumption is 2.75%. Annual compensation increases are estimated to be 3%. The UAAL is being amortized on a level-dollar basis over a 30-year period. The remaining amortization period at July 1, 2016 was 22 years.

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 |
|------------|--------------------------|---|----------------|-----------------------|
| 2017 | \$ 2,136,058 | \$ 641,938 | \$ (508,686) | \$ 2,269,310 |
| 2016 | 2,599,325 | 253,500 | (716,767) | 2,136,058 |
| 2015 | 2,471,770 | 839,854 | (712,299) | 2,599,325 |

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 |
|------------|--------------------------|---|-----------------|-----------------------|
| 2017 | \$ 939,481 | \$ 12,083,889 | \$ (12,393,901) | \$ 629,469 |
| 2016 | 487,000 | 10,474,905 | (10,022,424) | 939,481 |
| 2015 | 650,000 | 9,789,160 | (9,952,160) | 487,000 |

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

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, 2017, 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.

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. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* - addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

- Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability – the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

GASB Statement No. 75 carries forward from GASB statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of the Statement are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements* - This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resource become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

GASB Statement No. 82 - *Pension Issues* – an amendment of GASB Statements No. 67, No. 68 and No. 73 - This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for periods beginning after June 15, 2017.

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.

TOWN OF WATERTOWN, CONNECTICUT

Notes to the Financial Statements

GASB Statement No. 86 - *Certain Debt Extinguishment Issues* - This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

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 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.

Required Supplementary Information

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TOWN OF WATERTOWN, CONNECTICUT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

Page 1 of 5

| | <u>Budgeted Amounts</u> | | Actual | |
|---|-------------------------|-------------------|--------------------------|------------------|
| | <u>Original</u> | <u>Amended</u> | Budgetary | <u>Variance</u> |
| | | | Basis | |
| REVENUES | | | | |
| Property Taxes | | | | |
| Current Year | \$ 53,109,020 | \$ 53,109,020 | \$ 53,486,794 | \$ 377,774 |
| Prior Year | 475,000 | 475,000 | 691,963 | 216,963 |
| Interest and Lien Fees | 315,000 | 315,000 | 378,198 | 63,198 |
| Scholarship Fund | 1,600 | 1,600 | 1,245 | (355) |
| Total Property Taxes | <u>53,900,620</u> | <u>53,900,620</u> | <u>54,558,200</u> | <u>657,580</u> |
| Intergovernmental | | | | |
| State of Connecticut - Education | | | | |
| School Construction | 551,527 | 551,527 | 551,527 | - |
| Interest Subsidy | 61,363 | 61,363 | 74,914 | 13,551 |
| Public Transportation | 159,284 | 159,284 | - | (159,284) |
| Nonpublic Health and Social Services | 30,083 | 30,083 | 32,610 | 2,527 |
| Equalization (ECS) | <u>11,949,758</u> | <u>11,949,758</u> | <u>11,714,756</u> | <u>(235,002)</u> |
| Total State of Connecticut - Education | <u>12,752,015</u> | <u>12,752,015</u> | <u>12,373,807</u> | <u>(378,208)</u> |
| Federal and State of Connecticut - Other | | | | |
| PILOT State Property | 16,042 | 16,042 | 15,917 | (125) |
| Mashantucket Pequot | 75,381 | 75,381 | 75,186 | (195) |
| Elderly Tax Relief | 200,126 | 200,126 | 192,074 | (8,052) |
| Tax Relief for Veterans | 30,206 | 30,206 | 27,664 | (2,542) |
| Other to Town | - | - | 49 | 49 |
| Telephone Access | 49,918 | 49,918 | 48,039 | (1,879) |
| Municipal Aid Adjustment | 642,281 | 642,281 | 642,281 | - |
| MRSF Revenue Sharing | - | - | 453,012 | 453,012 |
| Skilton Road Bridge | - | - | 1,726 | 1,726 |
| Fusion Centers | <u>60,000</u> | <u>60,000</u> | <u>25,000</u> | <u>(35,000)</u> |
| Total Federal and State of Connecticut - Other | <u>1,073,954</u> | <u>1,073,954</u> | <u>1,480,948</u> | <u>406,994</u> |
| Total Intergovernmental | <u>13,825,969</u> | <u>13,825,969</u> | <u>13,854,755</u> | <u>28,786</u> |
| Departmental | | | | |
| Local Revenues | | | | |
| Communication for Tower Rental | 183,340 | 183,340 | 186,055 | 2,715 |
| Equipment and Scrap Sales | 18,000 | 18,000 | 1,834 | (16,166) |
| Scrap Iron, Oil, Glass | 3,500 | 3,500 | 3,169 | (331) |
| Water and Sewer Authority | 16,800 | 16,800 | 7,769 | (9,031) |
| Miscellaneous Town Clerk Fees | 36,000 | 36,000 | 44,813 | 8,813 |
| Miscellaneous Fishing and Hunting | 13,000 | 13,000 | 11,392 | (1,608) |
| Town Clerk Dog Licenses | 12,000 | 12,000 | 11,524 | (476) |
| Conveyance Tax | 155,000 | 155,000 | 225,049 | 70,049 |
| Town Clerk Recording | 150,000 | 150,000 | 170,412 | 20,412 |
| Assessor Photocopies | 650 | 650 | 639 | (11) |

