

FINAL OFFICIAL STATEMENT DATED APRIL 12, 2017

NEW MONEY ISSUE: Book-Entry-Only

RATINGS: Standard & Poor's: "AA+"/"SP-1+"

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds and the Notes are not "private activity bonds" and interest on the Bonds and the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; the Bonds and the Notes are "qualified tax-exempt obligations"; interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds and the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Opinion of Bond Counsel and Tax Exemption" herein.)



Town of Watertown, Connecticut
\$1,075,000
General Obligation Bonds, Issue of 2017
(Bank-Qualified)

Dated: Date of Delivery

Due: April 15, 2019 - 2029
As shown below:

The Bonds will bear interest payable October 15, 2017 and semiannually thereafter on April 15 and October 15 in each year until maturity. The Bonds are issuable only as fully-registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only Transfer System" herein.

The Bonds are subject to redemption prior to maturity as herein provided. See "Redemption Provisions" herein.

Year	Principal	Coupon	Yield	CUSIP¹	Year	Principal	Coupon	Yield	CUSIP¹
2019	\$ 75,000	2.000%	1.250%	941893F95	2025*	\$ 100,000	2.500%	1.950%	941893G78
2020	100,000	2.000%	1.250%	941893G29	2026*	100,000	2.500%	2.000%	941893G86
2021	100,000	2.000%	1.400%	941893G37	2027*	100,000	2.750%	2.000%	941893G94
2022	100,000	2.250%	1.550%	941893G45	2028*	100,000	2.750%	2.100%	941893H28
2023	100,000	2.250%	1.700%	941893G52	2029*	100,000	2.750%	2.200%	941893H36
2024	100,000	2.500%	1.850%	941893G60					

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

UMB Bank

\$6,480,000

General Obligation Bond Anticipation Notes (Bank-Qualified)

Dated: April 25, 2017
Due: January 25, 2018
CUSIP:¹ 941893H44

Rate: 2.00%
Yield: 0.92%
Underwriter: Jefferies

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 April 4, 2017. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

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 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 opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC in New York, New York on or about April 25, 2017.

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 – "2016 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 "Opinion of Bond Counsel and Tax Exemption" herein), and makes no representation that it has independently verified the same.

Table of Contents

	<i>Page</i>		<i>Page</i>
Bond Issue Summary	1	IV. Tax Base Data	19
Note Issue Summary	2	Property Tax Assessments	19
I. Bond Information	3	Comparative Assessed Valuations	20
Introduction	3	Property Tax Levies and Collections	20
Municipal Advisor	3	Property Tax Receivable	21
Description of the Bonds	3	Ten Largest Taxpayers	21
Redemption Provisions	4	V. Debt Summary	22
Notice of Redemption	4	Principal Amount of Indebtedness	22
Description of the Notes	4	Short-Term Debt	22
Authorization and Purpose	5	Annual Bonded Debt Maturity Schedule	23
School Projects	5	Overlapping/Underlying Debt	23
Book-Entry-Only Transfer System	5	Debt Statement	24
DTC Practices	7	Current Debt Ratios	24
Replacement Bonds and Notes	7	Authority to Incur Debt	25
Security and Remedies	7	Maturities	25
Qualification for Financial Institutions	8	Limitation of Indebtedness	25
Availability of Continuing Disclosure Information	8	Statement of Debt Limitation	26
Ratings	8	Authorized But Unissued Debt	26
Bond Insurance	8	Ratios of Net Long-Term Debt to Valuation, Population and Income	27
II. The Issuer	9	Ratio of Total General Fund Debt Service Expenditures To Total General Fund Expenditures and Transfers Out	27
Description of the Municipality	9	VI. Financial Administration	28
Form of Government	9	Fiscal Year	28
Town Officials	10	Basis of Accounting	28
Municipal Services	10	Budget Procedure	28
Educational Services	12	Audit	29
School Enrollment	12	Liability Insurance	29
School Facilities	12	Pensions	29
Municipal Employees	13	Town Retirement System Police Benefit Fund	30
Municipal Employee Bargaining Organizations	13	Other Post Employment Benefits (OPEB)	31
Binding Arbitration	13	Investment Policy	33
III. Economic and Demographic Information	14	Comparative Balance Sheets – General Fund	33
Population and Density	14	General Fund Revenues and Expenditures	34
Age Distribution of the Population	14	VII. Legal and Other Information	35
Income Distribution	15	Litigation	35
Income Levels	15	Documents Furnished at Delivery	35
Educational Attainment	15	Concluding Statement	36
Major Employers	16	Appendix A - 2016 General Purpose Financial Statements	
Employment by Industry	16	Appendix B - Opinion of Bond Counsel and Tax Exemption	
Employment Data	17	Appendix C-1 - Form of Continuing Disclosure Agreement for Bonds	
Age Distribution of Housing	17	Appendix C-2 - Form of Continuing Disclosure Agreement for Notes	
Housing Inventory	17	Appendix D-1 - Notice of Sale and Bid Form - Bonds	
Owner Occupied Housing Values	18	Appendix D-2 - Notice of Sale and Bid Form - Notes	
Building Permits	18		

Bond Issue Summary

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

Date of Sale:	Wednesday, April 12, 2017 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:	\$1,075,000 General Obligation Bonds, Issue of 2017 (the "Bonds").
Dated Date:	Date of Delivery
Principal and Interest Due:	Principal due serially April 15, 2019 through April 15, 2029. Interest due April 15 and October 15 in each year until maturity, commencing October 15, 2017.
Purpose:	The Bond proceeds will be used to provide funds for Swift Middle School and conversion of the former Hemingway Park School to a municipal center projects. See "Authorization and Purpose" herein.
Redemption:	The Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein.
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds are rated "AA+" by S&P Global Ratings ("S&P").
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	See Appendix B – "Opinion of Bond Counsel and Tax Exemption".
Bank Qualification:	The Bonds <u>shall be</u> designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-1 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Financial Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Separate CUSIPS:	Separate CUSIP numbers for the Bonds are required. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about April 25, 2017. Delivery of the Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Frank J. Nardelli, Jr., Director of Finance, Town of Watertown, Town Hall Annex, 424 Main Street Watertown, CT 06795.

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:	Wednesday, April 12, 2017 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:	\$6,480,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	Date of Delivery
Interest Due:	At maturity: January 25, 2018
Principal Due:	At maturity: January 25, 2018
Authorization and Purpose:	The Notes are being issued to finance Watertown High School and Judson Elementary School 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 - "Opinion of Bond Counsel and Tax Exemption".
Bank Qualification:	The Notes <u>shall be</u> designated by the Issuer 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.
Financial 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 April 25, 2017. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Frank J. Nardelli, Jr., Director of Finance, Town of Watertown, Town Hall Annex, 424 Main Street Watertown, Connecticut 06795.

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 \$1,075,000 General Obligation Bonds, Issue of 2017 (the "Bonds") and \$6,480,000 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 April 4, 2017 have been furnished to prospective bidders. Reference is made to the Notices of Sale, which are included as Appendices D-1 and D-2 for the terms and conditions of the bidding.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds or Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of Statutes, Charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds or Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

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

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

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

Municipal Advisor

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

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

Description of the Bonds

The Bonds will mature on April 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, 2017. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of March and September, in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree.

Redemption Provisions

The Bonds maturing on or before April 15, 2024 are not subject to redemption prior to maturity. The Bonds maturing on April 15, 2025 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after April 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 Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
April 15, 2024 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.

Description of the Notes

The Notes will be dated April 25, 2017 and will be due and payable as to both principal and interest at maturity on January 25, 2018. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System”. The Notes are not subject to redemption prior to maturity.

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

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	Maturing	This Issue:			
	Amount	Notes	The Notes			
	Authorized	Due: 4/25/17	Paydowns	New Money	Due: 1/25/18	The Bonds
Watertown High School	\$ 56,157,000	\$ 5,070,000	\$ -	\$ -	\$ 5,070,000	\$ -
Judson Elementary School	15,859,000	900,000	-	-	900,000	-
Swift Middle School	33,768,919	550,000	(25,000)	-	-	525,000
Land Purchase	550,000	-	-	550,000	-	550,000
Town Hall	11,900,000	-	-	510,000	510,000	-
Total	\$ 118,234,919	\$ 6,520,000	\$ (25,000)	\$ 1,060,000	\$ 6,480,000	\$ 1,075,000

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 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 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 Standard & Poor's 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.

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

Bond Insurance

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

Office	Name	Manner of Selection	Expiration of Term
Chairman, Town Council.....	Thomas L. Winn	Elected	11/17
Town Manager.....	Robert Scannell	Appointed	-
Director of Finance and Asst. Town Manager....	Frank J. Nardelli, Jr.	Appointed	-
Assistant Director of Finance.....	Susan Zappone	Appointed	-
Treasurer.....	Joan Mondak	Appointed	-
Tax Collector.....	Carla Hamel	Appointed	-
Assessor.....	Donna Murphy	Appointed	-
Town Clerk.....	Lisa Dalton	Elected	11/17
Superintendent of Schools.....	Dr. B Heston Carnemolla	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 2016–17, 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, 2016 was 2,759. 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				
2007-08	1,809	602	989	3,400
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
Projected				
2017-18	1,391	436	789	2,616
2018-19	1,352	414	763	2,529
2019-20	1,298	439	726	2,463

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 10/1/2016	Operating Capacity
Watertown High School	9-12	1972	Brick	48	833	1,123
Swift Junior High School	6-8	1972	Brick	76	660	1,000
Judson Elementary School	3-5	1971	Brick	31	298	452
Polk Elementary School	3-5	1990	Brick	28	325	512
John Trumbull Primary School	Pre-K-2	2000	Brick	35	639	950
Total				218	2,755	4,037

**Employee Relations and Collective Bargaining
Municipal Employees**

	2016-17	2015-16	2014-15	2013-14	2012-13
General Government	136	133	133	133	133
Board of Education	445	467	459	435	436
Total	581	600	592	568	569

Employee Relations

Bargaining Unit	Number of Members	Contract Expiration Date
<u>General Government</u>		
American Federation of State, County and Municipal Employees – Local 1303....	29	6/30/2016 ¹
American Federation of State, County and Municipal Employees – Local 541	36	3/31/2018
Industrial Brotherhood of Electrical Workers Local 42	12	6/30/2016 ¹
Civil Service Employees Association, Inc. AFL-CIO, Local 760.....	37	6/30/2020
Civil Service Employees Association, Inc. AFL-CIO, Local 760	8	6/30/2019
Total Organized	122	
Non-Union	14	
Sub-Total	136	
<u>Board of Education</u>		
Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO.....	81	8/31/2016
Watertown Education Association.....	240	8/31/2019
American Federation of State, County and Municipal Employees – Local 1049...	41	6/30/2017
American Federation of State, County and Municipal Employees – Local 1303...	34	6/30/2018
Watertown Principals Association.....	10	6/30/2020
American Federation of State, County and Municipal Employees – Local 1049....	27	6/30/2018
Watertown School Nurses Association.....	8	6/30/2018
Total Organized	441	
Non-Union	4	
Sub-Total	445	
Total	581	

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

Year	Actual		
	Population ¹	% Increase	Density ²
2015 ³	22,161	-1.6%	743.7
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 2011-2015

Age Distribution of the Population

Age	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	1,128	5.1%	191,445	5.3%
5 to 9 years	1,428	6.4	214,983	6.0%
10 to 14 years	1,346	6.1	231,075	6.4%
15 to 19 years	1,726	7.8	255,286	7.1%
20 to 24 years	1,114	5.0	237,578	6.6%
25 to 34 years	2,385	10.8	436,678	12.2%
35 to 44 years	2,413	10.9	448,840	12.5%
45 to 54 years	3,867	17.4	556,454	15.5%
55 to 59 years	1,414	6.4	259,565	7.2%
60 to 64 years	1,727	7.8	219,040	6.1%
65 to 74 years	2,034	9.2	291,955	8.1%
75 to 84 years	959	4.3	162,332	4.5%
85 years and over	620	2.8	87,991	2.4%
Total.....	22,161	100%	3,593,222	100%
Median Age (Years) 2015.....	43.7		40.4	
Median Age (Years) 2010. ¹	42.4		40.0	

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

Source: American Community Survey 2011-2015

Income Distribution

Income	Town of Watertown		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	143	2.5%	30,926	3.5%
10,000 - 14,999.....	9	0.2	18,063	2.0%
15,000 - 24,999.....	195	3.4	46,085	5.1%
25,000 - 34,999.....	254	4.4	55,715	6.2%
35,000 - 49,999.....	558	9.6	83,173	9.3%
50,000 - 74,999.....	966	16.7	139,724	15.6%
75,000 - 99,999.....	903	15.6	126,557	14.1%
100,000 - 149,999.....	1,347	23.2	183,030	20.4%
150,000 - 199,999.....	835	14.4	94,575	10.6%
200,000 and over.....	589	10.2	117,791	13.2%
Total.....	5,799	100.0%	895,639	100.0%

Source: American Community Survey 2011-2015

Income Levels

	Watertown	Connecticut
Per Capita Income, 2015.....	\$ 36,883	\$ 38,803
Median Family Income, 2015.....	\$ 97,672	\$ 89,031
Median Household Income, 2015	\$ 78,722	\$ 70,331

Source: American Community Survey 2011-2015

Educational Attainment Years of School Completed Age 25 and Over

	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	551	3.6%	105,725	4.3%
9th to 12th grade.....	667	4.3	144,132	5.9
High School graduate.....	4,554	29.5	673,973	27.4
Some college, no degree.....	3,115	20.2	430,129	17.5
Associate's degree	1,618	10.5	183,289	7.4
Bachelor's degree.....	2,694	17.5	516,001	21.0
Graduate or professional degree.....	2,220	14.4	409,606	16.6
Total.....	15,419	100.0%	2,462,855	100.0%
Total high school graduate or higher (%).....		92.1%		89.9%
Total bachelor's degree or higher (%).....		31.9%		37.6%

Source: American Community Survey 2011-2015

**Major Employers
As of March 2017**

Employer	Type of Business	Approximate Number of Employees
Global Steering System.....	Manufacturer	300
The Siemon Company.....	Manufacturer	300
ALBEA.....	Manufacturer	300
Crystal Rock.....	Manufacturer - Bottled Water	285
The Taft School.....	Private school	235
PM Engineered Solutions.....	Supermarket	175
Super Stop & Shop.....	Manufacturer	170
Braxton Manufacturing.....	Manufacturer	165
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.....	83	0.7%	7,214	0.4%
Construction.....	756	6.4	100,593	5.6
Manufacturing.....	1,765	14.9	191,286	10.7
Wholesale trade.....	192	1.6	44,581	2.5
Retail trade.....	1,259	10.6	193,799	10.9
Transportation warehousing, and utilities....	416	3.5	66,850	3.8
Information.....	254	2.1	41,486	2.3
Finance, insurance, real estate, and leasing..	930	7.9	163,822	9.2
Professional, scientific, management, administrative, and waste management....	673	5.7	199,942	11.2
Education, health and social services.....	3,656	30.9	471,587	26.5
Arts, entertainment, recreation, accommodation and food services.....	691	5.8	153,516	8.6
Other services (except public admin.).....	617	5.2	79,998	4.5
Public Administration.....	536	4.5	66,743	3.7
Total Labor Force, Employed.....	11,828	100.0%	1,781,417	100.0%

Source: American Community Survey 2011-2015

**Employment Data
By Place of Residence**

Period	Town of Watertown		Percentage Unemployed		
	Employed	Unemployed	Town of Watertown	Waterbury Labor Market	State of Connecticut
January 2017.....	12,277	623	4.8	6.7	5.4
Annual Average					
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
2007.....	11,914	545	4.4	5.9	4.6

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.....	1,580	17.9%	331,829	22.2%
1940 to 1969.....	3,417	38.7	536,501	36.0
1970 to 1979.....	1,258	14.2	199,447	13.4
1980 to 1989.....	1,020	11.5	193,595	13.0
1990 to 1999.....	971	11.0	115,076	7.7
2000 or 2009.....	556	6.3	103,911	7.0
2010 or later.....	33	0.4	11,427	0.8
Total Housing Units, 2015.....	8,835	100.0%	1,491,786	100.0%

Source: American Community Survey 2011-2015

Housing Inventory

Housing Units	Town of Watertown		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,992	79.1%	882,941	59.2%
1-unit, attached.....	234	2.6	80,636	5.4
2 units.....	637	7.2	121,410	8.1
3 or 4 units.....	309	3.5	132,512	8.9
5 to 9 units.....	435	4.9	82,727	5.5
10 to 19 units.....	123	1.4	55,826	3.7
20 or more units.....	93	1.1	123,561	8.3
Mobile home.....	12	0.1	11,898	0.8
Boat, RV, van, etc.....	-	-	275	0.0
Total Inventory.....	8,835	100.0%	1,491,786	100.0%

Source: American Community Survey 2011-2015

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	151	2.2%	24,620	2.7%
\$50,000 to \$99,000.....	126	1.9	28,771	3.2
\$100,000 to \$149,999.....	654	9.7	78,066	8.6
\$150,000 to \$199,000.....	1,135	16.8	140,544	15.5
\$200,000 to \$299,999.....	2,451	36.3	251,106	27.7
\$300,000 to \$499,999.....	1,967	29.1	235,670	26.0
\$500,000 to \$999,999.....	258	3.8	106,965	11.8
\$1,000,000 or more.....	19	0.3	40,485	4.5
Total.....	6,761	100.0%	906,227	100.0%
Median Value.....	\$259,700		\$278,900	

Source: American Community Survey 2011-2015

Building Permits

Ending 6/30	Residential		Commercial / Industrial		Other		All Categories	
	No.	Value	No.	Value	No.	Value	No.	Value
2017 ¹	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
2008	256	8,326,361	21	2,182,646	1,162	6,704,412	1,439	17,213,419

¹ Numbers are only from 7/1/16 through 2/28/17.