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, 2017

| | Budgeted Amounts | | Actual | |
|-----------------------------------|------------------|---------|-----------------|----------|
| | Original | Amended | Budgetary Basis | Variance |
| Supplemental Dog Licenses | 700 | 700 | 720 | 20 |
| Supplemental Marriage Licenses | 1,400 | 1,400 | 1,007 | (393) |
| Animal Population Control | 3,500 | 3,500 | 3,466 | (34) |
| 3-LOCIP Preservation | 8,000 | 8,000 | 8,542 | 542 |
| Pool Fees | 8,300 | 8,300 | 9,811 | 1,511 |
| Damage Claims and Settlements | 2,500 | 2,500 | 52,479 | 49,979 |
| Miscellaneous Local Revenue | 57,000 | 57,000 | 90,986 | 33,986 |
| Deposits on Plans & Specs | - | - | 450 | 450 |
| Recreation Mini-bus | 860 | 860 | 523 | (337) |
| Town Vehicle Use | 11,500 | 11,500 | 9,858 | (1,642) |
| Transfer Station Fees | 71,574 | 71,574 | 65,508 | (6,066) |
| Landfill Fees | 57,000 | 57,000 | 42,894 | (14,106) |
| Total Local Revenues | 810,624 | 810,624 | 948,900 | 138,276 |
| Permits and Fees | | | | |
| Zoning Board of Appeals | 3,000 | 3,000 | 3,620 | 620 |
| Planning and Zoning | 19,400 | 19,400 | 25,668 | 6,268 |
| Zoning Compliance Fees | 25,000 | 25,000 | 32,495 | 7,495 |
| Subdivision Inspection Fees | 2,000 | 2,000 | - | (2,000) |
| Soil/Waste State Fee | 21,000 | 21,000 | 22,920 | 1,920 |
| Inland - Wetlands | 5,000 | 5,000 | 5,701 | 701 |
| Building Permits | 276,000 | 276,000 | 305,786 | 29,786 |
| Building Inspection Education Fee | 3,000 | 3,000 | 3,456 | 456 |
| Blasting Permits | 300 | 300 | 480 | 180 |
| Street Opening Permits | 4,000 | 4,000 | 3,815 | (185) |
| Miscellaneous Permits and Fees | 700 | 700 | 278 | (422) |
| Total Permits and Fees | 359,400 | 359,400 | 404,219 | 44,819 |
| Police | | | | |
| Parking Tickets | 3,000 | 3,000 | 2,850 | (150) |
| Pistol Permits | 20,000 | 20,000 | 31,387 | 11,387 |
| Police Reports | 2,000 | 2,000 | 3,449 | 1,449 |
| Solicitor Permits | 600 | 600 | 609 | 9 |
| Bingo and Raffle | 100 | 100 | 60 | (40) |
| Alarm Charges | 10,000 | 10,000 | 15,734 | 5,734 |
| Police Service | 689,500 | 689,500 | 659,429 | (30,071) |
| Animal Control Fees | 1,200 | 1,200 | 889 | (311) |
| Miscellaneous Police Service | 55,500 | 55,500 | 55,855 | 355 |
| Total Police | 781,900 | 781,900 | 770,262 | (11,638) |

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, 2017

Page 3 of 5

| | Budgeted Amounts | | Actual | |
|---|----------------------|----------------------|----------------------|---------------------|
| | Original | Amended | Budgetary Basis | Variance |
| Board of Education | | | | |
| Tuition | 4,600 | 4,600 | 13,781 | 9,181 |
| Latchkey Program | 3,500 | 3,500 | 8,415 | 4,915 |
| Community Service Reimbursement | 500 | 500 | 18,171 | 17,671 |
| Miscellaneous School | 3,300 | 3,300 | 1,937 | (1,363) |
| Total Board of Education | 11,900 | 11,900 | 42,304 | 30,404 |
| Total Departmental | 1,963,824 | 1,963,824 | 2,165,685 | 201,861 |
| Investment Income | 27,500 | 27,500 | 64,859 | 37,359 |
| Other | | | | |
| Taft Contributions | 160,000 | 160,000 | 175,000 | 15,000 |
| Other Miscellaneous Revenue | 85,890 | 85,890 | 116,972 | 31,082 |
| Heritage Bond Reimbursement | 72,128 | 72,128 | 72,129 | 1 |
| Bond Proceeds | - | - | 550,000 | 550,000 |
| Bond Premium | - | - | 28,346 | 28,346 |
| Cancellation of Prior Year Encumbrances | - | - | 75,834 | 75,834 |
| Total Other | 318,018 | 318,018 | 1,018,281 | 700,263 |
| Total Revenues | <u>\$ 70,035,931</u> | <u>\$ 70,035,931</u> | <u>\$ 71,661,780</u> | <u>\$ 1,625,849</u> |
| EXPENDITURES | | | | |
| General Government | | | | |
| Town Council | 16,588 | 16,588 | 7,375 | 9,213 |
| Town Manager | 252,312 | 256,113 | 255,261 | 852 |
| Economic Development | 36,481 | 36,481 | 31,955 | 4,526 |
| Finance Department: | | | | |
| Administration | 501,358 | 528,326 | 527,228 | 1,098 |
| Treasurer | 55,538 | 58,724 | 58,721 | 3 |
| Tax Collector | 192,399 | 198,958 | 197,981 | 977 |
| Assessor | 240,346 | 275,404 | 272,081 | 3,323 |
| Board of Tax Review | 1,500 | 1,500 | 1,500 | - |
| Town Clerk | 202,543 | 206,862 | 206,824 | 38 |
| Elections | 106,939 | 92,574 | 88,824 | 3,750 |
| Planning and Zoning | 249,237 | 234,502 | 233,070 | 1,432 |
| Board of Appeals | 14,557 | 11,641 | 10,860 | 781 |
| Historic Districts | 575 | 575 | 54 | 521 |
| Public Building | 585,866 | 755,682 | 704,965 | 50,717 |
| Building Inspections | 179,878 | 185,608 | 184,459 | 1,149 |
| Conservation Commission | 14,887 | 12,444 | 11,386 | 1,058 |
| Total General Government | 2,651,004 | 2,871,982 | 2,792,544 | 79,438 |