(The remainder of this page intentionally left blank)

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 will be required in five years or 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.

Section 206 of Public Act No. 15-244 (Jan. 2015 Reg. Sess.), as amended by Section 187 of Public Act No. 16-3 (May 2016 Spec. Sess.), of the Connecticut General Assembly (the "Act") created a cap on the local property tax mill rate for motor vehicles for the assessment year commencing October 1, 2015, and each assessment year thereafter. Notwithstanding any mill rate for motor vehicles set by a municipality before the effective date of the Act, for the assessment year commencing October 1, 2015, the mill rate for motor vehicles shall not exceed 37 mills, except in the case of a municipality that set a mill rate before the effective date of the Act for motor vehicles of 32 mills for the assessment year commencing October 1, 2015, the mill rate for motor vehicles shall be the lesser of 37 mills, the mill rate set before the effective date of the Act for real property and personal property other than motor vehicles for

such municipality for the assessment year commencing October 1, 2015, or a mill rate for motor vehicles set by a municipality after the effective date of the Act that is less than 37 mills. For the assessment year commencing October 1, 2016, and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 32 mills. Any municipality or special tax district may establish a mill rate for motor vehicles that is different from its mill rate for real property to comply with the provisions of the Act. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the municipality in which such district or borough is located would result in a combined motor vehicle mill rate (1) above 37 mills for the assessment year commencing October 1, 2015, provided in the case of a district or borough that set a mill rate before the effective date of the Act for motor vehicles that if combined with the motor vehicle mill rate of the municipality in which such district or borough is located resulted in a combined motor vehicle mill rate of 32 mills for the assessment year commencing October 1, 2015, the mill rate on motor vehicles for any such district or borough for such assessment year shall be the lesser of (A) a mill rate for motor vehicles that if combined with the motor vehicle mill rate of the municipality in which such district or borough is located would result in a combined motor vehicle mill rate of 37, (B) the mill rate set before the effective date of the Act for the assessment year commencing October 1, 2015, on real property and personal property other than motor vehicles for such borough or district, or (C) a mill rate for motor vehicles set by a borough or district after the effective date of the Act that is less than 37 mills when combined with the motor vehicle mill rate of the municipality in which such district or borough is located, or (2) above 32 mills for the assessment year commencing October 1, 2016, and each assessment year thereafter. The Town's mill rate for motor vehicles for the assessment year commencing October 1, 2015 (the fiscal year ending June 30, 2017) is 30.89 mills.

Comparative Assessed Valuations (000s)

Grand List of 10/1	Commercial			Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemption	Net Taxable Grand List	Percent Change
	Residential Real Property (%)	& Industrial Real Property (%)	Other Real Property (%)						
2016	67.8	12.5	0.2	9.1	10.3	\$ 1,830,638	\$ 62,664	\$ 1,767,974	1.30%
2015	68.7	12.7	0.1	8.4	10.2	1,805,525	60,249	1,745,276	0.44
2014	68.7	13.0	0.1	8.1	10.1	1,796,982	59,296	1,737,686	1.11
2013 ¹	69.3	13.1	0.1	7.5	10.0	1,773,933	55,272	1,718,661	(12.24)
2012	72.9	11.8	0.1	6.5	8.7	2,007,488	49,217	1,958,272	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
2007	71.5	11.4	0.1	7.7	9.3	1,723,065	39,502	1,683,564	0.91

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 2/28/2017¹
2017 ¹	2015	\$1,745,276	30.89	\$ 53,911,545	<i>IN COLLECTION</i>		
2016	2014	1,737,686	30.10	52,539,751	98.71%	1.29%	0.71%
2015	2013	1,718,661	29.12	50,047,408	99.36%	0.64%	0.36%
2014	2012	1,958,272	25.09	49,217,960	98.80%	1.20%	0.14%
2013 ²	2011	1,942,449	24.23	47,146,848	98.37%	1.63%	0.00%
2012	2010	1,923,262	23.32	44,928,338	98.53%	1.47%	0.00%
2011	2009	1,912,861	22.91	43,871,041	98.47%	1.53%	0.00%
2010	2008	1,912,745	22.38	42,863,646	98.49%	1.51%	0.00%
2009	2007	1,683,564	24.35	41,300,946	98.47%	1.53%	0.00%
2008 ²	2006	1,668,339	22.72	38,028,728	98.92%	1.08%	0.00%

¹ Subject to audit.

² Revaluation.

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

Property Tax Receivables

Fiscal Year Ending 6/30	Current	
	Year Levy Uncollected	Total Uncollected
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 Valuation	Percent of Net Taxable Grand List ¹
Connecticut Light & Power.....	Utility	\$ 40,651,980	2.30%
The Siemon Company.....	Manufacturing	11,106,280	0.63%
Global Steering System.....	Manufacturing	9,703,480	0.55%
Truelove & MacLean Inc.....	Manufacturing	9,489,410	0.54%
JSD Partners.....	Manufacturing	7,884,200	0.45%
Greenbriar Associates, LLC.....	Real Estate	6,737,500	0.38%
The Siemon Company.....	Manufacturing	6,332,570	0.36%
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.....		\$ 109,811,870	6.21%

¹Based on October 1, 2016 Net Taxable Grand List of \$1,767,974,000.

Source: Tax Assessor, Town of Watertown

(The remainder of this page intentionally left blank)

V. Debt Summary
Principal Amount of Indebtedness
As of April 25, 2017
(Pro Forma)

Long-Term Debt			Amount of	Outstanding	
Dated	Purpose	Rate %	Original Issue	After This Issue	Final Maturity
03/31/01	CWF - Sewer ¹	2.00%	\$ 7,981,660	\$ 1,347,553	2020
02/01/05	School	3.00-5.00	15,521,000	2,470,000	2019
08/27/09	School	3.00-5.00	11,160,000	6,337,000	2022
08/27/09	Public Improvement	3.00-5.00	6,290,000	3,193,000	2022
08/27/09	Water	3.00-5.00	840,000	525,000	2021
08/27/09	Sewer	3.00-5.00	470,000	280,000	2021
08/02/11	School	2.00-4.00	3,005,800	2,957,400	2025
08/02/11	Public Improvement	2.00-4.00	2,671,500	1,926,700	2025
08/02/11	Water	2.00-4.00	320,700	263,900	2023
08/02/11	Sewer	2.00-4.00	112,000	92,000	2023
05/29/12	Public Improvement	2.00-3.00	652,400	652,400	2027
05/29/12	School	2.00-3.00	8,433,300	8,433,300	2029
05/29/12	Sewer	2.00-3.00	419,300	419,300	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	1,460,000	2028
03/26/15	General Purpose	2.00-4.00	3,000,000	2,740,000	2035
04/30/15	Refunding - Series B (Schools)	2.00-4.00	5,550,000	4,785,000	2029
04/30/15	Refunding - Series C (Sewer)	1.50-3.00	715,000	585,000	2027
Total Outstanding			\$ 77,742,660	\$ 47,067,553	
This Issue					
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
Sub-Total This Issue			\$ 1,075,000	\$ 1,075,000	
Total			\$ 78,817,660	\$ 48,142,553	

¹ Self-Supporting debt.

Short-Term Debt
As of April 25, 2017
(Pro Forma)

Project	Aggregate Amount Authorized	This Issue The Notes Due: 1/25/18
Watertown High School	\$ 56,157,000	\$ 5,070,000
Judson Elementary School	15,859,000	900,000
Town Hall	11,900,000	510,000
Total	\$ 83,916,000	\$ 6,480,000

**Annual Bonded Debt Maturity Schedule
As of April 25, 2017
(Pro Forma)**

Fiscal Year Ended 6/30	Principal Payments ²	Interest Payments ²	Total Payments	This Issue:		Total Principal	Cumulative Principal Retired %
				General Purpose	Schools		
2017 ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
2018	5,030,000	1,572,806	6,602,806	-	-	5,030,000	10.75%
2019	5,045,000	1,354,181	6,399,181	35,000	40,000	5,120,000	21.69%
2020	4,370,000	1,162,188	5,532,188	45,000	55,000	4,470,000	31.24%
2021	4,030,000	1,012,063	5,042,063	45,000	55,000	4,130,000	40.07%
2022	4,025,000	860,450	4,885,450	50,000	50,000	4,125,000	48.88%
2023	3,870,000	713,513	4,583,513	50,000	50,000	3,970,000	57.37%
2024	3,865,000	566,250	4,431,250	50,000	50,000	3,965,000	65.84%
2025	3,305,000	438,853	3,743,853	50,000	50,000	3,405,000	73.12%
2026	2,960,000	346,444	3,306,444	50,000	50,000	3,060,000	79.66%
2027	2,410,000	265,688	2,675,688	50,000	50,000	2,510,000	85.02%
2028	2,165,000	193,538	2,358,538	50,000	50,000	2,265,000	89.86%
2029	1,755,000	129,338	1,884,338	50,000	50,000	1,855,000	93.82%
2030	925,000	81,863	1,006,863	-	-	925,000	95.80%
2031	560,000	59,513	619,513	-	-	560,000	97.00%
2032	555,000	42,713	597,713	-	-	555,000	98.18%
2033	550,000	26,063	576,063	-	-	550,000	99.36%
2034	150,000	9,375	159,375	-	-	150,000	99.68%
2035	150,000	4,688	154,688	-	-	150,000	100.00%
Total.....	\$ 45,720,000	\$ 8,839,522	\$ 54,559,522	\$ 525,000	\$ 550,000	\$ 46,795,000	

¹ Excludes principal payments of \$4,955,000 and interest payments of \$1,774,281 made between July 1, 2016 and April 25, 2017.

² Excludes Self-Supporting debt.

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**

(The remainder of this page intentionally left blank)

Debt Statement
As of April 25, 2017
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose (Includes this issue).....	\$ 10,522,100
Schools (Includes this issue).....	34,057,400
Sewer	2,774,153
Water.....	788,900
Total Long-Term Debt	48,142,553
Short-Term Debt	6,480,000
Total Direct Debt	54,622,553
Less: School Construction Grants Receivable (As of June 30, 2016) ¹	(1,288,178)
Less: Self-Supporting Sewer Debt	(1,347,553)
Total Direct Net Debt	51,986,822
Overlapping/Underlying Debt	-
Total Overall Net Debt	\$ 51,986,822

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 April 25, 2017
(Pro Forma)

Population ¹	22,161
Net Taxable Grand List at 70% of Full Value (10/1/16)	\$ 1,767,974,000
Estimated Full Value	\$ 2,525,677,143
Equalized Net Taxable Grand List (10/1/14) ²	\$ 2,612,679,887
Money Income per Capita (2015) ¹	\$ 36,883

	Total Direct Debt: \$54,622,553	Total Net Direct Debt / Overall Net Debt: \$51,986,822
Debt per Capita.....	\$2,464.81	\$2,345.87
Ratio to Net Taxable Grand List.....	3.09%	2.94%
Ratio to Estimated Full Value.....	2.16%	2.06%
Ratio to Equalized Grand List.....	2.09%	1.99%
Debt per Capita to Money Income per Capita.....	6.68%	6.36%

¹ American Community Survey 2011-2015

² Office of Policy and Management, State of Connecticut.

(The remainder of this page intentionally left blank)

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 April 25, 2017
(Pro Forma)

Total Tax Collections (including interest and lien fees)

For the year ended June 30, 2016 \$ 52,581,839

Reimbursement For Revenue Loss:

Tax relief for elderly..... 200,126

Base for Debt Limitation Computation..... \$ 52,781,965

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 118,759,421	\$ -	-	-	-
4 1/2 times base.....	-	\$ 237,518,843	-	-	-
3 3/4 times base.....	-	-	\$ 197,932,369	-	-
3 1/4 times base.....	-	-	-	\$ 171,541,386	-
3 times base.....	-	-	-	-	\$ 158,345,895
Total Debt Limitation	\$ 118,759,421	\$ 237,518,843	\$ 197,932,369	\$ 171,541,386	\$ 158,345,895

Indebtedness: ¹

Bonds Outstanding.....	\$ 9,972,100	\$ 33,532,400	\$ 1,426,600	\$ -	\$ -
Bonds (This Issue).....	550,000	525,000	-	-	-
Notes (This Issue).....	510,000	5,970,000	-	-	-
Debt Authorized But Unissued	13,567,672	2,449,254	6,367,200	-	-
Total Indebtedness	24,599,772	42,476,654	7,793,800	-	-

Less:

State School Grants Receivable ²	-	(1,288,178)	(1,763,750)	-	-
Self-Supporting Debt ³	-	-	(1,347,553)	-	-
Total Net Indebtedness	24,599,772	41,188,476	4,682,497	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS.... \$ 94,159,649 \$ 196,330,367 \$ 193,249,872 \$ 171,541,386 \$ 158,345,895

¹ Excludes \$788,900 in Water Bonds outstanding as allowed under the Connecticut General Statutes.

² 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.

³ Also excludes \$1,347,553 of self-supporting sewer debt.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$369,473,755.

Authorized but Unissued Debt
As of April 25, 2017
(Pro Forma)

Project	Aggregate Amount Authorized	Bonds Issued	Grants / Paydowns	Maturing Notes Due: 4/25/17	New Money or (Paydowns)	This Issue:		Authorized but Unissued
						The Notes Due: 1/25/18	The Bonds	
Watertown High School	\$ 56,157,000	\$24,600,000	\$ 26,457,988	\$ 5,070,000	\$ -	\$ 5,070,000	\$ -	\$ 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	13,900,000	18,954,591	550,000	(25,000)	-	525,000	364,328
Land Purchase	550,000	-	-	-	550,000	-	550,000	-
Water & Sewer Projects	6,330,550	-	-	-	-	-	-	6,330,550
Town Hall	11,900,000	-	-	-	510,000	510,000	-	11,390,000
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	\$ 152,776,791	\$64,680,000	\$ 58,132,665	\$ 6,520,000	\$ 1,035,000	\$ 6,480,000	\$ 1,075,000	\$ 22,384,126

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 (%)
				Value (%)	Value (%)			Income ³ (%)
2016	\$ 1,737,686	\$ 2,482,409	\$ 50,675	2.92%	2.04%	22,161	\$ 2,286.67	6.20%
2015	1,718,661	2,455,230	55,580	3.23%	2.26%	22,161	2,508.01	6.80%
2014	1,958,272	2,797,531	57,335	2.93%	2.05%	22,161	2,587.20	7.01%
2013	1,942,449	2,774,927	61,945	3.19%	2.23%	22,161	2,795.23	7.58%
2012	1,923,262	2,747,517	64,375	3.35%	2.34%	22,161	2,904.88	7.88%

¹ Assessment Ratio: 70%.

² American Community Survey, 2011-2015.

³ Money Income per Capita: American Community Survey 2011-2015 data: \$36,883 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
2017 ²	\$ 6,838,784	\$ 70,035,931	9.76%
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.

² Budget, subject to audit.

Source: Annual Audited Financial Statements.

(The remainder of this page intentionally left blank)

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.

Section 207 of Public Act No. 15-244 (Jan. 2015 Reg. Sess.), as amended by Section 42 of Public Act No. 16-2 (May 2016 Spec. Sess.) and Section 189(h) of Public Act No. 16-3 (May 2016 Spec. Sess.), of the Connecticut General Assembly (the “Act”) created 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 Act. 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 Act and if so the amount by which the cap was exceeded. For the fiscal year ending June 30, 2018, 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 32 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 32 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 commencing October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for said assessment year was 32 mills.

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, 2013. The fiscal year 2015–16 annual required contributions (“ARCs”) were \$411,648 for the Town Retirement System and \$875,571 for the Police Benefit Fund for a total ARC of \$1,287,219. 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.

(The remainder of this page intentionally left blank)

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)
1/1/2008	\$ 15,739,354	\$ 15,238,116	\$ 501,238	103.3%
1/1/2009	13,617,941	14,488,555	(870,614)	94.0%
1/1/2010	15,888,764	16,624,132	(735,368)	95.6%
1/1/2011	16,402,816	17,102,475	(699,659)	95.9%
1/1/2012	16,935,651	18,004,766	(1,069,115)	94.1%
1/1/2013	17,637,843	18,732,739	(1,094,896)	94.2%
1/1/2014	19,726,466	20,382,466	(656,000)	96.8%
1/1/2015	20,063,164	21,438,954	(1,375,790)	93.6%
1/1/2016	20,832,645	22,908,314	(2,075,669)	90.9%

Fiscal Year Ended	Actual Contribution	Annual Required Contribution (ARC)	% of ARC Contributed
6/30/2012	\$ 360,395	\$ 360,395	100.0%
6/30/2013	367,373	367,373	100.0%
6/30/2014	364,691	364,691	100.0%
6/30/2015	372,789	372,789	100.0%
6/30/2016	411,648	411,648	100.0%
6/30/2017 ¹	446,566	446,566	100.0%

¹ Budgeted amounts.

Police Benefit Fund

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (b-a)	Funded Ratio (a/b)
1/1/2008	\$ 13,856,444	\$ 15,249,691	\$ (1,393,247)	90.9%
1/1/2009	12,513,012	16,253,686	(3,740,674)	77.0%
1/1/2010	14,238,384	17,976,016	(3,737,632)	79.2%
1/1/2011	14,982,718	18,719,827	(3,737,109)	80.0%
1/1/2012	15,581,062	20,131,988	(4,550,926)	77.4%
1/1/2013	16,381,494	21,296,992	(4,915,498)	76.9%
1/1/2014	18,262,691	22,703,939	(4,441,248)	80.4%
1/1/2015	18,927,040	23,571,702	(4,644,662)	80.3%
1/1/2016	18,993,727	26,105,796	(7,112,069)	72.8%

<i>Fiscal Year Ended</i>	<i>Actual Contribution</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
6/30/2012	\$ 689,641	\$ 689,641	100.0%
6/30/2013	736,930	736,930	100.0%
6/30/2014	770,262	770,262	100.0%
6/30/2015	780,140	780,140	100.0%
6/30/2016	875,571	875,571	100.0%
6/30/2017 ¹	981,681	981,681	100.0%

¹ Budgeted amounts.

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

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

The Town has received from its actuarial firm Prudential Financials reports prepared as of June 30, 2016 containing information to assist the Town in meeting the requirements of GASB 67. These reports indicated the following results as of June 30, 2016 in accordance with GASB 67:

	<u>Town Retirement Income Program</u>	<u>Police Retirement Income Program</u>
Total Pension Liability	\$22,920,114	\$26,105,796
Fiduciary Net Position	(\$19,858,713)	(\$18,993,727)
Net Pension Liability	\$3,061,401	\$7,112,069
Ratio of Fiduciary Net Position to Total Pension Liability	86.64%	72.76%

The report for the Town of Watertown Retirement Income Program as of June 30, 2016 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 \$876,854, or increase the NPL to \$5,426,097, respectively.

The report for the Town of Watertown Police Retirement Income Program as of June 30, 2016 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 \$4,573,176, or increase the NPL to \$9,894,038, 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, 2016, the amount actually contributed to the plan and changes in the Town’s net OPEB obligation:

	Retiree Welfare Plan
ARC.....	\$ 3,115,459
Interest on net OPEB obligation.....	406,484
Adjustment to ARC	(565,072)
Amortization of actuarial losses.....	<u>604,689</u>
Annual OPEB cost	3,561,560
Contributions made	<u>1,438,191</u>
Increase in net OPEB obligation	2,123,369
Net OPEB obligation, beginning of year.....	<u>10,162,101</u>
Net OPEB obligation, end of year	<u>\$ 12,285,470</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 2015-16 totaled \$3,561,560 and the Town budgeted the current pay-as-you-go OPEB cost of approximately \$1,438,191.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	% of AOC Contributed
6/30/2009	\$2,968,986	\$ 787,695	26.5%
6/30/2010	2,899,351	837,045	28.9%
6/30/2011	2,953,318	1,155,270	39.1%
6/30/2012	2,950,503	1,227,816	41.6%
6/30/2013	3,061,982	1,338,660	43.7%
6/30/2014	3,561,560	1,438,191	40.4%
6/30/2015	3,455,906	1,199,068	34.7%
6/30/2016	3,657,120	1,254,259	34.3%
6/30/2017 ¹	3,853,735	1,370,254	35.6%

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)
7/1/2013	6/30/2014	624,638	40,413,326	(39,788,688)	1.55%
7/1/2014	6/30/2015	1,404	40,730,369	(40,728,965)	0.00%
7/1/2015	6/30/2016	1,406	42,336,606	(42,335,200)	0.00%
7/1/2016 ¹	6/30/2016	1,462	44,065,076	(44,063,614)	0.00%

¹ Estimated amounts.

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.

Comparative Balance Sheets – General Fund

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Assets					
Cash and Cash Equivalents.....	\$ 10,803,217	\$ 9,191,841	\$ 8,035,042	\$ 6,490,797	\$ 6,978,471
Receivables:					
Property Taxes	1,515,499	1,073,868	1,072,102	1,187,837	1,011,865
Other	1,208,512	1,635,468	1,413,411	1,498,003	1,635,374
Intergovernmental	1,328,381	2,025,600	2,393,822	3,309,347	3,933,968
Pre-Paid Expenses	-	-	-	-	10,943
Due From Other funds	9,946	906,009	279,685	358,464	109,816
Total Assets	14,865,555	14,832,786	13,194,062	12,844,448	13,680,437
Liabilities and Fund Balances					
Accounts Payable	568,499	2,576,036	653,452	703,230	594,835
Accrued Payroll & Related	1,725,456	-	-	-	-
Unearned Revenue	595,760	609,311	-	-	-
Deferred Revenue	-	-	5,024,199	5,768,935	6,331,015
Total Liabilities	2,889,715	3,185,347	5,677,651	6,472,165	6,925,850
Deferred Inflows of Resources					
Unavailable Revenues	3,492,126	3,788,034	-	-	-
Total Deferred Inflows of Resources	3,492,126	3,788,034	-	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	467,589	488,840	563,130	797,675	981,642
Unassigned	8,016,125	7,370,555	6,953,281	5,574,608	5,772,945
Total Fund Balance	8,483,714	7,859,395	7,516,411	6,372,283	6,754,587
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	14,865,555	14,832,776	13,194,062	12,844,448	13,680,437
Analysis of General Fund Balance					
Operating Revenues	\$ 74,942,672	\$ 72,723,052	\$ 70,892,451	\$ 68,260,379	\$ 66,064,565
Fund balance as a percent of					
operating revenues	11.32%	10.81%	10.60%	9.34%	10.22%
Unassigned fund balance as					
a percent of operating revenues	10.70%	10.14%	9.81%	8.17%	8.74%

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

	Budget 6/30/2017¹	Actual 6/30/2016	Actual 6/30/2015	Actual 6/30/2014	Actual 6/30/2013	Actual 6/30/2012
Revenues:						
Property taxes	\$ 53,900,620	\$ 52,586,977	\$ 50,856,154	\$ 49,654,477	\$ 47,229,837	\$ 44,991,044
Intergovernmental revenues	13,825,969	19,352,704	18,117,139	18,760,371	18,523,914	18,470,161
Departmental revenues.....	1,951,924	2,632,660	3,266,303	2,141,776	2,097,152	2,267,774
Investment income	27,500	40,093	24,543	22,488	28,295	26,233
Other revenue	329,918	330,238	458,913	313,339	381,181	309,353
Total.....	70,035,931	74,942,672	72,723,052	70,892,451	68,260,379	66,064,565
Expenditures:						
General Government	2,651,004	2,467,694	2,551,251	2,582,652	2,506,428	2,572,123
Public Safety	5,605,919	5,673,640	5,343,081	5,095,921	5,020,250	4,922,640
Public Works	4,067,137	4,243,905	3,756,872	3,426,475	3,353,241	3,312,263
Parks and Recreation	950,968	796,623	812,692	807,063	757,828	717,490
Health and Welfare	127,281	260,012	143,104	139,094	132,255	129,967
Education	41,071,791	45,068,233	44,456,479	43,236,872	42,983,391	39,592,522
Debt Service	6,838,784	6,461,700	6,616,270	6,857,649	6,811,471	7,345,894
Capital Outlay	-	483,634	418,681	592,437	630,313	678,051
Other	8,723,047	8,763,452	8,205,314	7,451,025	7,026,858	7,356,740
Total.....	70,035,931	74,218,893	72,303,744	70,189,188	69,222,035	66,627,690
Excess (Deficiency) of Revenues Over Expenditures.....	-	723,779	419,308	703,263	(961,656)	(563,125)
Other financing sources (uses):						
Issuance of Refunding Bonds	-	-	6,265,000	-	-	-
Bond Premium.....	-	-	472,694	-	-	-
Bond Proceeds.....	-	-	-	-	9,492,729	14,890,832
Deposit to Escrow & Costs of Debt Issuance ...	-	-	(6,607,647)	-	(9,446,776)	(14,669,343)
Capital Lease Proceeds	-	483,634	418,681	592,437	630,313	678,051
Operating Transfers In	-	33,031	43,579	130,787	187,386	280,908
Operating Transfers Out	-	(616,125)	(668,631)	(282,359)	(284,300)	(286,541)
Total Other financing sources (uses).....	-	(99,460)	(76,324)	440,865	579,352	893,907
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....	-	624,319	342,984	1,144,128	(382,304)	330,782
Fund Balance, Beginning of Year.....	8,483,714	7,859,395	7,516,411	6,372,283	6,754,587	6,423,805
Fund Balance, End of Year.....	\$ 8,483,714	\$ 8,483,714	\$ 7,859,395	\$ 7,516,411	\$ 6,372,283	\$ 6,754,587

¹ Budgetary Basis of accounting. Subject to audit. No assurances can be given that subsequent projections and the final result of operations will not change.

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 Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, 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. Receipts for the purchase price of the Bonds and the Notes.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut.
5. Executed Continuing Disclosure Agreements for the Bonds and the 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 April 12, 2017. 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 one hundred (100) 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 financial advisor no later than seven business days of the bid opening. If the Town's financial 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 financial 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/ Frank J. Nardelli, Jr.

Frank J. Nardelli, Jr., *Director of Finance*

Dated: April 12, 2017

Appendix A

2016 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, 2016. 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.

(This page intentionally left blank)

Independent Auditors' Report

Town Council
Town of Watertown, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Watertown, Connecticut ("Town") as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Adjustments

As described in Note 2 to the financial statements, these financial statements include a number of corrections of errors to the opening balances. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information and pension and other post-employment benefit schedules 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.

Supplementary and Other Information

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

The combining fund financial statements and supplementary schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us 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 February 21, 2017 on our consideration of the Town'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 the 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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

February 21, 2017

**Town of Watertown, Connecticut
Management's Discussion and Analysis
June 30, 2016**

Our discussion and analysis of the Town of Watertown, Connecticut's (the "Government") financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Government's total net position decreased \$2.9 million as a result of this year's operations. Net position of our governmental activities decreased by \$2.5 million.
- During the year, the Government had expenses that were \$2.4 million more than the \$78.5 million generated in tax and other revenues for governmental programs.
- In the Government's business-type activities, total net position decreased \$386 thousand.
- Unrestricted net position of business-type activities decreased by \$100 thousand (\$3.6 million in 2016 compared to \$3.7 million in 2015.)
- Total expenses of all the Government's programs was \$85 million with no new programs added this year.
- The General Fund reported an unassigned fund balance this year of \$8 million.
- General Fund expenditures were kept within spending limits.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. 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 Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the Government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Town of Watertown, Connecticut
Management's Discussion and Analysis
June 30, 2016**

These two statements report the Government's *net position* and changes in them. You can think of the Government's net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- **Governmental activities**—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- **Business-type activities**—The Government charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Government's Sewer, Water and Golf Course operations are reported here.

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Government's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- **Governmental funds**—The Government'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 Government'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 Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds**—When the Government charges customers for the services it provides—whether to outside customers or to other units of the Government—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 Government's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**Town of Watertown, Connecticut
Management's Discussion and Analysis
June 30, 2016**

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Exhibit VIII. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position decreased by \$2.9 million from a year ago— decreasing from \$137.1 million to \$134.2 million. Last year net position decreased by \$3.3 million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 22,711,745	\$ 27,010,864	\$ 4,856,008	\$ 6,829,563	\$ 27,567,753	\$ 33,840,427
Capital assets	188,163,170	189,778,801	16,185,193	14,809,512	204,348,363	204,588,313
Total assets	210,874,915	216,789,665	21,041,201	21,639,075	231,916,116	238,428,740
Deferred outflows of resources	5,317,471	1,660,807	220,822	26,149	5,538,293	1,686,956
Long-term debt outstanding	85,199,526	87,230,238	2,425,530	2,288,820	87,625,056	89,519,058
Other liabilities	13,487,313	11,187,279	605,097	702,098	14,092,410	11,889,377
Total liabilities	98,686,839	98,417,517	3,030,627	2,990,918	101,717,466	101,408,435
Deferred inflows of resources	1,422,372	1,451,303	81,790	138,157	1,504,162	1,589,460
Net position						
Net investment in capital assets	130,139,277	134,369,332	14,523,582	14,809,512	144,662,859	149,178,844
Restricted						
Expendable	1,782,579	124,206	-	-	1,782,579	124,206
Nonexpendable	97,143	160,887	-	-	97,143	160,887
Unrestricted	(15,935,824)	(16,072,773)	3,626,024	3,726,637	(12,309,800)	(12,346,136)
Total net position	\$ 116,083,175	\$ 118,581,652	\$ 18,149,606	\$ 18,536,149	\$ 134,232,781	\$ 137,117,801

Net position of the Government's governmental activities decreased by \$2.5 million (\$116.1 million in 2016 compared with \$118.6 million in 2015). The Government's unrestricted net position of \$(15.9) million decreased by \$137 thousand compared with last year's unrestricted net position of \$(16.1) million. The decrease is primarily attributable to the net repayment of bonds.

During 2016, the net position of the Government's business-type activities decreased by \$387 thousand. Unrestricted net position decreased by \$100 thousand (\$3.6 million in 2016 compared to 3.7 million in 2015). Contributing factors to the change in total net position and unrestricted net position follows in Table 2. The Government generally can only use this net position to finance the continuing operations of the Water and Sewer Authority and Crestbrook Golf Enterprise Funds.

**Town of Watertown, Connecticut
Management's Discussion and Analysis
June 30, 2016**

**Table 2
Change in Net Position (on Exhibit 2)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 3,796,123	\$ 3,805,717	\$ 3,858,249	\$ 3,687,885	\$ 7,654,372	\$ 7,493,602
Operating grants and contributions	19,419,205	18,447,887	-	-	19,419,205	18,447,887
Capital grants and contributions	781,167	2,371,694	-	-	781,167	2,371,694
General revenues:						
Property taxes	53,218,375	50,738,912	-	-	53,218,375	50,738,912
Grants and contributions	342,601	1,165,543	-	-	342,601	1,165,543
Interest and investment earnings	50,392	32,070	-	6,130	50,392	38,200
Loss on disposal of assets	-	(28,595)	-	-	-	(28,595)
Other general revenues	927,921	1,905,304	-	-	927,921	1,905,304
Total revenues	<u>78,535,784</u>	<u>78,438,532</u>	<u>3,858,249</u>	<u>3,694,015</u>	<u>82,394,033</u>	<u>82,132,547</u>
Program expenses						
General government	18,632,488	14,642,335	-	-	18,632,488	14,642,335
Public safety	7,056,599	6,771,122	-	-	7,056,599	6,771,122
Public works	6,830,031	6,029,759	-	-	6,830,031	6,029,759
Parks and recreation	1,386,354	989,044	-	-	1,386,354	989,044
Health and welfare	279,305	281,496	-	-	279,305	281,496
Education	44,847,545	49,786,691	-	-	44,847,545	49,786,691
Interest on long-term debt	1,918,464	2,169,068	-	-	1,918,464	2,169,068
Sewer	-	-	2,087,500	2,229,460	2,087,500	2,229,460
Water	-	-	1,638,468	1,687,777	1,638,468	1,687,777
Golf	-	-	602,299	812,641	602,299	812,641
Total expenses	<u>80,950,786</u>	<u>80,669,515</u>	<u>4,328,267</u>	<u>4,729,878</u>	<u>85,279,053</u>	<u>85,399,393</u>
Excess (deficiency) before transfers	(2,415,002)	(2,230,983)	(470,018)	(1,035,863)	(2,885,020)	(3,266,846)
Transfers	(83,475)	(66,828)	83,475	66,828	-	-
Increase (decrease) in net position	<u>(2,498,477)</u>	<u>(2,297,811)</u>	<u>(386,543)</u>	<u>(969,035)</u>	<u>(2,885,020)</u>	<u>(3,266,846)</u>
Net Position, beginning of year	118,581,652	120,879,463	18,536,149	19,505,184	137,117,801	140,384,647
Net Position, end of year	<u>\$ 116,083,175</u>	<u>\$ 118,581,652</u>	<u>\$ 18,149,606</u>	<u>\$ 18,536,149</u>	<u>\$ 134,232,781</u>	<u>\$ 137,117,801</u>

The Government's total revenues were \$82 million. The total cost of all programs and services was \$85 million. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

Governmental Activities

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions.

**Town of Watertown, Connecticut
Management's Discussion and Analysis
June 30, 2016**

**Table 3
Governmental Type Activities**

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2016	2015		2016	2015	
Governmental Activities						
General government	\$ 18,632,488	\$ 14,642,335	27.25%	\$ 17,737,137	\$ 13,391,980	32.45%
Public safety	7,056,599	6,771,122	4.22%	5,711,140	5,962,172	-4.21%
Public works	6,830,031	6,029,759	13.27%	5,462,886	5,277,413	3.51%
Parks and recreation	1,386,354	989,044	40.17%	1,022,045	164,417	521.62%
Health and welfare	279,305	281,496	-0.78%	217,010	161,497	34.37%
Education	44,847,545	49,786,691	-9.92%	24,885,609	29,046,724	-14.33%
Interest on long-term debt	1,918,464	2,169,068	-11.55%	1,918,464	2,040,014	-5.96%
Totals	\$ 80,950,786	\$ 80,669,515	0.35%	\$ 56,954,291	\$ 56,044,217	1.62%

The Government's governmental activities reported a decrease of \$2.5 million in net position in 2016. The Government's total governmental revenue for the year was \$78.5 million. Total program expenses were \$81.0 million. During 2016, property taxes increased by \$2.5 million as the Government's property tax mill rate increased 0.98 mills and strong tax collections by the tax collector.

Business-type Activities

The Government's business-type activities reported a decrease of \$386 thousand in net position in 2016. The business-type activity consists of the Water and Sewer Authority and Crestbrook Golf Operations. Table 4 presents the cost of the Government's business-type programs as well as the business-type program's net cost (total cost less revenues generated by the activities).

**Table 4
Business-Type Activities**

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2016	2015		2016	2015	
Business-Type Activities						
Sewer	\$ 2,087,500	\$ 2,229,460	-6.37%	\$ 183,896	\$ 419,368	-56.15%
Water	1,638,468	1,687,777	-2.92%	266,195	322,699	-17.51%
Golf	602,299	812,641	-25.88%	19,927	299,926	-93.36%
Totals	\$ 4,328,267	\$ 4,729,878	-8.49%	\$ 470,018	\$ 1,041,993	-54.89%

The business type activities cost of services decreased by \$402 thousand and net cost of services decreased by \$572 thousand.

THE GOVERNMENT'S FUNDS

As the Government completed the year, its General Fund (as presented in the balance sheet – Exhibit 3) reported a total fund balance of \$8.5 million, which is an increase of \$624 thousand from last years of \$7.9 million. General Fund total revenues increased \$2.2 million from the previous year with property collections strong as shown in Exhibit 4. General Fund expenditures increased \$7.9 million with an increase in education of \$612 thousand and public safety and public works increasing \$1.8 million from the prior fiscal year.