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, 2017

| | <u>Budgeted Amounts</u> | | Actual | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-----------------|
| | <u>Original</u> | <u>Amended</u> | <u>Budgetary</u> | <u>Variance</u> |
| | | | <u>Basis</u> | |
| Public Safety | | | | |
| Fire Department: | | | | |
| Administration | 241,025 | 241,025 | 234,964 | 6,061 |
| Suppression and Rescue | 387,697 | 362,240 | 358,100 | 4,140 |
| Maintenance and Support | 217,580 | 217,580 | 201,814 | 15,766 |
| Police Department: | | | | |
| Administration | 456,614 | 450,966 | 445,270 | 5,696 |
| Patrol and Detectives | 3,491,211 | 3,620,148 | 3,609,071 | 11,077 |
| Maintenance and Support | 127,896 | 134,602 | 131,619 | 2,983 |
| Traffic | 5,000 | 6,070 | 5,570 | 500 |
| Animal Control | 87,082 | 88,414 | 79,868 | 8,546 |
| Communications | 591,814 | 632,965 | 631,060 | 1,905 |
| Total Public Safety | <u>5,605,919</u> | <u>5,754,010</u> | <u>5,697,336</u> | <u>56,674</u> |
| Public Works | | | | |
| Engineering and Administration | 577,359 | 598,688 | 583,369 | 15,319 |
| Highway | 2,491,685 | 2,656,754 | 2,450,508 | 206,246 |
| Snow Removal | 442,623 | 440,387 | 437,815 | 2,572 |
| Solid Waste Disposal | 316,770 | 219,449 | 177,475 | 41,974 |
| Street Lighting | 200,000 | 223,498 | 209,795 | 13,703 |
| Tree Removal | 38,700 | 38,700 | 35,183 | 3,517 |
| Total Public Works | <u>4,067,137</u> | <u>4,177,476</u> | <u>3,894,145</u> | <u>283,331</u> |
| Parks and Recreation | | | | |
| Parks Administration | 463,333 | 460,950 | 457,420 | 3,530 |
| Recreation Administration | 349,815 | 362,326 | 360,782 | 1,544 |
| Senior Center | 116,820 | 117,579 | 116,961 | 618 |
| Total Parks and Recreation | <u>929,968</u> | <u>940,855</u> | <u>935,163</u> | <u>5,692</u> |
| Health and Welfare | | | | |
| Social Services | 21,000 | 16,428 | 16,428 | - |
| Health Services | 127,281 | 127,849 | 127,848 | 1 |
| Total Health and Welfare | <u>148,281</u> | <u>144,277</u> | <u>144,276</u> | <u>1</u> |
| Education | | | | |
| Board of Education | <u>41,071,791</u> | <u>43,735,148</u> | <u>43,730,336</u> | <u>4,812</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, 2017

Page 5 of 5

| | Budgeted Amounts | | Actual | |
|--|-------------------|-----------------------|-----------------------|---------------------|
| | Original | Amended | Budgetary Basis | Variance |
| Miscellaneous | | | | |
| Legal | 174,639 | 247,396 | 247,396 | - |
| Employee Benefits | 5,572,652 | 6,663,473 | 6,517,633 | 145,840 |
| Centralized Services | 733,009 | 755,581 | 728,924 | 26,657 |
| Non-Town Agencies | 1,986,943 | 2,580,493 | 2,572,023 | 8,470 |
| Reserved for Wages and Benefits | 220,804 | 225,671 | 225,670 | 1 |
| Reserved for Contingency | 35,000 | 3,612 | 3,612 | - |
| Total Miscellaneous | 8,723,047 | 10,476,226 | 10,295,258 | 180,968 |
| Debt Service | 6,838,784 | 6,863,784 | 6,838,320 | 25,464 |
| Total Expenditures | 70,035,931 | 74,963,758 | 74,327,378 | 636,380 |
| Excess (Deficiency) of Revenues over Expenditures - Budgetary Basis | \$ - | \$ (4,927,827) | (2,665,598) | \$ 2,262,229 |
| Adjustments to Generally Accepted Accounting Principles (GAAP): | | | | |
| Payments on Behalf of the Town not Recorded on a Budgetary Basis: | | | | |
| Revenues from Teachers' Retirement | | | 4,277,670 | |
| Expenditures from Teachers' Retirement | | | (4,277,670) | |
| Payments on Behalf of the Town not Recorded on a Budgetary Basis: | | | | |
| Revenues from Excess Cost Grant | | | 860,597 | |
| Expenditures from Excess Cost Grant | | | (860,597) | |
| Encumbrances Recorded on a Budget Basis, but not on the Modified Accrual Basis: | | | | |
| Prior Year Encumbrances | | | (467,589) | |
| Current Year Encumbrances | | | 691,815 | |
| Town Budgets for Payroll on a Cash Basis: | | | | |
| Prior Year Accrued Payroll | | | 157,106 | |
| Current Year Accrued Payroll | | | (205,199) | |
| Other Financing Sources - Difference in Treatment of Lease Financing: | | | | |
| Proceeds from Lease Financing | | | 202,762 | |
| Purchase of Equipment with Lease Financing | | | (202,762) | |
| Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis | | | \$ (2,489,465) | |