**Town of Watertown, Connecticut
Management's Discussion and Analysis
June 30, 2016**

Proprietary Funds

The Government operates three enterprise funds that comprise the Government'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 Government's Crestbrook Golf Course. Analysis of the Government's enterprise funds is included in the business-type activities section.

General Fund Budgetary Highlights

Over the course of the year, the Town Council can revise the Town budget with additional appropriations up to \$25,000 per item and budget transfers. Additional appropriations over \$25,000 must be approved at Town Meeting. Transfers do not increase the total budget but increase appropriations of departments that need additional funding by transferring appropriations from other departments that might have excess funding.

**Table 5
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property taxes	\$52,419,278	\$52,586,977	\$ 167,699
Intergovernmental	13,902,107	14,434,117	532,010
Local revenue	811,191	900,477	89,286
Permit and fees	351,740	390,214	38,474
Police	778,888	1,311,644	532,756
Board of education	8,500	56,887	48,387
Investment income	21,017	40,093	19,076
Other	315,653	458,772	143,119
Total Revenues	68,608,374	70,179,181	1,570,807
Expenditures			
General Government	2,782,908	2,492,769	290,139
Public safety	5,750,937	5,709,929	41,008
Public works	4,422,590	4,169,160	253,430
Parks and recreation	917,519	889,887	27,632
Health and welfare	148,145	145,066	3,079
Education	40,397,697	40,334,859	62,838
Miscellaneous	9,139,662	9,079,209	60,453
Debt service	6,768,542	6,761,700	6,842
Total Expenditures	70,328,000	69,582,579	745,421
Increase (Decrease) in Fund Balance	\$ (1,719,626)	\$ 596,602	\$ 2,316,228

Total actual revenues exceeded budgetary revenues by \$1.6 million due to police special duty revenue exceeding budget by \$532 thousand and strong tax collections exceeding budget by \$168 thousand. During the year, the Town approved \$1,719,626 of additional general fund appropriations to fund various unanticipated expenditures. The town expended \$745 thousand less than the amended appropriated budget amount of \$70,328,000. The Public Works budget was \$253,000 less due to projects coming in under budget and a mild winter.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$188,163,170 invested in governmental activities capital assets. This amount represents a net decrease (including additions and deductions) of \$2.6 million from last year. This is primarily due to depreciation exceeding capital asset additions. More detailed information about the Government's capital assets is presented in Note 6 to the financial statements.

Debt

At year end, the Government had \$57,075,000 in governmental activities bonds and notes outstanding. This is a decrease of \$5.2 million from last year. The Government's general obligation bond rating continues to carry an AA+ rating. More detailed information about the Government's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the Town now stands at 4.6% versus 5.0% a year ago. This compares with the State's unemployment rate of 5.4% and the national rate of 4.7%.

Inflation in the Northeast area continues to be less than the national Consumer Price Index (CPI) increase. The Government required one budget referendum to pass its 2016-2017 budget. The mill rate for fiscal year 2016-2017 is 30.89 mills, which was a .79 mill increase from the prior year. The Board of Education budget increased 1.67% and the Town's portion increased 2.67%.

In the Government's 2016-2017 budget, the Government did not use any of the fund balance to balance the budget.

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

As for the Government's business-type activities, we expect that the 2016-17 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. The Water and Sewer Department has completed a Water and Sewer Cost of Services rate study, which will moderately increase rates in fiscal year 2016-2017.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government'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, CT 06795.

Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 14,944,836	\$ 3,183,013	\$ 18,127,849
Investments	3,303	-	3,303
Restricted cash and equivalents	-	155,578	155,578
Receivables			
Taxes, net	1,515,499	-	1,515,499
Accounts	415,340	-	415,340
Usage	-	973,738	973,738
Loans	838,855	-	838,855
Intergovernmental	4,111,025	543,679	4,654,704
Special assessments	849,802	-	849,802
Due from other funds	9,946	-	9,946
Inventory	23,139	-	23,139
Capital assets			
Nondepreciable	2,597,876	1,202,806	3,800,682
Depreciable, net of accumulated depreciation	185,565,294	14,982,387	200,547,681
Total Assets	<u>210,874,915</u>	<u>21,041,201</u>	<u>231,916,116</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges	1,468,593	-	1,468,593
Difference between expected and actual experience	362,221	-	362,221
Change in assumptions	2,421,944	138,862	2,560,806
Difference between projected and actual earnings	937,215	81,589	1,018,804
Contributions after the measurement date	127,498	371	127,869
Total Deferred Outflows of Resources	<u>5,317,471</u>	<u>220,822</u>	<u>5,538,293</u>
LIABILITIES			
Accounts payable	1,677,703	543,282	2,220,985
Accrued payroll and related	1,801,129	-	1,801,129
Accrued interest payable	754,559	-	754,559
Due to other funds	-	9,946	9,946
Bond anticipation notes	6,400,000	-	6,400,000
Long-term claims payable	2,134,944	-	2,134,944
Unearned revenues	718,978	51,869	770,847
Non-current liabilities			
Due within one year	6,875,015	490,035	7,365,050
Due in more than one year	78,324,511	1,935,495	80,260,006
Total Liabilities	<u>98,686,839</u>	<u>3,030,627</u>	<u>101,717,466</u>
DEFERRED INFLOW OF RESOURCES			
Difference between expected and actual experience	349,868	69,158	419,026
Difference between projected and actual earnings	1,072,504	12,632	1,085,136
Total Deferred Inflows of Resources	<u>1,422,372</u>	<u>81,790</u>	<u>1,504,162</u>
NET POSITION			
Net investment in capital assets	130,139,277	14,523,582	144,662,859
Restricted net position			
Expendable	1,782,579	-	1,782,579
Nonexpendable	97,143	-	97,143
Unrestricted net position	(15,935,824)	3,626,024	(12,309,800)
Total Net Position	<u>\$ 116,083,175</u>	<u>\$ 18,149,606</u>	<u>\$ 134,232,781</u>

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

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	
			Grants and Contributions	Grants and Contributions			
Governmental activities							
General government	\$ 18,632,488	\$ 725,951	\$ 79,935	\$ 89,465	\$ (17,737,137)		\$ (17,737,137)
Public safety	7,056,599	1,337,748	7,711	-	(5,711,140)		(5,711,140)
Public works	6,830,031	152,303	529,027	685,815	(5,462,886)		(5,462,886)
Parks and recreation	1,386,354	351,132	7,290	5,887	(1,022,045)		(1,022,045)
Health and welfare	279,305	4,595	57,700	-	(217,010)		(217,010)
Education	44,847,545	1,224,394	18,737,542	-	(24,885,609)		(24,885,609)
Interest on long-term debt	1,918,464	-	-	-	(1,918,464)		(1,918,464)
Total Governmental Activities	<u>80,950,786</u>	<u>3,796,123</u>	<u>19,419,205</u>	<u>781,167</u>	<u>(56,954,291)</u>		<u>(56,954,291)</u>
Business-type activities							
Sewer	2,087,500	1,903,604	-	-		\$ (183,896)	(183,896)
Water	1,638,468	1,372,273	-	-		(266,195)	(266,195)
Golf	602,299	582,372	-	-		(19,927)	(19,927)
Total Business-type Activities	<u>4,328,267</u>	<u>3,858,249</u>	<u>-</u>	<u>-</u>		<u>(470,018)</u>	<u>(470,018)</u>
Total Primary Government	<u>\$ 85,279,053</u>	<u>\$ 7,654,372</u>	<u>\$ 19,419,205</u>	<u>\$ 781,167</u>	<u>(56,954,291)</u>	<u>(470,018)</u>	<u>(57,424,309)</u>
General Revenues							
Property taxes, payments in lieu, interest and liens					53,218,375	-	53,218,375
Grants not restricted to specific programs					342,601	-	342,601
Unrestricted interest and investment earnings					50,392	-	50,392
Other general revenues					927,921	-	927,921
Transfers in (transfers out)					(83,475)	83,475	-
Total General Revenues and Transfers					<u>54,455,814</u>	<u>83,475</u>	<u>54,539,289</u>
Change in Net Position					(2,498,477)	(386,543)	(2,885,020)
Net Position - Beginning of Year, as restated					<u>118,581,652</u>	<u>18,536,149</u>	<u>137,117,801</u>
Net Position - End of Year					<u>\$ 116,083,175</u>	<u>\$ 18,149,606</u>	<u>\$ 134,232,781</u>

Balance Sheet
 Governmental Funds
 June 30, 2016

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 10,803,217	\$ 1,602,870	\$ 1,842,457	\$ 14,248,544
Investments	-	-	3,303	3,303
Taxes and interest on taxes receivable, net	1,515,499	-	-	1,515,499
Other receivables				
Accounts	358,710	-	56,630	415,340
Loans	-	-	838,855	838,855
Intergovernmental	1,328,381	2,782,644	-	4,111,025
Assessments	849,802	-	-	849,802
Due from other funds	9,946	-	-	9,946
Inventories	-	-	23,139	23,139
Total Assets	<u>\$ 14,865,555</u>	<u>\$ 4,385,514</u>	<u>\$ 2,764,384</u>	<u>\$ 22,015,453</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 568,499	\$ 87,808	\$ 80,801	\$ 737,108
Accrued payroll and related	1,725,456	-	75,673	1,801,129
Bond anticipation notes payable	-	6,400,000	-	6,400,000
Unearned revenues	595,760	-	123,218	718,978
Total Liabilities	<u>2,889,715</u>	<u>6,487,808</u>	<u>279,692</u>	<u>9,657,215</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Property taxes and interest	1,262,527	-	-	1,262,527
Assessments	849,802	-	-	849,802
Intergovernmental	1,288,178	2,782,644	-	4,070,822
Other	91,619	-	-	91,619
Total Deferred Inflows of Resources	<u>3,492,126</u>	<u>2,782,644</u>	<u>-</u>	<u>6,274,770</u>
Fund Balances				
Nonspendable	-	-	120,282	120,282
Restricted	-	-	1,759,761	1,759,761
Committed	-	-	492,516	492,516
Assigned	467,589	-	112,454	580,043
Unassigned	8,016,125	(4,884,938)	(321)	3,130,866
Total Fund Balances	<u>8,483,714</u>	<u>(4,884,938)</u>	<u>2,484,692</u>	<u>6,083,468</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,865,555</u>	<u>\$ 4,385,514</u>	<u>\$ 2,764,384</u>	<u>\$ 22,015,453</u>

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

Reconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Position - Governmental Activities
June 30, 2016

Fund Balances - Total Governmental Funds	\$ 6,083,468
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.	188,163,170
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(2,379,247)
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 activities.	(341,081)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,274,770
Amortization of pension differences recorded as deferred outflows and inflows	
Deferred outflows for difference between expected and actual experience	362,221
Deferred outflows for change in assumptions	2,421,944
Deferred outflows for difference between projected and actual earnings	937,215
Deferred outflows for contributions after the measurement date	127,498
Deferred inflows for difference between expected and actual experience	(349,868)
Deferred inflows for difference between projected and actual earnings	(1,072,504)
	<u>2,426,506</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(754,559)
Bonds payable	(50,675,000)
Capital leases payable	(768,099)
Pension obligations payable	(10,428,002)
Pension buy in payable	(557,238)
Other post-employment benefits obligations payable	(16,946,169)
Compensated absences	(3,527,712)
Special termination benefits	(212,012)
Post-closure landfill costs	(275,620)
	<u>(84,144,411)</u>
Net Position of Governmental Activities	<u>\$ 116,083,175</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes, interest and liens	\$ 52,586,977	\$ -	\$ -	\$ 52,586,977
Intergovernmental	19,352,704	109	2,223,552	21,576,365
Departmental	2,632,660	-	1,476,299	4,108,959
Investment income	40,093	6,169	5,766	52,028
Other	330,238	10,679	163,124	504,041
Total Revenues	<u>74,942,672</u>	<u>16,957</u>	<u>3,868,741</u>	<u>78,828,370</u>
EXPENDITURES				
Current Expenditures				
General government	2,467,694	-	130,001	2,597,695
Public safety	5,673,640	-	4,130	5,677,770
Public works	4,243,905	-	511,083	4,754,988
Parks and recreation	796,623	-	396,464	1,193,087
Health and welfare	260,012	-	68,508	328,520
Education	45,068,233	-	3,064,372	48,132,605
Other	8,763,452	-	-	8,763,452
Debt Service				
Principal	4,495,000	410,000	-	4,905,000
Interest	1,966,700	77,272	-	2,043,972
Capital Outlay	483,634	1,823,154	460,048	2,766,836
Total Expenditures	<u>74,218,893</u>	<u>2,310,426</u>	<u>4,634,606</u>	<u>81,163,925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>723,779</u>	<u>(2,293,469)</u>	<u>(765,865)</u>	<u>(2,335,555)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	33,031	307,430	225,220	565,681
Transfers out	(616,125)	(6,458)	(26,573)	(649,156)
Issuance of capital leases	483,634	-	-	483,634
Premium on financing	-	31,319	-	31,319
Total Other Financing Sources (Uses)	<u>(99,460)</u>	<u>332,291</u>	<u>198,647</u>	<u>431,478</u>
Net Change in Fund Balances	624,319	(1,961,178)	(567,218)	(1,904,077)
Fund Balances - Beginning of Year, as restated	<u>7,859,395</u>	<u>(2,923,760)</u>	<u>3,051,910</u>	<u>7,987,545</u>
Fund Balances - End of Year	<u>\$ 8,483,714</u>	<u>\$ (4,884,938)</u>	<u>\$ 2,484,692</u>	<u>\$ 6,083,468</u>

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, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ (1,904,077)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay expenditures	3,170,518
Depreciation expense	<u>(5,786,149)</u>
	<u>(2,615,631)</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property taxes and other revenues in the General Fund	(293,328)
<p>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 assets.</p>	
Proceeds from long-term debt - capital leases	(483,634)
Principal payments on long-term debt - general obligation bonds	4,905,000
Principal payments on long-term debt - capital leases	545,463
Amortization of loss on refunding bonds, issuance premium and issuance costs	<u>33,104</u>
	<u>4,999,933</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	52,706
Early retirement incentive	141,046
Compensated absences	(41,720)
Post-closure landfill costs	18,000
Pension asset/liability	(82,957)
Other post employment benefits liability	<u>(2,403,861)</u>
	<u>(2,316,786)</u>
<p>Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>	
	<u>(368,588)</u>
Change in Net Position of Governmental Activities	<u><u>(2,498,477)</u></u>

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Business-type Activities-Enterprise Funds			Total Current Year	Governmental
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Oper.		Activities Internal Service
ASSETS					
Current Assets					
Cash and equivalents	\$ 1,753,330	\$ 1,429,683	\$ -	\$ 3,183,013	\$ 696,292
Receivables					
Usage	601,624	372,114	-	973,738	-
Intergovernmental	136,676	-	-	136,676	-
Total Current Assets	<u>2,491,630</u>	<u>1,801,797</u>	<u>-</u>	<u>4,293,427</u>	<u>696,292</u>
Noncurrent Assets					
Restricted cash	155,578	-	-	155,578	-
Receivables					
Intergovernmental	407,003	-	-	407,003	-
Capital assets					
Nondepreciable	154,826	112,980	935,000	1,202,806	-
Depreciable	21,890,892	11,973,087	2,458,867	36,322,846	-
Less Accumulated depreciation	<u>(13,543,634)</u>	<u>(5,614,616)</u>	<u>(2,182,209)</u>	<u>(21,340,459)</u>	<u>-</u>
Total Capital Assets, net of accumulated depreciation	<u>8,502,084</u>	<u>6,471,451</u>	<u>1,211,658</u>	<u>16,185,193</u>	<u>-</u>
Total Noncurrent Assets	<u>9,064,665</u>	<u>6,471,451</u>	<u>1,211,658</u>	<u>16,747,774</u>	<u>-</u>
Total Assets	<u>11,556,295</u>	<u>8,273,248</u>	<u>1,211,658</u>	<u>21,041,201</u>	<u>696,292</u>
DEFERRED OUTFLOWS OF RESOURCES					
Change in pension assumptions	69,431	69,431	-	138,862	-
Difference between projected and actual pension earnings	38,802	38,802	3,985	81,589	-
Pension contributions after the measurement date	-	-	371	371	-
Total Deferred Outflows of Resources	<u>108,233</u>	<u>108,233</u>	<u>4,356</u>	<u>220,822</u>	<u>-</u>
LIABILITIES					
Current Liabilities					
Accounts payable	101,362	110,923	330,997	543,282	940,595
Due to other funds	9,946	-	-	9,946	-
Unearned revenues	51,869	-	-	51,869	-
Current maturities of notes payable	417,715	-	-	417,715	-
Compensated absences	28,969	28,969	14,382	72,320	-
Total Current Liabilities	<u>609,861</u>	<u>139,892</u>	<u>345,379</u>	<u>1,095,132</u>	<u>940,595</u>
Noncurrent Liabilities					
Compensated absences	36,474	36,474	35,146	108,094	-
Long-term claims payable	-	-	-	-	2,134,944
Notes payable, less current maturities	1,243,896	-	-	1,243,896	-
Net pension liability	264,719	264,719	52,507	581,945	-
Other long-term liabilities	-	-	1,560	1,560	-
Total Noncurrent Liabilities	<u>1,545,089</u>	<u>301,193</u>	<u>89,213</u>	<u>1,935,495</u>	<u>4,269,888</u>
Total Liabilities	<u>2,154,950</u>	<u>441,085</u>	<u>434,592</u>	<u>3,030,627</u>	<u>3,075,539</u>
DEFERRED INFLOWS OF RESOURCES					
Difference between actual and expected pension experience	34,579	34,579	-	69,158	-
Difference between actual and projected pension earnings	-	-	12,632	12,632	-
Total Deferred Inflows of Resources	<u>34,579</u>	<u>34,579</u>	<u>12,632</u>	<u>81,790</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	6,840,473	6,471,451	1,211,658	14,523,582	-
Unrestricted	<u>2,634,526</u>	<u>1,434,366</u>	<u>(442,868)</u>	<u>3,626,024</u>	<u>(2,379,247)</u>
Total Net Position	<u>\$ 9,474,999</u>	<u>\$ 7,905,817</u>	<u>\$ 768,790</u>	<u>\$18,149,606</u>	<u>\$ (2,379,247)</u>

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds			Total Current Year	Governmental
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Oper.		Activities Internal Service
OPERATING REVENUES					
Charges for services	\$ 1,896,355	\$ 1,368,018	\$ 582,372	\$ 3,846,745	\$ 12,490,861
Permits and fees	3,690	1,400	-	5,090	-
Total Operating Revenues	<u>1,900,045</u>	<u>1,369,418</u>	<u>582,372</u>	<u>3,851,835</u>	<u>12,490,861</u>
OPERATING EXPENSES					
Salaries	250,068	249,946	244,184	744,198	-
Depreciation	253,547	231,970	30,095	515,612	-
Amortization	451,228	-	-	451,228	-
Benefits	136,875	136,866	111,454	385,195	-
Purchased services	957,661	1,019,686	216,566	2,193,913	-
Claims	-	-	-	-	10,728,405
Premiums and administrative charges	-	-	-	-	2,131,786
Total Operating Expenses	<u>2,049,379</u>	<u>1,638,468</u>	<u>602,299</u>	<u>4,290,146</u>	<u>12,860,191</u>
Income (Loss) from Operations	<u>(149,334)</u>	<u>(269,050)</u>	<u>(19,927)</u>	<u>(438,311)</u>	<u>(369,330)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	3,559	2,855	-	6,414	742
Interest expense	(38,121)	-	-	(38,121)	-
Total Non-Operating Revenues (Expenses)	<u>(34,562)</u>	<u>2,855</u>	<u>-</u>	<u>(31,707)</u>	<u>742</u>
Income (Loss) Before Transfers	(183,896)	(266,195)	(19,927)	(470,018)	(368,588)
Transfers in	-	83,475	-	83,475	-
Change in Net Position	(183,896)	(182,720)	(19,927)	(386,543)	(368,588)
Net Position - Beginning of Year, as restated	<u>9,658,895</u>	<u>8,088,537</u>	<u>788,717</u>	<u>18,536,149</u>	<u>(2,010,659)</u>
Net Position - End 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>

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds			Total Current Year	Governmental
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Oper.		Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 1,887,177	\$1,344,775	\$ 582,372	\$3,814,324	\$12,490,861
Cash payments to employees	(246,888)	(246,766)	(280,297)	(773,951)	-
Cash payments to suppliers	(1,017,561)	(1,032,771)	(213,532)	(2,263,864)	-
Cash payments for benefits and claims	(128,187)	(163,943)	(100,416)	(392,546)	(10,818,519)
Premiums and administrative charges	-	-	-	-	(2,131,786)
Net Cash from Operating Activities	<u>494,541</u>	<u>(98,705)</u>	<u>(11,873)</u>	<u>383,963</u>	<u>(459,444)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on debt	(451,228)	-	-	(451,228)	-
Principal received on reimbursement obligation	147,641	-	-	147,641	-
Acquisition and construction of capital assets	(157,652)	(55,926)	-	(213,578)	-
Interest paid on debt	(38,121)	-	-	(38,121)	-
Net Cash from Capital and Related Financing Activities	<u>(499,360)</u>	<u>(55,926)</u>	<u>-</u>	<u>(555,286)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Advances from other funds	-	-	11,873	11,873	-
Transfers in	-	83,475	-	83,475	-
Net Cash from Non-Capital Financing Activities	<u>-</u>	<u>83,475</u>	<u>11,873</u>	<u>95,348</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	<u>3,559</u>	<u>2,855</u>	<u>-</u>	<u>6,414</u>	<u>742</u>
Net Increase (Decrease) in Cash and Equivalents	(1,260)	(68,301)	-	(69,561)	(458,702)
Cash and Equivalents - Beginning of Year	<u>1,754,590</u>	<u>1,497,984</u>	<u>-</u>	<u>3,252,574</u>	<u>1,154,994</u>
Cash and Equivalents - End of Year	<u>1,753,330</u>	<u>1,429,683</u>	<u>-</u>	<u>3,183,013</u>	<u>696,292</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES					
Income (loss) from operations	(149,334)	(269,050)	(19,927)	(438,311)	(369,330)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities					
Depreciation and Amortization	704,775	231,970	30,095	966,840	-
Changes in operating assets and liabilities					
Accounts receivable	(12,868)	(24,643)	-	(37,511)	-
Accounts payable	(59,900)	(13,085)	3,034	(69,951)	-
Increase in comp absences	3,180	3,180	(36,113)	(29,753)	-
Deferred Inflows	(9,036)	(9,036)	(38,295)	(56,367)	-
Net Pension liability	118,266	82,501	41,362	242,129	-
Deferred Outflows	(100,542)	(100,542)	6,411	(194,673)	-
Other Long Term Liabilities	-	-	1,560	1,560	-
Claims payable	-	-	-	-	(90,114)
Net Cash from Operating Activities	<u>\$ 494,541</u>	<u>\$ (98,705)</u>	<u>\$ (11,873)</u>	<u>\$ 383,963</u>	<u>\$ (459,444)</u>

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	Pension and OPEB Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 43,067	\$ 497,618
Investments, at fair value	<u>38,852,440</u>	<u>-</u>
Total Assets	<u>38,895,507</u>	<u>497,618</u>
 LIABILITIES		
Due to others	<u>-</u>	<u>\$ 497,618</u>
 NET POSITION		
Restricted for pensions	<u>\$ 38,895,507</u>	

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2016

	<u>Pension and OPEB Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 1,327,326
Plan members	<u>512,881</u>
Total Contributions	<u>1,840,207</u>
Investment Income	
Net change in fair value of investments	(413,019)
Interest and dividends	<u>853,360</u>
Total Investment Income	440,341
Less investment management fees	<u>(95,606)</u>
Net Investment Income	<u>344,735</u>
Total Additions	2,184,942
DEDUCTIONS	
Pension benefits	2,256,202
Administrative Fees	<u>105,821</u>
Total Deductions	<u>2,362,023</u>
Change in Net Position	<u>(177,081)</u>
Net Position - Beginning of Year, as restated	<u>39,072,588</u>
Net Position - End of Year	<u>\$ 38,895,507</u>

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

Town of Watertown, Connecticut

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

The Town of Watertown, Connecticut ("Town") 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 accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position in Exhibit 1 and the Statement of Activities in Exhibit 2) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

1. Summary of Significant Accounting Policies (Continued)

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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 and enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and the Internal Service funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds include the cost of services, administrative expenses, depreciation, and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a) Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

The **General Fund** constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

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

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

- b) Proprietary Funds - Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The following are the Town's enterprise funds:

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

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

The **Internal service funds** are used to account for the Town's risk financing activities.

- c) Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension Trust and Agency funds. The Pension Trust Funds are provided to account for the activities of the Town's defined benefit pension plan and the Other Post Employment Benefit Trust Fund, which accumulate resources for pension and health benefit payments to qualified employees upon retirement. The Agency Fund is primarily utilized to account for monies held as custodian for outside student groups and developers.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust funds. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting. 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.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand and time deposit accounts, certificates of deposit, money market funds, State Treasurer's Short-Term Investment Fund and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks in the State. The State requires that each depository maintain segregated collateral in an amount equal to a percentage of its public deposits based upon the bank's risk-based capital ratio.

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.

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

1. Summary of Significant Accounting Policies (Continued)

The Town follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quote prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town of Watertown minimizes interest rate risk by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, avoiding the need to sell securities on the open market prior to maturity. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously and pre-qualifying institutions with which the Town may do business.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town's policy for credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously and pre-qualifying institutions with which the Town may do business.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository. Currently, 100% of the Town's investment accounts are held by Prudential.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

An allowance for uncollectible taxes of \$180,000 has been recorded net with taxes receivable as of June 30, 2016.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balances in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Non-material purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Intangible assets lack physical substance, are nonfinancial in nature and their useful lives extend beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized. Intangible assets with legal, contractual, regulatory, technological or other factors limiting their useful life are amortized over their useful lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Construction in progress has not been put into service yet and, therefore, is not depreciated. Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 5,000
Construction in progress	N/A	\$ 100,000
Intangible assets	Varies, if any	\$ 5,000
Buildings	50	\$ 5,000
Vehicles	3	\$ 5,000
Building improvements	20	\$ 5,000
Machinery and equipment	5	\$ 5,000
Infrastructure	20-100	\$ 25,000

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

The Town reports deferred outflows and inflows of resources related to pensions in the government-wide statement of net position. A deferred outflow or inflow of resources related to pension results from differences between expected and actual experience, the net difference between projected and actual earnings, and a change in assumptions. These amounts are deferred and included in pension expense in a systematic and rational manner 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 employees and inactive employees). Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount.

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

Compensated Absences - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Net Pension Liability – The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

1. Summary of Significant Accounting Policies (Continued)

Net Pension Liability in the Municipal Employee Retirement System (MERS) - The Town's proportionate share of the net pension liability of the Connecticut Municipal Employees Retirement System ("MERS") is reported as net pension liability (MERS) on the government wide statement of position.

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been completely depleted before unrestricted net position is applied.

The components of net position are detailed below:

- *Net Investment in Capital Assets* - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.
- *Restricted Net Position - Nonexpendable* - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent.
- *Restricted Net Position – Expendable* - the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds.
- *Unrestricted* - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

- Fund balances are to be reported as *restricted* when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- *Committed* fund balances are those that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. The Town Council is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit a fund balance. Once committed, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.
- *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, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balances would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned. 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%.

F. Encumbrances

In 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.

1. Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund. This 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 government 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 yearend. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **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.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

2. Stewardship, Compliance and Accountability (Continued)

B. Budget Calendar

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.

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.

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

D. Additional Appropriations in the General Fund

Additional appropriations of \$1,719,626 from fund balance were approved during the fiscal year for the General Fund in accordance with Charter requirements.

E. Fund Deficit

The following fund had deficit unassigned fund balances at June 30, 2016:

	Deficit	Expected Coverage		Future Bonding
		Future Revenues	Other Fund	
Internal Service Funds	\$ 2,379,247	\$ -	\$ 2,379,247	\$ -
Capital Project Funds				
Capital Improvement Fund	<u>4,884,938</u>	<u>2,782,644</u>	<u>-</u>	<u>2,102,294</u>
Total	<u>\$ 7,264,185</u>	<u>\$ 2,782,644</u>	<u>\$ 2,379,247</u>	<u>\$ 2,102,294</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

2. Stewardship, Compliance and Accountability (Continued)

F. Application of Accounting Standards

For the year ended June 30, 2016, the Town implemented new accounting standards which resulted in additional disclosures:

- GASB Statement 72 – *Fair Value Measurement and Application* – This Statement, addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement 76 – *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* – This statement identifies the current hierarchy of GAAP.
- Certain provisions of GASB Statement 79 – *Certain External Investment Pools and Pool Participants* for pool participants - This statement provides criteria for when an external investment pool may use amortized cost instead of Fair Value.

G. Prior Period Adjustments

During the 2016 fiscal year, these financial statements include corrections of errors in beginning balances. These were treated as prior period adjustments in that the beginning balances of equity were corrected to reflect the changes summarized as follows:

	Fund Balance		Net Position	
	Increase	Decrease	Increase	Decrease
Capital Improvement Fund				
Defer revenue not received in 60 days	\$ -	\$ (2,782,644)	\$ -	\$ -
Reduce reimbursement to estimated amounts				
Watertown High School renovation	-	(2,974,222)	-	(2,974,222)
Judson School renovation	-	(1,389,012)	-	(1,389,012)
Polk School renovation	-	(575,737)	-	(575,737)
Swift School renovation	54,815	-	54,815	-
Proprietary Funds				
Record escrow cash account	155,578	-	155,578	-
Consistently allocate pension balances	112,991	(71,530)	112,991	(71,530)
Record intergovernmental receivable	691,320	-	691,320	-
Other Governmental Funds				
Adjust deferred revenue to actual	77,731	-	77,731	-
Remove a housing rehab loan previously paid	-	(21,000)	-	(21,000)
Included E.C. Magraff stocks not recorded	3,303	-	3,303	-
Fiduciary Funds				
Include the OPEB Trust	1,406	-	1,409	-
Governmental Activities Capital Assets				
Depreciate school placed in service in 2011	NA	NA	-	(4,488,256)
Governmental Activities Long-Term Debt				
Record pension buy-in debt	NA	NA	-	(573,663)
Consistently allocate pension balances	NA	NA	-	(28,682)
	<u>\$ 1,097,144</u>	<u>\$ (7,814,145)</u>	<u>\$ 1,097,147</u>	<u>\$ (10,122,102)</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2016:

Statement of Net Position (Exhibit 1)	
Cash and equivalents	\$ 18,127,849
Restricted cash	155,578
Investments	3,303
	<u>18,286,730</u>
Fiduciary Funds (Exhibit 8)	
Cash and equivalents - Pension Trust Funds	43,067
Cash and equivalents - Agency Funds	497,618
Investments - Pension and OPEB Trust Funds	38,852,440
	<u>39,393,125</u>
Total Cash and Investments	<u>\$ 57,679,855</u>

Cash and Equivalents - The carrying amount of the deposits with financial institutions was:

Cash and Equivalents	
Deposits with financial institutions	\$ 18,203,816
Plus external investment pools	620,296
	<u>\$ 18,824,112</u>

The bank balance was \$18,663,423 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,250,000
Uninsured and uncollateralized	17,413,423
	<u>\$ 18,663,423</u>

Investments – Investments are summarized as follows at June 30, 2016

	Other Governmental Funds	Pension Trust Funds	Total Investments
Stable Value Guaranteed Insurance Account	\$ -	\$ 5,073,445	\$ 5,073,445
Insurance Company Separate Accounts:			
Core Bond Enhanced Index	-	6,688,222	6,688,222
Private Placement	-	4,727,840	4,727,840
Equity Funds	-	22,362,933	22,362,933
Common Stock	3,303	-	3,303
	<u>\$ 3,303</u>	<u>\$ 38,852,440</u>	<u>\$ 38,855,743</u>

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

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Stable Value Guaranteed Acct Insurance Company Accounts	A+	\$ 5,073,445	\$ 558,079	\$ 2,485,988	\$ 2,029,378
Core Bond Enhanced Index	Aa2	6,688,222	112,362	3,397,617	3,178,243
Private Placement	BBB+	4,727,840	783,876	1,502,508	2,441,456
Equity Funds	NA	22,362,933	22,362,933	-	-
Common Stock	NA	3,303	3,303	-	-
Total		<u>\$ 38,855,743</u>	<u>\$ 23,820,553</u>	<u>\$ 7,386,113</u>	<u>\$ 7,649,077</u>

NA Not applicable

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

3. Cash, Cash Equivalents and Investments (Continued)

The following are major categories of investments measured at fair value on a recurring basis, grouped by the fair value hierarchy:

Type of Investment	Quoted Prices in active Markets for Identical Assets (Level 1)	Other Investments measured at NAV	Total
Stable Value Guaranteed Acct (a)	\$ -	\$ 5,073,445	\$ 5,073,445
Insurance Company Pooled Separate Accounts			
Core Bond Enhanced Index (b)	-	6,688,222	6,688,222
Private Placement (c)	-	4,727,840	4,727,840
Equity Funds (d)	-	22,362,933	22,362,933
Common Stock	3,303	-	3,303
Total	\$ 3,303	\$ 38,852,440	\$ 38,855,743

These investments are measured at the net asset value (“NAV”) using the practical expedient and are not classified within the fair value hierarchy. This is recalculated daily. There are no restrictions on withdrawals. Each fund can be liquidated as needed.

- (a) This category includes investments in PGIM’s Guaranteed Deposit Fund which is designed to provide liquidity and safety of principal with a competitive rate of return.
- (b) This category includes investments in PGIM’s Core Bond Enhanced Index Fund and seeks to outperform the Barclays U.S. Aggregate Bond Index and comparable actively managed funds over full market cycles.
- (c) This category includes investments in PGIM’s Private Placement Fund. It is a fixed income commingled Separate Account that invests in intermediate-term debt securities.
- (d) This category includes investments through PGIM in various equity investment funds.

4. Receivables and Unearned Revenue

Receivables - Of the intergovernmental receivables, \$1,288,178 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 \$543,679 are to be collected from the Watertown Fire District for their portion of the Waterbury Sewer Plant. \$407,003 of this is a long receivable and not expected to be collected within one year. In addition, the assessments receivable of \$849,802 in the General Fund and the loans receivable of \$838,855 in the other governmental funds are long-term receivables and not expected to be collected in one year.