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

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT

Town of Watertown Retirement Income Plan Schedule of Changes in Net Pension Liability and Related Ratios For the Year Ended June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 534,404 | \$ 488,264 | \$ 505,034 | \$ 493,898 |
| Interest | 1,620,129 | 1,540,877 | 1,489,691 | 1,421,610 |
| Changes in Benefit Terms | - | 19,822 | - | - |
| Differences Between Expected and Actual Experience | | | | |
| Including Assumption Changes | 486,567 | 107,640 | 531,097 | (225,659) |
| Benefit Payments, Including Refunds of Member Contributions | <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 | 1,439,875 | 1,082,282 | 1,455,366 | 731,503 |
| Total Pension Liability - Beginning | <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>\$ 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 | \$ 446,566 | \$ 411,648 | \$ 372,789 | \$ 364,691 |
| Contributions - Member | 300,260 | 286,125 | 301,598 | 319,890 |
| Net Investment Income | 2,201,418 | 162,277 | 866,764 | 2,802,274 |
| Benefit Payments, Including Refunds of Member Contributions | (1,201,225) | (1,074,321) | (1,070,456) | (958,346) |
| Administrative Expenses | <u>(60,412)</u> | <u>(71,158)</u> | <u>(53,019)</u> | <u>(52,566)</u> |
| Net Change in Pension Fiduciary Net Position | 1,686,607 | (285,429) | 417,676 | 2,475,943 |
| Plan Fiduciary Net Position - Beginning | <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>\$ 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>\$ 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 | 88.45% | 86.64% | 92.24% | 96.78% |
| Covered-Employee Payroll | \$ 6,363,036 | \$ 6,326,497 | \$ 6,505,288 | \$ 6,409,573 |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 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 Four Fiscal Years

For the Year Ended June 30, 2017

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

Notes to Schedule

Valuation Date: 1/1/2016

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Cost |
| Remaining amortization period | 15 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 Four Fiscal Years

For the Year Ended June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 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, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 471,622 | \$ 457,058 | \$ 343,549 | \$ 329,808 |
| Interest | 1,836,955 | 1,652,133 | 1,646,496 | 1,600,613 |
| Differences Between Expected and Actual Experience | | | | |
| Including Changes of Assumptions | 1,705,330 | 1,606,784 | 7,870 | 317,189 |
| Benefit Payments, Including Refunds of Member Contributions | <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 | 2,719,235 | 2,534,094 | 867,763 | 1,131,793 |
| Total Pension Liability - Beginning | <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>\$ 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 | \$ 981,681 | \$ 875,571 | \$ 780,140 | \$ 770,262 |
| Contributions - Member | 247,888 | 226,756 | 218,034 | 186,890 |
| Net Investment Income | 1,931,673 | 180,904 | 826,329 | 2,422,469 |
| Benefit Payments, Including Refunds of Member Contributions | <u>(1,294,672)</u> | <u>(1,181,881)</u> | <u>(1,130,152)</u> | <u>(1,115,817)</u> |
| Administrative Expenses | <u>(28,923)</u> | <u>(34,663)</u> | <u>(30,002)</u> | <u>(25,288)</u> |
| Net Change in Pension Fiduciary Net Position | 1,837,647 | 66,687 | 664,349 | 2,238,516 |
| Plan Fiduciary Net Position - Beginning | <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>\$ 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>\$ 7,993,657</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 | 72.27% | 72.76% | 80.30% | 80.44% |
| Covered-Employee Payroll | \$ 3,460,441 | \$ 3,220,197 | \$ 2,909,407 | \$ 3,059,132 |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 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 Four Fiscal Years
For the Year Ended June 30, 2017

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

Notes to Schedule

Valuation Date: 1/1/2016

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 | 7.25% |
| 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 Four Fiscal Years
For the Year Ended June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 10.20% | 1.00% | 4.50% | 15.20% |

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUT
Schedule of Funding Progress
Other Post Employment Benefits Trust Fund
Last Three Valuations