Unearned Revenue – Both Government Wide Activities (Exhibit 1) and Governmental funds (Exhibit 3) defer revenue recognition in connection with resources that have been received, but not yet earned. The following were reported as *unearned revenue* at June 30, 2016:

	Governmental Type Activities
Advances on grants	\$ 671,852
Fees collected in advance	47,126
	\$ 718,978

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

5. Interfund Transactions

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. At June 30, 2016 these were summarized as follows

Receivable fund	Payable Fund	Amount
General Fund	Sewer Authority	\$ <u>9,946</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2016 were as follows:

	Transfers into:				Total
	General Fund	Capital Improvement Fund	Other Governmental Funds	Enterprise Water Fund	
Transfers out of:					
General Fund	\$ -	\$ 307,430	\$ 225,220	\$ 83,475	\$ 616,125
Capital Improvement Fund	6,458	-	-	-	6,458
Other governmental funds	26,573	-	-	-	26,573
	<u>\$ 33,031</u>	<u>\$ 307,430</u>	<u>\$ 225,220</u>	<u>\$ 83,475</u>	<u>\$ 649,156</u>

6. Capital Assets

Changes in the Town's capital assets used in the governmental activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,597,876	\$ -	\$ -	\$ 2,597,876
Capital assets being depreciated				
Buildings and improvements	164,808,364	136,725	-	164,945,089
Machinery and equipment	6,359,174	261,878	-	6,621,052
Vehicles	8,636,054	1,247,620	(249,247)	9,634,427
Infrastructure	79,564,600	1,524,295	(1,306)	81,087,589
	<u>259,368,192</u>	<u>3,170,518</u>	<u>(250,553)</u>	<u>262,288,157</u>
Less accumulated depreciation				
Buildings and improvements	(30,222,181)	(3,555,552)	-	(33,777,733)
Machinery and equipment	(5,069,507)	(400,909)	-	(5,470,416)
Vehicles	(7,558,534)	(382,196)	249,247	(7,691,483)
Infrastructure	(28,337,045)	(1,447,492)	1,306	(29,783,231)
	<u>(71,187,267)</u>	<u>(5,786,149)</u>	<u>250,553</u>	<u>(76,722,863)</u>
Net Capital Assets being Depreciated	<u>188,180,925</u>	<u>(2,615,631)</u>	<u>-</u>	<u>185,565,294</u>
	<u>\$190,778,801</u>	<u>\$ (2,615,631)</u>	<u>\$ -</u>	<u>\$188,163,170</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

6. Capital Assets (Continued)

Depreciation and amortization expense was charged to the governmental activities as follows:

General government	\$ 26,287
Public safety	576,580
Public works	1,863,064
Parks and recreation	180,113
Education	3,140,105
	<u>\$ 5,786,149</u>

Changes in the Town's capital assets used in the business-type activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,019,600	\$ -	\$ -	\$ 1,019,600
Construction in progress	-	183,206	-	183,206
	<u>1,019,600</u>	<u>183,206</u>	<u>-</u>	<u>1,202,806</u>
Capital assets being depreciated				
Buildings and improvements	2,759,829	17,895	-	2,777,724
Machinery and equipment	953,799	9,982	-	963,781
Infrastructure	23,536,512	18,598	-	23,555,110
Vehicles	347,209	-	(22,432)	324,777
Intangible assets	8,701,454	-	-	8,701,454
	<u>36,298,803</u>	<u>46,475</u>	<u>(22,432)</u>	<u>36,322,846</u>
Less accumulated depreciation/amortization	(20,396,050)	(966,841)	22,432	(21,340,459)
	<u>\$ 16,922,353</u>	<u>\$ (737,160)</u>	<u>\$ -</u>	<u>\$ 16,185,193</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Sewer operations - depreciation	\$ 253,547
Sewer operations - amortization	451,228
Water operations	231,971
Golf course	30,095
	<u>\$ 966,841</u>

7. Construction Commitments

The Town has the active construction/renovation projects as of June 30, 2016 and the Town's commitments with contractors are as follows:

	Project Authorization	Current Expenditures	Cumulative Expenditures	Encumbered	Project Balance
Watertown High School	\$ 56,157,000	\$ 10,879	\$ 56,103,196	\$ -	\$ 53,804
Polk School renovations	12,517,000	2,500	9,852,699	-	2,664,301
Swift School reconstruction	34,368,919	-	34,100,726	-	268,193
Roadway and Drainage	2,034,704	45,791	1,862,405	-	172,299
Road, Bridge and Drainage	4,000,000	567,010	2,482,719	835,260	682,021
	<u>\$ 109,077,623</u>	<u>\$ 626,180</u>	<u>\$ 104,401,745</u>	<u>\$ 835,260</u>	<u>\$ 3,840,618</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

8. Long-Term Liabilities

The following table summarizes changes in the Town's governmental long-term indebtedness for the year ending June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 55,580,000	\$ -	\$ (4,905,000)	\$ 50,675,000	\$ 4,955,000
Premium on bonds	1,907,323	31,319	(128,968)	1,809,674	160,287
	57,487,323	31,319	(5,033,968)	52,484,674	5,115,287
Capital leases	829,928	483,634	(545,463)	768,099	386,700
Pension obligations	8,915,875	3,804,824	(2,292,697)	10,428,002	-
Pension buy in	573,663	-	(16,425)	557,238	17,790
OPEB obligation	14,543,308	3,657,120	(1,254,259)	16,946,169	-
Compensated absences	3,485,992	1,215,779	(1,174,059)	3,527,712	1,207,339
Special termination benefits	353,058	-	(141,046)	212,012	129,899
Post closure landfill costs	293,620	-	(18,000)	275,620	18,000
	<u>\$ 86,482,767</u>	<u>\$ 9,192,676</u>	<u>\$(10,475,917)</u>	<u>\$ 85,199,526</u>	<u>\$ 6,875,015</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.

A. 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, 2016 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Education *	2005	\$ 16,375,000	Aug 1, 2019	3 - 5%	\$ 3,530,000
General, Education and Sewer	2009	\$ 18,760,000	July 1, 2022	3 - 5%	13,340,000
General, Education and Sewer*	2011	\$ 6,110,000	Aug 1, 2025	2 - 4%	5,405,000
General, Education and Sewer*	2012	\$ 9,505,000	April 1, 2029	2 - 3%	9,505,000
Education	2013	\$ 2,000,000	Mar 15, 2028	2 - 3%	1,595,000
Education, Sewer *	2013	\$ 8,600,000	Jan 15, 2033	2.5 - 4.5%	8,600,000
General	2015	\$ 3,000,000	Mar 15, 2035	2 - 4%	2,895,000
Education*	2015	\$ 5,550,000	Sept. 15, 2029	2 - 4%	5,155,000
Sewer*	2015	\$ 715,000	Sept. 15, 2021	1.5 - 3.0%	650,000
					<u>\$ 50,675,000</u>

* Refunding Bonds

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

8. Long-Term Liabilities (Continued)

Payments to maturity on the general obligation bonds are as follows

Year End	Principal	Interest	Year End	Principal	Interest
2017	\$ 4,955,000	\$ 1,774,281	2027	2,410,000	265,688
2018	5,030,000	1,572,806	2028	2,585,000	193,538
2019	5,045,000	1,354,181	2029	1,750,000	129,338
2020	4,370,000	1,162,188	2030	920,000	81,863
2021	4,030,000	1,012,063	2031	555,000	59,513
2022	4,025,000	860,450	2032	550,000	42,713
2023	3,870,000	713,513	2033	150,000	26,063
2024	3,865,000	566,250	2034	150,000	9,375
2025	3,305,000	438,853	2034	150,000	4,688
2026	2,960,000	346,444		<u>\$ 50,675,000</u>	<u>\$ 10,613,808</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2016 totaled \$1,788,401.

The Town has \$9,493,166 of debt authorized but unissued. This debt is primarily for school improvements which are currently in progress.

Description	Authorized	Bonds/Notes	Grants Received	Authorized Unissued
Renovations and Additions:				
Watertown High School	\$ 56,157,000	\$ 24,600,000	\$ 26,262,988	\$ 5,294,012
Judson Elementary School	15,859,000	7,500,000	7,389,408	969,592
Polk School	12,517,000	5,500,000	5,479,042	1,537,958
Swift School Reconstruction	33,768,919	13,900,000	18,328,315	1,540,604
Road and Drainage Improvments	1,730,000	1,700,000	-	30,000
Communication System Upgrade	1,881,000	1,460,000	300,000	121,000
	<u>\$ 121,912,919</u>	<u>\$ 54,660,000</u>	<u>\$ 57,759,753</u>	<u>\$ 9,493,166</u>

B. Pension Buy In

The Town owes two notes totaling \$557,238 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 is as follows

Year End	Principal	Interest	Year End	Principal	Interest
2017	\$ 17,790	\$ 43,937	2027	39,485	22,240
2018	19,266	42,459	2028	42,763	18,963
2019	20,865	40,860	2029	23,718	16,230
2020	22,597	39,129	2030	25,687	14,261
2021	24,471	37,253	2031	27,819	12,129
2022	26,503	35,222	2032	30,128	9,820
2023	28,703	33,022	2033	32,628	7,320
2024	31,085	30,640	2034	35,337	4,611
2025	33,665	28,060	2035	38,269	1,679
2026	36,459	25,266		<u>\$ 557,238</u>	<u>\$ 463,101</u>

Interest incurred and expensed on the buy in for the year ended June 30, 2016 totaled \$45,302.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

8. Long-Term Liabilities (Continued)

C. Capital Leases

The Town has entered into lease agreements to finance the acquisition of various types of equipment. The equipment is included in capital assets with a cost of \$5,325,718 and accumulated depreciation of \$3,820,690. These leases qualify as a capital lease for accounting purposes. The Town's capital lease obligation at June 30, 2016 is as follows:

Total payments on capital leases for year ending

2017	\$	408,607
2018		255,944
2019		92,333
2020		50,394
		<u>807,278</u>
Less the amount representing interest		(39,179)
Present value of future minimum lease payments	\$	<u>768,099</u>

Interest incurred and expensed on capital leases payable for the year ended June 30, 2016 totaled \$7,489.

D. 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 after twenty (20) years of teaching service in the Town of Waterford 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 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 each teacher hired prior to May 1, 1997, as of July 2000.

E. Post Closure Landfill Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in the long-term debt. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year the actual costs amounted to \$33,233.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

8. Long-Term Liabilities (Continued)

F. Prior Year Defeasance of Debt

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At year end, \$5,250,000 of bonds outstanding are considered defeased.

G. 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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond Anticipation Note	<u>\$ 6,700,000</u>	<u>\$ 6,400,000</u>	<u>\$ (6,700,000)</u>	<u>\$ 6,400,000</u>

The bond anticipation note carry an interest rate of 1.5% and matures in October 2016. Total interest incurred and expensed was \$77,272.

H. Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations Town of Watertown, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 52,581,839
Total tax collections (including interest and lien fees) for the year - coterminous governments	None
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	200,126
Debt limitation base	<u>\$ 52,781,965</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 118,759,421	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	237,518,843	-	-	-
3 3/4 times base	-	-	197,932,369	-	-
3 1/4 times base	-	-	-	171,541,386	-
3 times base	-	-	-	-	158,345,895
Total debt limitation	<u>118,759,421</u>	<u>237,518,843</u>	<u>197,932,369</u>	<u>171,541,386</u>	<u>158,345,895</u>
Indebtedness					
Bonds	8,889,700	38,704,000	3,081,300	-	-
Bond anticipation note	-	6,400,000	-	-	-
Clean water loans	-	-	1,661,611	-	-
Amount to be provided by CT	-	(1,288,178)	-	-	-
Total indebtedness	<u>8,889,700</u>	<u>43,815,822</u>	<u>4,742,911</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 109,869,721</u>	<u>\$ 193,703,021</u>	<u>\$ 193,189,458</u>	<u>\$ 171,541,386</u>	<u>\$ 158,345,895</u>
--	-----------------------	-----------------------	-----------------------	-----------------------	-----------------------

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$369,473,755

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

9. Long-Term Liabilities – Enterprise Funds

The following table summarizes changes in the Town’s long-term indebtedness in the enterprise funds for the year ending June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Clean Water Fund CWF 201-D1	\$ 39,679	\$ -	\$ (36,596)	\$ 3,083	\$ 3,083
Clean Water Fund CWF 201-C2	2,073,159	-	(414,631)	1,658,528	414,632
Net pension liability	417,042	319,540	(154,637)	581,945	-
Net pension buy in	-	1,560	-	1,560	-
Compensated absences	210,167	54,285	(84,038)	180,414	72,320
	<u>\$ 2,740,047</u>	<u>\$ 375,385</u>	<u>\$ (689,902)</u>	<u>\$ 2,425,530</u>	<u>\$ 490,035</u>

Interest incurred and expensed in the enterprise funds for the year totaled \$38,121. Payments to maturity on the enterprise portion of this debt is as follows:

Year End	Principal	Interest
2017	\$ 417,715	\$ 29,375
2018	414,632	21,077
2019	414,632	12,784
2020	414,632	4,492
	<u>\$ 1,661,611</u>	<u>\$ 67,728</u>

10. Net Position

The Town had \$97,143 in nonexpendable net position restricted for trust fund principal. The components of restricted, but expendable, Net Position are summarized as follows:

General government projects	\$ 42,079
Education and youth purposes	208,230
Public safety	14,076
Housing rehab program	910,013
Physical improvements	573,811
Social services	34,370
	<u>\$ 1,782,579</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

11. Fund Balances

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable			
Not in spendable form			
Inventories	\$ -	\$ 23,139	\$ 23,139
Required to be maintained			
Trust principal	-	97,143	97,143
	<u>\$ -</u>	<u>\$ 120,282</u>	<u>\$ 120,282</u>
Restricted			
General Government projects	\$ -	\$ 42,079	\$ 42,079
Education and youth purposes	-	185,412	185,412
Public Safety	-	14,076	14,076
Housing rehab program	-	910,013	910,013
Physical improvements	-	573,811	573,811
Social services	-	34,370	34,370
	<u>\$ -</u>	<u>\$ 1,759,761</u>	<u>\$ 1,759,761</u>
Committed			
Capital Projects	<u>\$ -</u>	<u>\$ 492,516</u>	<u>\$ 492,516</u>
Assigned			
General government costs	\$ -	\$ 112,454	\$ 112,454
General fund budgetary encumbrances	467,589	-	467,589
	<u>\$ 467,589</u>	<u>\$ 112,454</u>	<u>\$ 580,043</u>

12. Employee Retirement Systems and Pension Plans

The Town is the administrator of two single employer public employee retirement system (“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

A. 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 Financial Statements (Continued)
June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

Plan Benefits – 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.

B. Police Employees

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

Plan Benefits – 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 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.

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.

C. Plan Membership – As of the date of the latest actuarial valuation (January 1, 2015), membership consisted of the following:

	Town	Police
Inactive plan members or beneficiaries receiving payments	93	28
Inactive plan members entitled but not yet receiving payments	19	-
Active members	133	38
	<u>245</u>	<u>66</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

D. 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 1/2% of their salary in excess of \$7,800, except for the Highway Division employees who are required to contribute 7.1% of their salary up to \$7,800 plus 8.6% of the salary in excess of \$7,800.

Plan members of the Police Benefit Fund are required to contribute 6% of their earnings. The Town is required to contribute the remaining amounts necessary to finance administrative costs and benefits for its employees.

E. 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 5.7% for the Town Retirement System and 26.7% for the Police Benefit Fund.

F. 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, 2016:

Asset Class	Target Allocations	
	Town	Police
Large Cap Equity	31.00%	26.00%
Mid Cap Equity	4.00%	7.00%
Small Cap Equity	8.00%	7.00%
International Equity	12.00%	10.00%
Fixed Income	24.00%	27.00%
Real Estate	5.00%	5.00%
Stable Value	16.00%	18.00%
	<u>100.00%</u>	<u>100.00%</u>

Both pension plans have a concentration of investments with individual organizations which exceed 5% of the pension plans' fiduciary net position as noted with an asterisk below:

Account	Firm	Town	Police	Total	%	
Guaranteed Deposit Account	Prudential	\$ 2,068,482	\$ 3,132,723	\$ 5,201,205		
Core Bond Enhanced Index PIM	Prudential	3,439,678	3,248,544	6,688,222		
Private Placement Fund	Prudential	2,298,651	2,429,189	4,727,840		
Dryden S&P 500 Index	Prudential	3,497,573	2,276,131	5,773,704		
Total Prudential		11,304,384	11,086,587	22,390,971	57.6%	*
Large Cap Value	LSV Asset Mgmt	1,350,193	1,244,482	2,594,675		
International Value	LSV Asset Mgmt	1,081,979	828,890	1,910,869		
Total LSV Asset Management		2,432,172	2,073,372	4,505,544	11.6%	*
Large Cap Growth	Columbia	1,441,800	1,327,087	2,768,887	7.1%	*
International Blend	Munder	1,121,025	859,161	1,980,186	5.1%	*
Realty Income	Cohen & Steers	1,191,636	1,103,371	2,295,007	5.9%	*
Small Cap Growth	Times Square	799,719	638,815	1,438,534	3.7%	
Small Cap Value	TBCAM	785,263	640,813	1,426,076	3.7%	
Mid Cap Value	Wellington	391,376	633,269	1,024,645	2.6%	
Mid Cap Growth	Artisan Partner	391,338	631,252	1,022,590	2.6%	
Total		<u>\$ 19,858,713</u>	<u>\$ 18,993,727</u>	<u>\$ 38,852,440</u>		

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

G. 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 made in that period. For any future period where the pension plan's fiduciary net position is projected to be less than the benefit payments that are projected to be made in that period, those future benefit payments are discounted at an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher.

In projecting whether the future benefit payments of this pension plan will be covered by plan assets, we have assumed that 100% of the actuarially determined contribution will be contributed by the sponsor based on the most recent 5-year history of actual contributions.

H. 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 arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following tables:

Town

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Weighting
Large Cap Equity	31.00%	8.25%	2.56%
Mid Cap Equity	4.00%	8.75%	0.35%
Small Cap Equity	8.00%	9.00%	0.72%
International Equity	12.00%	8.00%	0.96%
Fixed Income	24.00%	5.00%	1.20%
Real Estate	5.00%	7.00%	0.35%
Stable Value	16.00%	4.50%	0.72%
	100.00%		6.86%
		Long-Term inflation	2.50%
		Long-Term Expected Nominal Return	9.36%

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

Police

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Weighting
Large Cap Equity	31.00%	8.25%	2.56%
Mid Cap Equity	4.00%	8.75%	0.35%
Small Cap Equity	8.00%	9.00%	0.72%
International Equity	12.00%	8.00%	0.96%
Fixed Income	24.00%	5.00%	1.20%
Real Estate	5.00%	7.00%	0.35%
Stable Value	16.00%	4.50%	0.72%
	100.00%		6.86%
	Long-Term inflation		2.50%
	Long-Term Expected Nominal Return		9.36%

I. 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, 2016 0.8%
Police - Net money-weighted rate of return for the year ended June 30, 2016 1.0%

J. Net Pension Liability

The components of the net pension liability as of June 30, 2016 were as follows:

	Town	Police
Town pension liability	\$ 22,920,114	\$ 26,105,796
Plan fiduciary net position	(19,858,713)	(18,993,727)
Net pension asset	\$ 3,061,401	\$ 7,112,069
Plan fiduciary net position as a percentage of total pension liability	86.64%	72.76%

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

The changes in net pension liability were as follows:
Error! Not a valid link.

K. Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2015 valuation and projected forward to a measurement date of June 30, 2016:

Valuation timing	Actuarially determined contribution rates are calculated as of January 1, 2015, 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 year, if later	
Post-retirement mortality	RP-2014 Mortality Table	

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 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	\$ 5,426,097	\$ 3,061,401	\$ 876,854
		1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Police	Net Pension Liability	\$ 9,894,038	\$ 7,112,069	\$ 4,573,176

Changes in the Plan and the Plan Assumptions – The valuation was based on plan experience from January 1, 2013 to December 31, 2014. The mortality table was updated to RP-2014 mortality with no projection scale for the Town plan and with scale MP-2014 for the Police plan.

L. Pension Expense

The total pension expense recognized for the year ended June 30, 2016 was \$2,156,603 for the Town plan and \$3,715,975 for the police plan. Pension expense for the next 4 years will be affected by the deferred outflows and inflows of resources. Pension expense will increase or (decrease) from the recognition of the effects of:

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

Town

	To Be Recognized in					
	2017	2018	2019	2020	2021	Total
Differences between Projected and Actual Earnings on Pension Plan Investments						
2016	\$ (252,565)	\$ (252,565)	\$ (252,565)	\$ (252,565)	\$ (252,566)	\$ (1,262,826)
2015	(109,482)	(109,482)	(109,482)	(109,482)	-	(437,928)
2014	304,100	304,100	304,101	-	-	912,301
2013	186,301	186,300	-	-	-	372,601
	<u>\$ 128,354</u>	<u>\$ 128,353</u>	<u>\$ (57,946)</u>	<u>\$ (362,047)</u>	<u>\$ (252,566)</u>	<u>\$ (415,852)</u>
Differences between Expected and Actual Experience						
2016	\$ 73,403	\$ 73,403	\$ 73,403	\$ 73,403	\$ 73,405	\$ 367,015
2015	(26,157)	(26,157)	(26,157)	(26,157)	-	(104,629)
2014	52,213	52,213	52,213	-	-	156,640
	<u>\$ 99,459</u>	<u>\$ 99,459</u>	<u>\$ 99,459</u>	<u>\$ 47,246</u>	<u>\$ 73,405</u>	<u>\$ 419,026</u>
Recognition of the Effects of Changes in Assumptions						
2016	\$ (94,931)	\$ (94,931)	\$ (94,931)	\$ (94,931)	\$ (94,930)	\$ (474,655)
2015	(124,139)	(124,139)	(124,139)	(124,140)	-	(496,554)
	<u>\$ (219,070)</u>	<u>\$ (219,070)</u>	<u>\$ (219,070)</u>	<u>\$ (219,071)</u>	<u>\$ (94,930)</u>	<u>\$ (971,209)</u>

Police

	To Be Recognized in					
	2017	2018	2019	2020	2021	Total
Differences between Projected and Actual Earnings on Pension Plan Investments						
2016	\$ (227,885)	\$ (227,885)	\$ (227,885)	\$ (227,885)	\$ (227,887)	\$ (1,139,427)
2015	(98,390)	(98,390)	(98,390)	(98,388)	-	(393,558)
2014	245,486	245,486	245,485	-	-	736,457
2013	128,526	128,526	-	-	-	257,052
	<u>\$ 47,737</u>	<u>\$ 47,737</u>	<u>\$ (80,790)</u>	<u>\$ (326,273)</u>	<u>\$ (227,887)</u>	<u>\$ (539,476)</u>
Differences between Expected and Actual Experience						
2016	\$ (190,560)	\$ (190,560)	\$ (190,560)	\$ (190,560)	\$ (190,558)	\$ (952,798)
2015	197,463	197,463	197,463	197,463	-	789,852
2014	(66,425)	(66,425)	(66,425)	-	-	(199,275)
	<u>\$ (59,522)</u>	<u>\$ (59,522)</u>	<u>\$ (59,522)</u>	<u>\$ 6,903</u>	<u>\$ (190,558)</u>	<u>\$ (362,221)</u>
Recognition of the Effects of Changes in Assumptions						
2016	\$ (252,572)	\$ (252,572)	\$ (252,572)	\$ (252,572)	\$ (252,571)	\$ (1,262,862)
2015	(81,684)	(81,684)	(81,684)	(81,685)	-	(326,735)
	<u>\$ (334,256)</u>	<u>\$ (334,256)</u>	<u>\$ (334,256)</u>	<u>\$ (334,257)</u>	<u>\$ (252,571)</u>	<u>\$ (1,589,597)</u>

M. Combining Schedules of Employee Retirement Funds

The Town maintains two pension trust funds (Town Retirement System and Police Benefit Fund) to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2015 and the changes in net position for the year then ended.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

12. Employee Retirement Systems and Pension Plans (Continued)

Combining Schedule of Plan Net Position

	Town Retirement System	Police Pension Fund	Total
ASSETS			
Investments, at fair value	<u>\$19,858,713</u>	<u>\$18,993,727</u>	<u>\$38,852,440</u>
NET POSITION			
Restricted for pensions	<u>\$19,858,713</u>	<u>\$18,993,727</u>	<u>\$38,852,440</u>

Combining Schedule of Changes in Plan Net Position

	Town Retirement System	Police Pension Fund	Total
ADDITIONS			
Contributions			
Employer	\$ 411,648	\$ 875,571	\$ 1,287,219
Plan members	<u>286,125</u>	<u>226,756</u>	<u>512,881</u>
Total Contributions	<u>697,773</u>	<u>1,102,327</u>	<u>1,800,100</u>
Investment Income			
Net change in fair value of investments	(222,825)	(190,194)	(413,019)
Interest and dividends	<u>435,126</u>	<u>416,680</u>	<u>851,806</u>
Total Investment Income	212,301	226,486	438,787
Less investment management fees	<u>(50,024)</u>	<u>(45,582)</u>	<u>(95,606)</u>
Net Investment Income	<u>162,277</u>	<u>180,904</u>	<u>343,181</u>
Total Additions	<u>860,050</u>	<u>1,283,231</u>	<u>2,143,281</u>
DEDUCTIONS			
Pension benefits	1,074,321	1,181,881	2,256,202
Administrative fees	<u>71,158</u>	<u>34,663</u>	<u>105,821</u>
Total Deductions	<u>1,145,479</u>	<u>1,216,544</u>	<u>2,362,023</u>
Change in Net Position	(285,429)	66,687	(218,742)
Net Position - Beginning of Year	<u>20,144,142</u>	<u>18,927,040</u>	<u>39,071,182</u>
Net Position - End of Year	<u>\$19,858,713</u>	<u>\$18,993,727</u>	<u>\$38,852,440</u>

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

13. Connecticut Municipal Employee's Retirement System

Plan Description - The Town participates 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. The plan was established in 1947 and is governed by Connecticut General Statutes Title 7, Chapter 113.

Plan Membership – Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible.

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are paid to disabled members and non-disabled retirement benefits and vary based on member age and date of retirement. For members that retired prior to January 1, 2002, increases between 3.0% and 5.0% are paid to those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are paid to those who have not yet reached age 65.

For members that retired after December 31, 2001, increases between 2.5% and 6.0% are paid, regardless of age. Benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of the three highest paid years of service times years of service.
- If covered by Social Security: 1.5% of the average of the three highest paid years of service not in excess of the year's breakpoint, plus 2% of the average of the three highest paid years of service in excess of the year's breakpoint. The year's breakpoint for 2014 is \$69,200.

Funding Policy – Covered employees are required by State Statute to contribute 2.25% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Employees not covered by Social Security are required to contribute 5% of all earnings. Each participating municipality is required by State Statute to contribute the amounts necessary to finance the remaining costs of the plan. The annual contribution consists 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 the MERS not met by member contributions.

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by

Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required employer contribution rates for the year ended June 30, 2016 were:

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

13. Connecticut Municipal Employee's Retirement System (Continued)

General employees	
With social security	11.56%
Without social security	11.13%
Police and fire	
With social security	17.06%
Without social security	15.12%

The total amount contributed for the fiscal year ended June 30, 2016 was \$127,869.

Obtaining a Report of the Plan – MERS is considered to be a 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. More information can be obtained by contacting the Municipal Employees' Retirement System – Fund B, Office of the State Comptroller or on their website (<http://www.osc.ct.gov/rbsd/cmers/plandoc/index.html>).

The Town of Watertown, Connecticut's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2016 financial statements (Reporting Date):

Actuarial cost method	Entry Age Normal Cost method
Experience study dates	July 1, 2007 - June 30, 2012
Asset valuation method	Market value
Inflation	3.25%
Salary increases	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation using a long-normal distribution analysis of best-estimate ranges using a weighted average for each asset class and applied to all periods.
Discount rate	8.00%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at the actuarially determined rates in future years.
Cost of living adjustment	Annually compounded increases vary based on member age and
Post-retirement mortality	RP2000 Mortality Table for Annuitant and non-Annuitants

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

Target Asset Allocation and Rates of Return – The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

13. Connecticut Municipal Employee's Retirement System (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap U.S. equities	16%	5.80%
Developed non-U.S. equities	14%	6.60%
Emerging markets (non-U.S.)	7%	8.30%
Core fixed income	8%	1.30%
Inflation linked bond fund	5%	1.00%
Emerging market bond	8%	3.70%
High yield bonds	14%	3.90%
Real estate	7%	5.10%
Private equity	10%	7.60%
Alternative investments	8%	4.10%
Liquidity fund	3%	0.40%

Sensitivity Analysis – The following presents the net pension liability (asset) of the Town of Watertown, Connecticut's proportionate share of the plan, calculated using the current discount rate, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability	\$ 1,505,916	\$ 836,477	\$ 269,299

Town of Watertown, Connecticut's Proportionate Share

Net Pension Liability	\$ 836,477
Net Pension Liability percentage of the total	2.080374%
Deferred outflows of resources	
Contributions subsequent to the Measurement Date	\$ 127,869
Net difference projected and actual earnings on investments	\$ 63,486
Pension expense	\$ 154,637
Proportion Basis	Reported Payroll
Change in proportion since prior measurement date	None

The contributions subsequent to the measurement date, shown as a deferred inflow of resources, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported at deferred inflows of resources will be recognized in pension expense as follows:

2016	\$ 3,295
2017	3,295
2018	3,295
2019	53,601
	<u>\$ 63,486</u>

14. Teachers' Retirement System

Plan Description – Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System ("TRS"), a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers' Retirement System is administered by the Teachers' Retirement Board. The plan does not issue a separate financial statement.

Plan Membership – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

Plan Benefits – Plan provisions are set by statute of, and remain the obligation of, the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

Funding Policy – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contribution. Contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, 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.

Members are required to contribute six percent of their annual salary for the pension benefit.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

14. Teachers' Retirement System (Continued)

The Town is not required to make contributions to the plan. The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2016 financial statements (Reporting Date):

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	3.00%
Salary increases	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense, including inflation
Discount rate	8.50%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.00% to 6.00%
Post-retirement mortality	RP-2000 Combined Mortality Table projected 19 years

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

Target Asset Allocation and Rates of Return – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Mutual Equity	25.00%	7.30%
Developed Markets ISF	20.00%	7.50%
Emerging Markets ISF	9.00%	8.60%
Core Fixed Income	13.00%	1.70%
Emerging Market Debt	4.00%	4.80%
High Yield	2.00%	3.70%
Inflation Linked Bonds	6.00%	1.30%
Liquidity Fund	6.00%	0.70%
Real Estate	5.00%	5.90%
Private Investment	10.00%	10.90%

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

14. Teachers' Retirement System (Continued)

Town's Proportionate Share of the Collective Net Pension Liability – Connecticut school teachers participate in the TRS pursuant to Section 10-183b et seq. of the Connecticut General Statutes (the "Teachers' Retirement Act"). The Teachers' Retirement Act governs the pension benefits and eligibility of the active and retired teachers of the Watertown Public Schools. The Teachers' Retirement Act requires the Connecticut General Assembly, not any town, city or local school district, to appropriate the funds necessary to pay the pension benefits due to retirees under the System, including retired teachers of the Watertown Public Schools. Section 10-183c of the Connecticut General Statutes provides that the retirement benefits of teachers who have vested under the TRS are contractual in nature and may not be diminished by act of the General Assembly. Accordingly, funding the pension benefits of retired teachers of the Watertown Public Schools is a statutory and contractual obligation of the State government, not an obligation of the Town of Watertown.

Town of Watertown's Net Pension Liability	\$	-
State of Connecticut's Net Pension Liability for the Town of Watertown		48,464,850
Net Pension Liability	<u>\$</u>	<u>48,464,850</u>
Portion of the State of Connecticut's Net Pension Liability which is related to the Town of Watertown employees		0.441712%
Deferred outflows of resources		
Net difference projected and actual earnings on investments	\$	348,446
Pension expense	\$	4,346,934
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None

Other amounts reported as deferred inflows of resources will be recognized in pension expense by the State as follows:

2016	\$	(149,391)
2017		(149,391)
2018		(149,391)
2019		796,619
	<u>\$</u>	<u>348,446</u>

Sensitivity Analysis – The following presents Connecticut's net pension liability with respect to the Town of Watertown, Connecticut's employee group, calculated using the current discount rate, as well as what the this net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
State's Net Pension Liability	<u>\$ 61,118,077</u>	<u>\$ 48,464,850</u>	<u>\$ 37,709,470</u>

14. Teachers' Retirement System (Continued)

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 State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan'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 the 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 \$9,605,729 as revenue and expense.

Obtaining a Report of the Plan – Teachers' Retirement System is considered to be a 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.

15. Other Post-Employment Benefits ("OPEB")

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 Blue Cross including options such as BC65 High Option, Century Preferred, 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 to be 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.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

15. Other Post-Employment Benefits ("OPEB") (Continued)

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 2016 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,254,259.

The Town's funding strategy for postemployment obligations are based upon characteristics of benefits on several distinct groups of employees 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

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 \$53,452,769 or by 31.2% and the corresponding Normal Cost would increase to \$1,855,297 or by 57.6%. 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 \$34,390,351 or by 15.6% and the corresponding Normal Cost would decrease to \$910,326 or by 22.7%.

Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2015	\$ 42,336,606
Assets at Actuarial Value	1,406
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 42,335,200</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 28,170,434
UAAL as a Percentage of Covered Payroll	150.28%
Annual Required Contribution	\$ 3,028,780
Interest on Net OPEB Obligation	581,692
Adjustment to Annual Required Contribution	(808,638)
Amortization of Actuarial (Gains)/Losses	855,286
Annual OPEB Cost	<u>3,657,120</u>
Contributions made	<u>(1,254,259)</u>
Increase in net OPEB Obligation	2,402,861
Net OPEB Obligation - Beginning of the year	14,542,308
Net OPEB Obligation - End of the year	<u>\$ 16,945,169</u>

Actuarial Methods and Significant Assumptions - The Town's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

15. Other Post-Employment Benefits (“OPEB”)

The “normal cost” is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The normal cost for the plan is the total of the individual normal costs for each participant. The accrued liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.0%
General Inflation	2.5% per year
Medical Inflation	5% per year for each medical and dental costs
Annual Compensation	Increases 3.0% per year
Amortization Method	Level dollar amortization over 30 years at the last valuation
Amortization	24 years at July 1, 2014
Mortality	RP-2000 Mortality Table or CT State Teachers Retirement 2010 OPEB valuation

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2016	\$ 3,657,120	\$ 1,254,259	34.3%	\$ 16,945,169
6/30/2015	3,455,906	1,199,068	34.7%	14,542,308
6/30/2014	3,561,560	1,438,191	40.4%	12,285,470

Funding Progress - As of the last valuation date, July 1, 2014, the plan was 0% funded. The valuation of the plan assets was \$1,406, based on market value. The liability was \$42,336,606. The schedule of funding progress, RSI-3, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding of the plan but the plan has been partially funded.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

16. 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 Claims	Claim Payments	Ending Claims Payable
2016	\$ 2,599,325	\$ 253,500	\$ (717,881)	\$ 2,134,944
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 Claims	Claim Payments	Ending Claims Payable
2016	\$ 487,000	\$ 10,474,905	\$ (10,021,310)	\$ 940,595
2015	650,000	9,789,160	(9,952,160)	487,000

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, 2016, 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.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

17. Contingencies

Litigation – The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

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, 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.

Investment Securities – The Town invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

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.

18. Other Information

Motor Vehicle Tax Cap – Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management (“OPM”) capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2017 will be 37 mills. The rate cap in 2018 and thereafter will be 32 mills.

Municipal Spending Cap – Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5 percent above the previous year, or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and grants distributed to a special taxing district under certain circumstances. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap receive a reduced municipal revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spend over the cap. However, OPM may not reduce a municipality’s grant in any year which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate). The total municipal revenue sharing grant for the Town of Watertown, Connecticut for the year ending June 30, 2018, before any reductions, is \$168,106. This amount is subject to change based on changes in the State of Connecticut’s budget.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

18. Other Information (Continued)

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.