Other Post-Employment Benefits

| Actuarial Valuation Date | (1) Actuarial Value of Assets Available For Benefits | (2) Actuarial Accrued Liability | (3) Funded Ratio <u>(1) / (2)</u> | (4) Unfunded Actuarial Accrued Liability <u>(2) - (1)</u> | (5) Covered Payroll | (6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll <u>(4) / (5)</u> |
|--------------------------------|--|---------------------------------------|--|---|---------------------------|---|
| July 1, 2016 | \$ 1,409 | \$ 56,047,433 | 0.0% | \$ 56,046,024 | \$ 28,286,748 | 198.1% |
| July 1, 2015 | 1,406 | 42,336,606 | 0.0% | 42,335,200 | 28,170,434 | 150.3% |
| July 1, 2014 | 1,404 | 40,730,369 | 0.0% | 40,728,965 | 27,349,936 | 148.9% |

See accountant's report.

TOWN OF WATERTOWN, CONNECTICUTSchedule of Employer Contributions
Other Post Employment Benefits Trust Fund
Last Six Fiscal Years

| <u>Fiscal Year Ended</u> | <u>Annual Required Contribution</u> | <u>Actual Contribution</u> | <u>Percentage Contributed</u> |
|----------------------------------|---|--------------------------------|-----------------------------------|
| 6/30/2017 | \$ 3,234,809 | \$ 1,906,242 | 58.93% |
| 6/30/2016 | 3,028,780 | 1,254,259 | 41.41% |
| 6/30/2015 | 2,917,842 | 1,199,068 | 41.09% |
| 6/30/2014 | 3,115,459 | 1,438,191 | 46.16% |
| 6/30/2013 | 3,061,982 | 1,338,660 | 43.72% |
| 6/30/2012 | 2,950,503 | 1,227,816 | 41.61% |

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, 2017

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

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

Schedule of Employer Contributions
Since Inception of GASB 68

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|
| Town's Contractually Required Contribution | \$ 118,825 | \$ 154,637 | \$ 153,818 | \$ 165,978 |
| Town's Contributions in Relation to the Contractually Required Contributio | <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> |
| Town's Covered-Employee Payroll | 1,044,159 | 1,355,765 | 1,283,958 | 1,385,459 |
| Town's Contributions as a Percentage of Covered-Employee Payroll | 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 | 25 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, 2017

Schedule of Proportionate Share of Net Pension Liability

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|
| Town's percentage of the net pension liability | 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>62,461,044</u> | <u>48,464,850</u> | <u>44,796,041</u> |
| Total | <u>\$ 62,461,044</u> | <u>\$ 48,464,850</u> | <u>\$ 44,796,041</u> |
| Town's covered-employee payroll | <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> |
| Plan fiduciary net position as a percentage of the total pension liability | <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.

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Appendix B-1

Form of Opinion of Bond Counsel and Tax Status – Series A Bonds and Notes

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APPENDIX B-1 - OPINION OF BOND COUNSEL AND TAX STATUS – THE SERIES A BONDS AND THE NOTES

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 the 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 the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds and the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds and the 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 \$11,000,000 General Obligation Bonds, Issue of 2018, Series A, dated as of October 25, 2018 and \$6,100,000 Bond Anticipation Notes, each dated as of October 25, 2018.

We have examined a record of proceedings authorizing the Bonds and the Notes, and based on our examination, we are of the opinion that the Town of Watertown is authorized to issue the Bonds and the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds and the 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 the Notes; the Bonds and the 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 the 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 the 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 the Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds and the 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 the 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 the 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 the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) 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, however, for tax years beginning prior to January 1, 2018, interest on the Bonds and the Notes is included in the calculation of a corporation’s adjusted current earnings for purposes of, and thus may be subject to, the Federal alternative minimum tax for certain corporations.

Based on the record of proceedings authorizing the Bonds and the Notes, it is our opinion that, under existing statutes: (1) 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 (2) 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.

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 the 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 the Notes. Failure to comply with any of these requirements may cause the interest on the Bonds and the 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 the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds and the 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 the 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 and, for tax years beginning prior to January 1, 2018, an alternative minimum tax on corporations. The alternative minimum tax on corporations has been repealed for tax years beginning after December 31, 2017. 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 the Notes are not “private activity bonds” so that interest on the Bonds and the Notes will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

For tax years beginning prior to January 1, 2018, the Code provides, however, that for certain corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation’s alternative minimum tax.

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 the 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 the Notes should consult their own tax advisors with respect to the tax consequences of ownership of the Bonds and the Notes and the treatment elected.

In addition to the matters addressed above, prospective purchasers of the Bonds and the Notes should be aware that the ownership of tax-exempt obligations, such as the Bonds and the 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 the 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 the Notes, under existing statutes: (1) 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 (2) 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.

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

Owners of the Bonds and the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds and the 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 the Notes may be greater than the amount payable on the Bonds and the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds and the 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 the Notes were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds and the 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 the 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 the Notes will not have an effect on the federal tax status or the market price of the Bonds and the 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 the 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 the 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 the 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 the Notes. Prospective owners of the Bonds and the 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 the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

Appendix B-2

Form of Opinion of Bond Counsel and Tax Status – Series B Bonds

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APPENDIX B-2 - OPINION OF BOND COUNSEL AND TAX STATUS – THE SERIES B BONDS

The following information has been prepared by Bond Counsel in connection with this bond 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 are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds 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 \$5,810,000 Federally Taxable General Obligation Bonds, Issue of 2018, Series B, dated as of October 25, 2018.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Watertown is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds 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 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 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.

It is our opinion that, under existing statutes and regulations, interest on the Bonds is not excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

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

Very truly yours,

Day Pitney LLP

TAX STATUS OF THE BONDS.

Federal Income Taxes

In the opinion of Bond Counsel, under existing law, interest on the Bonds is not excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Section 103 of the Internal Revenue Code of 1986, as amended.

United States Tax Consequences

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the Bonds by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Bond at its issue price, which is the first price at which a substantial amount of the Bonds is sold to the public, and who hold the Bonds as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, or United States Holders (as defined below) that have a “functional currency” other than the United States dollar (Special Taxpayers). This summary is applicable only to a person (United States Holder) who or which is the beneficial owner of the Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

United States Holders

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

Bonds Purchased at Original Issue Discount. The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount unless the amount of such excess is less than a specified *de minimis* amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity), in which case the original issue discount is treated as zero. The prices set forth on the inside cover page of the Official Statement for the Bonds are expected to be the initial offering prices at which a substantial amount of the Bonds were ultimately sold to the public. A United States Holder of a Bond having a maturity more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Bond) the daily portion of original issue discount, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. A United States Holder may irrevocably elect to include in gross income all interest that accrues on a Bond using the constant-yield method, subject to certain modifications.

Bonds Purchased at Original Issue Premium. The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these the Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The prices set forth on the inside cover page of the Official Statement for the Bonds are expected to be the initial offering prices at which a substantial amount of the Bonds were ultimately sold to the public. A holder of a Bond may elect to treat such excess as “amortizable bond premium,” in which case the amount of interest required to be included in the taxpayer's income each year with respect to interest on the Bond will be reduced by the amount of amortizable bond premium allocable (based on the Bond's yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer's tax basis in the Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the Internal Revenue Service (“IRS”).

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

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

Purchase, Sale, Exchange, and Retirement of Bonds. A United States Holder's tax basis in a Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Holder's income with respect to the Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's adjusted tax basis in the Bond. Except to the extent described above under *Bonds Purchased at a Market Discount*, gain or loss recognized on the sale, exchange or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the Bond was held for more than one year.

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

Medicare Tax Affecting U.S. Owners. For taxable years beginning after December 31, 2012, a U.S. owner that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) of the U.S. owner's “net investment

income” for the taxable year and (2) the excess of the U.S. owner’s modified adjusted gross income for the taxable year over a certain threshold. A U.S. owner’s net investment income will generally include its interest income and its net gains from the disposition of the Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual, estate, or trust should consult its own tax advisor regarding the applicability of the Medicare tax.

Information Reporting

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law, or is notified by the RS that it has failed properly to report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the Bonds.

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

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

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

State of Connecticut Tax on Interest

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

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

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

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. 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 will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, 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 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 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. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, 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 25, 2018 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$11,000,000 General Obligation Bonds, Issue of 2018, Series A and \$5,810,000 Federally Taxable General Obligation Bonds, Issue of 2018, Series B, each dated as of October 25, 2018 (collectively, 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 16, 2018 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, 2018) 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; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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.

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
Acting 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 25, 2018 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,100,000 Bond Anticipation Notes, dated as of October 25, 2018 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; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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.

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
Acting Finance Director

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Appendix D-1

Notice of Sale – Series A Bonds

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NOTICE OF SALE
\$11,000,000
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 16, 2018

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

\$11,000,000 General Obligation Bonds, Issue of 2018, Series A
Payable annually on October 15 as follows:

\$580,000 in 2020 through 2034
\$575,000 in 2035 through 2038

The Bonds will be dated October 25, 2018, with interest payable on October 15, 2019 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 September and March.

Redemption. Bonds maturing on October 15, 2025 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after October 15, 2024, 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 prices, 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, 2024 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 25, 2018, 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 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-1 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, other than a bidder purchasing the Bonds for its own account and not with a view to distribution or resale to the Public, 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; however, for tax years beginning prior to January 1, 2018, interest on the Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the Federal alternative minimum tax and for certain corporations; 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 9, 2018. 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 100 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 25, 2018 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, Acting 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,
Acting Finance Director

October 9, 2018

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

Competitive Sale Requirements Satisfied

**TOWN OF WATERTOWN, CONNECTICUT
\$11,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2018, SERIES A**

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 16, 2018.

(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: __/__/2018

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
\$11,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2018, SERIES A**

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: __/__/2018

Attachment:

**SCHEDULE A
SALE PRICES**

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Appendix D-2

Notice of Sale – Series B Bonds

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NOTICE OF SALE
\$5,810,000
Town of Watertown, Connecticut
Federally Taxable 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 **12:00 Noon Eastern Time on TUESDAY,**

OCTOBER 16, 2018

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

\$5,810,000 Federally Taxable General Obligation Bonds, Issue of 2018, Series B
Payable annually on October 15 as follows:

\$295,000 in 2019 through 2020
\$290,000 in 2021 through 2038

The Bonds will be dated October 25, 2018, with interest payable on October 15, 2019 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 September and March.

Redemption. Bonds maturing on October 15, 2024 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after October 15, 2023, 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, 2023 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 25, 2018, 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 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-2 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.

Bond Counsel Opinion. It is anticipated that interest on the Bonds will be included in gross income for Federal income tax purposes. 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 under existing statutes and regulations, interest on the Bonds is not excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended; 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.

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 9, 2018. 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 100 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 25, 2018 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, Acting 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,
Acting Finance Director

October 9, 2018

Appendix D-3

Notice of Sale and Bid Form – Notes

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NOTICE OF SALE
\$6,100,000
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 16, 2018

for the purchase of \$6,100,000 Bond Anticipation Notes of the Town of Watertown, dated October 25, 2018, maturing on October 24, 2019 (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, which will also 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-1 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, other than a bidder purchasing the Notes for its own account and not with a view to distribution or resale to the Public, 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, however, for tax years beginning prior to January 1, 2018, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the Federal alternative minimum tax for certain corporations; 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 9, 2018. 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 25, 2018.

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, Acting 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,
Acting Finance Director

October 9, 2018

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

Competitive Sale Requirements Satisfied

**TOWN OF WATERTOWN, CONNECTICUT
\$6,100,000 BOND ANTICIPATION NOTES, DATED OCTOBER 25, 2018**

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 16, 2018.

(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: __/__/2018

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

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

[Remainder of page intentionally left blank]

Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF WATERTOWN, CONNECTICUT
\$6,100,000 BOND ANTICIPATION NOTES, DATED OCTOBER 25, 2018**

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: __/__/2018

Attachment:

**SCHEDULE A
SALE PRICES**

[Remainder of page intentionally left blank]

PROPOSAL FOR NOTES

October 16, 2018

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 9, 2018 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 \$6,100,000 Bond Anticipation Notes of the Town of Watertown, dated October 25, 2018, maturing October 24, 2019, 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: _____