19. Subsequent Events

At referendum on November 8, 2016 the Town approved \$11,900,000 for renovations, additions and improvements to the former Heminway Park School Facility to convert the building to a municipal center housing all Town offices to be financed by bonds or notes and temporary notes; \$6,330,550 for the Concord Drive/Lexington Drive Area Sanitary Sewer Extension and Water Extension Project to be financed by bonds, notes or other obligations; and \$550,000 for the acquisition for recreational or other municipal purposes of an approximately 17.85 acre parcel of land located on Nova Scotia Hill Road in the vicinity of Veterans Memorial Park to be financed by bonds or notes and temporary notes.

20. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following is a statement which has been approved by GASB but is not yet effective:

- GASB Statement 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68* – This Statement establishes requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. This is effective for fiscal years beginning after June 15, 2016. Management does not expect this to have any financial impact on the Town.
- GASB Statement 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pensions* – This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Post-Employment Benefits (OPEB), as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This is effective for fiscal years beginning after June 15, 2016. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other than Pensions* – This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) and applies to all governments whose employees are provided with OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Management is currently assessing the impact of this standard on the Town.

Town of Watertown, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

20. GASB Pronouncements Issued, But Not Yet Effective (continued)

- GASB Statement 77 – *Tax Abatement Disclosures* – This Statement requires governments to disclose information about their tax abatements and agreements and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the Town.
- GASB Statement 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided through certain cost-sharing multiple-employer defined benefit plan and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the Town.
- GASB Statement 79 – *Certain External Investment Pools and Pool Participants* – This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost and is effective for periods beginning after December 15, 2015 for certain provisions applicable to the external investment pool. Certain provision, applicable to pool participants, have been adopted. Management does not expect this to have any financial impact on the Town.
- GASB Statement 80 – *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements of Statement 14 to require the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member and is effective for periods beginning after June 15, 2016. Management does not expect this to have any financial impact on the Town.
- GASB Statement 81 – *Irrevocable Split-Interest Agreements* – This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement and is effective for periods beginning after December 15, 2016. Management does not expect this to have any financial impact on the Town.

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Property taxes					
Current year	\$51,635,678	\$ -	\$51,635,678	\$51,606,927	\$ (28,751)
Prior year	475,000	-	475,000	577,263	102,263
Interest and lien fees	307,000	-	307,000	401,539	94,539
Scholarship fund	1,600	-	1,600	1,248	(352)
	<u>52,419,278</u>	<u>-</u>	<u>52,419,278</u>	<u>52,586,977</u>	<u>167,699</u>
State of Connecticut - Education					
School construction	551,527	-	551,527	551,527	-
Interest subsidy	88,465	-	88,465	102,016	13,551
Public transportation	160,812	-	160,812	168,835	8,023
Nonpublic health and social services	28,254	-	28,254	30,083	1,829
Equalization (ECS)	11,949,987	-	11,949,987	11,863,619	(86,368)
	<u>12,779,045</u>	<u>-</u>	<u>12,779,045</u>	<u>12,716,080</u>	<u>(62,965)</u>
Federal and State of Connecticut - Other					
PILOT state property	17,772	-	17,772	-	(17,772)
Mashantucket Pequot	85,472	-	85,472	79,387	(6,085)
Elderly tax relief	197,554	-	197,554	200,126	2,572
Tax relief for veterans	33,057	-	33,057	30,206	(2,851)
Other to Town	-	-	-	10,076	10,076
Municipal video grant	34,926	-	34,926	-	(34,926)
Telephone access	52,000	-	52,000	46,475	(5,525)
Municipal aid adjustment	642,281	-	642,281	642,281	-
Skilton Road Bridge	-	-	-	625,815	625,815
Fusion centers	60,000	-	60,000	60,000	-
School security grant	-	-	-	23,671	23,671
	<u>1,123,062</u>	<u>-</u>	<u>1,123,062</u>	<u>1,718,037</u>	<u>594,975</u>
Local Revenues					
Communication tower rental	199,499	-	199,499	196,177	(3,322)
Equipment and scrap sales	3,500	-	3,500	22,316	18,816
Scrap iron, oil, glass	20,000	-	20,000	4,887	(15,113)
Water and Sewer Authority	17,150	-	17,150	15,902	(1,248)
Miscellaneous Town Clerk fees	32,000	-	32,000	42,693	10,693
Miscellaneous fishing and hunting	14,000	-	14,000	12,362	(1,638)
Town Clerk dog licenses	12,200	-	12,200	11,342	(858)
Conveyance tax	145,000	-	145,000	172,601	27,601
Town Clerk recording	140,000	-	140,000	162,267	22,267
Assessor photocopies	650	-	650	624	(26)
Supplemental dog licenses	894	-	894	690	(204)
Supplemental marriage licenses	1,200	-	1,200	1,292	92
Animal population control	1,200	-	1,200	778	(422)
3-LOCIP preservation	9,000	-	9,000	8,607	(393)
Pool fees	8,300	-	8,300	13,882	5,582
Damage claims and settlements	1,800	-	1,800	3,825	2,025
Miscellaneous local revenue	57,000	-	57,000	95,161	38,161
Recreation mini-bus	1,100	-	1,100	404	(696)
Town vehicle use	11,500	-	11,500	9,567	(1,933)
Transfer station fees	83,198	-	83,198	73,343	(9,855)
Landfill fees	52,000	-	52,000	51,757	(243)
	<u>811,191</u>	<u>-</u>	<u>811,191</u>	<u>900,477</u>	<u>89,286</u>

(Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) (Continued)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	
	Original	Additional Appropriations and Transfers			Final
Permit and Fees					
Zoning Board of Appeals	3,000	-	3,000	5,260	2,260
Planning and zoning	15,500	-	15,500	23,627	8,127
Zoning compliance fees	25,000	-	25,000	33,516	8,516
Subdivision inspection fees	2,000	-	2,000	-	(2,000)
Soil/water state fee	19,000	-	19,000	26,460	7,460
Inland - wetlands	5,000	-	5,000	5,142	142
Building permits	275,000	-	275,000	287,501	12,501
Building inspection education fee	3,000	-	3,000	3,276	276
Blasting permits	240	-	240	660	420
Street opening permits	3,000	-	3,000	4,370	1,370
Miscellaneous permits and fees	1,000	-	1,000	402	(598)
	<u>351,740</u>	<u>-</u>	<u>351,740</u>	<u>390,214</u>	<u>38,474</u>
Police					
Parking tickets	3,000	-	3,000	5,173	2,173
Pistol permits	15,288	-	15,288	35,154	19,866
Police reports	1,200	-	1,200	3,575	2,375
Solicitor permits	800	-	800	771	(29)
Bingo and raffle	100	-	100	75	(25)
Alarm charges	10,000	-	10,000	15,700	5,700
Police service	689,500	-	689,500	1,190,093	500,593
Animal control fees	3,500	-	3,500	3,428	(72)
Miscellaneous police service	55,500	-	55,500	57,675	2,175
	<u>778,888</u>	<u>-</u>	<u>778,888</u>	<u>1,311,644</u>	<u>532,756</u>
Board of Education					
Tuition	4,600	-	4,600	-	(4,600)
Latchkey program	-	-	-	8,213	8,213
Community service reimbursement	500	-	500	26,573	26,073
Miscellaneous school	3,400	-	3,400	22,101	18,701
	<u>8,500</u>	<u>-</u>	<u>8,500</u>	<u>56,887</u>	<u>48,387</u>
Investment Income	<u>21,017</u>	<u>-</u>	<u>21,017</u>	<u>40,093</u>	<u>19,076</u>
Other					
Taft contributions	150,000	-	150,000	170,000	20,000
Other miscellaneous revenue	89,044	-	89,044	95,513	6,469
Heritage bond reimbursement	76,609	-	76,609	71,194	(5,415)
Cancellation of prior year encumbrances	-	-	-	122,065	122,065
	<u>315,653</u>	<u>-</u>	<u>315,653</u>	<u>458,772</u>	<u>143,119</u>
Total Revenues	<u>68,608,374</u>	<u>-</u>	<u>68,608,374</u>	<u>70,179,181</u>	<u>1,570,807</u>

(Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) (Continued)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES					
General Government					
Town council	2,938	-	2,938	2,571	367
Town manager	255,193	720	255,913	254,762	1,151
Economic development	47,208	(9,800)	37,408	33,608	3,800
Finance department					
Administration	497,158	11,023	508,181	507,198	983
Treasurer	56,589	-	56,589	56,585	4
Tax collector	190,299	9,276	199,575	193,952	5,623
Assessor	182,599	2,855	185,454	181,792	3,662
Board of Tax Review	1,500	-	1,500	1,500	-
Town clerk	204,394	21,572	225,966	218,194	7,772
Elections	79,758	69	79,827	68,239	11,588
Planning and zoning	250,339	9,389	259,728	234,267	25,461
Board of Appeals	14,669	629	15,298	13,251	2,047
Historic districts	575	-	575	368	207
Public building	557,453	200,571	758,024	537,080	220,944
Building inspections	181,297	1	181,298	179,624	1,674
Conservation commission	14,839	(205)	14,634	9,778	4,856
	<u>2,536,808</u>	<u>246,100</u>	<u>2,782,908</u>	<u>2,492,769</u>	<u>290,139</u>
Public Safety					
Fire department					
Administration	240,664	-	240,664	235,317	5,347
Suppression and rescue	360,100	21,315	381,415	378,639	2,776
Maintenance and support	213,950	264	214,214	204,982	9,232
Police department					
Administraton	447,380	2,004	449,384	434,848	14,536
Patrol and detectives	3,423,836	192,040	3,615,876	3,615,427	449
Maintenance and support	119,625	5,455	125,080	125,000	80
Traffic	5,000	(250)	4,750	4,500	250
Animal control	85,732	(5,444)	80,288	76,332	3,956
Communications	593,096	46,170	639,266	634,884	4,382
	<u>5,489,383</u>	<u>261,554</u>	<u>5,750,937</u>	<u>5,709,929</u>	<u>41,008</u>
Public Works					
Engineering and administration	580,747	53,525	634,272	584,932	49,340
Highway	2,400,918	634,048	3,034,966	2,874,259	160,707
Snow removal	429,953	(120,696)	309,257	306,884	2,373
Solid waste disposal	269,118	(60,523)	208,595	186,830	21,765
Street lighting	200,000	-	200,000	180,755	19,245
Tree removal	35,500	-	35,500	35,500	-
	<u>3,916,236</u>	<u>506,354</u>	<u>4,422,590</u>	<u>4,169,160</u>	<u>253,430</u>
Parks and Recreation					
Parks administration	435,707	7,456	443,163	424,082	19,081
Recreation administration	353,573	4,409	357,982	349,947	8,035
Senior center	105,332	11,042	116,374	115,858	516
	<u>894,612</u>	<u>22,907</u>	<u>917,519</u>	<u>889,887</u>	<u>27,632</u>

(Continued)

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) (Continued)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Health and Welfare					
Social services	21,000	-	21,000	17,921	3,079
Health services	<u>126,860</u>	<u>285</u>	<u>127,145</u>	<u>127,145</u>	<u>-</u>
	<u>147,860</u>	<u>285</u>	<u>148,145</u>	<u>145,066</u>	<u>3,079</u>
Board of Education	<u>40,397,697</u>	<u>-</u>	<u>40,397,697</u>	<u>40,334,859</u>	<u>62,838</u>
Miscellaneous					
Legal	154,639	62,592	217,231	217,231	-
Employee benefits	5,502,035	(27,714)	5,474,321	5,409,847	64,474
Centralized services	725,572	46,948	772,520	751,633	20,887
Non-Town agencies	1,989,888	624,006	2,613,894	2,640,664	(26,770)
Reserved for wages and benefits	111,072	(59,452)	51,620	51,620	-
Reserved for Contingency	<u>35,000</u>	<u>(24,924)</u>	<u>10,076</u>	<u>8,214</u>	<u>1,862</u>
	<u>8,518,206</u>	<u>621,456</u>	<u>9,139,662</u>	<u>9,079,209</u>	<u>60,453</u>
Debt Service	<u>6,707,572</u>	<u>60,970</u>	<u>6,768,542</u>	<u>6,761,700</u>	<u>6,842</u>
Total Expenditures	<u>68,608,374</u>	<u>1,719,626</u>	<u>70,328,000</u>	<u>69,582,579</u>	<u>745,421</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ (1,719,626)</u>	<u>\$ (1,719,626)</u>	596,602	<u>\$ 2,316,228</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				3,883,256	
Expenditures for Teachers' Retirement				(3,883,256)	
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Excess Cost Grant				1,035,331	
Expenditures for Excess Cost Grant				(1,035,331)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis					
Prior year encumbrances				(488,841)	
Current year encumbrances				467,589	
Town budgets for payroll on a cash basis					
Prior year accrued payroll				206,075	
Current year accrued payroll				(157,106)	
Other Financing Sources - Difference in Treatment of Lease Financing:					
Proceeds from Lease Financing				483,634	
Purchase of Equipment with Lease Financing				(483,634)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 624,319</u>	

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 teacher's retirement by the State of Connecticut on the Town's behalf; 2. 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; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Town payroll is budgeted on a cash basis; 5. The excess cost grant for special education costs is net with expenditures as per state

Required Supplementary Information
Town of Watertown Retirement Income Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 488,264	\$ 505,034	\$ 493,898
Interest on total pension liability	1,540,877	1,489,691	1,421,610
Effect of changes in benefit terms	19,822	-	-
Differences between expected and actual experience including assumption changes	107,640	531,097	(225,659)
Benefit payments	<u>(1,074,321)</u>	<u>(1,070,456)</u>	<u>(958,346)</u>
Net change in total pension liability	1,082,282	1,455,366	731,503
Total pension liability, beginning	<u>21,837,832</u>	<u>20,382,466</u>	<u>19,650,963</u>
Total pension liability, ending	<u>22,920,114</u>	<u>21,837,832</u>	<u>20,382,466</u>
Fiduciary Net Position			
Employer contributions	411,648	372,789	364,691
Member contributions	286,125	301,598	319,890
Investment income net of investment expenses	162,277	866,764	2,802,274
Benefit payments	(1,074,321)	(1,070,456)	(958,346)
Administrative expenses	<u>(71,158)</u>	<u>(53,019)</u>	<u>(52,566)</u>
Net change in plan fiduciary net position	(285,429)	417,676	2,475,943
Fiduciary net position, beginning	<u>20,144,142</u>	<u>19,726,466</u>	<u>17,250,523</u>
Fiduciary net position, ending	<u>19,858,713</u>	<u>20,144,142</u>	<u>19,726,466</u>
Net pension liability, ending	<u>\$3,061,401</u>	<u>\$ 1,693,690</u>	<u>\$ 656,000</u>
Fiduciary net position as a % of total pension liability	86.64%	92.24%	96.78%
Covered payroll	\$6,326,497	\$ 6,505,288	\$ 6,409,573
Net pension liability as a % of covered payroll	48.39%	26.04%	10.23%

Required Supplementary Information
 Town of Watertown Retirement Income Plan
 Schedule of Employer Contributions
 Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 411,648	\$ 372,789	\$ 364,691
Contributions in relation to the actuarially determined contribution	<u>\$ 411,648</u>	<u>\$ 372,789</u>	<u>\$ 364,691</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$6,326,497	\$6,505,288	\$6,409,573
Contributions as a percentage of covered employee payroll	6.51%	5.73%	5.69%

Notes to the Schedule

Valuation Date Actuarially determined contribution rates are calculated as of January 1, 2015, six months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level cost
Remaining amortization period	15 years, open
Asset valuation method	5-year smoothed market
Inflation	2.50%
Investment rate of return	7.25%
Retirement age	The earlier of age 55 with 25 years of service or age 65
Mortality	RP-2014 Mortality table

Required Supplementary Information
Town of Watertown Retirement Income Plan
Annual Money-Weighted Rate of Return
Last 10 Fiscal Years or Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2016	0.80%
2015	4.40%
2014	16.40%

Required Supplementary Information
Town of Watertown Police Department Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 457,058	\$ 343,549	\$ 329,808
Interest on total pension liability	1,652,133	1,646,496	1,600,613
Differences between expected and actual experience including assumption changes	1,606,784	7,870	317,189
Benefit payments	<u>(1,181,881)</u>	<u>(1,130,152)</u>	<u>(1,115,817)</u>
Net change in total pension liability	2,534,094	867,763	1,131,793
Total pension liability, beginning	<u>23,571,702</u>	<u>22,703,939</u>	<u>21,572,146</u>
Total pension liability, ending	<u>26,105,796</u>	<u>23,571,702</u>	<u>22,703,939</u>
Fiduciary Net Position			
Employer contributions	875,571	780,140	770,262
Member contributions	226,756	218,034	186,890
Investment income net of investment expenses	180,904	826,329	2,422,469
Benefit payments	(1,181,881)	(1,130,152)	(1,115,817)
Administrative expenses	<u>(34,663)</u>	<u>(30,002)</u>	<u>(25,288)</u>
Net change in plan fiduciary net position	66,687	664,349	2,238,516
Fiduciary net position, beginning	<u>18,927,040</u>	<u>18,262,691</u>	<u>16,024,175</u>
Fiduciary net position, ending	<u>18,993,727</u>	<u>18,927,040</u>	<u>18,262,691</u>
Net pension liability, ending	<u>\$ 7,112,069</u>	<u>\$ 4,644,662</u>	<u>\$ 4,441,248</u>
Fiduciary net position as a % of total pension liability	72.76%	80.30%	80.44%
Covered payroll	\$ 3,220,197	\$ 2,909,407	\$ 3,059,132
Net pension liability as a % of covered payroll	220.86%	159.64%	145.18%

Required Supplementary Information
 Town of Watertown Police Department Pension Plan
 Schedule of Employer Contributions
 Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 875,571	\$ 780,140	\$ 770,262
Contributions in relation to the actuarially determined contribution	<u>\$ 875,571</u>	<u>\$ 780,140</u>	<u>\$ 770,262</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$3,220,197	\$2,909,407	\$3,059,132
Contributions as a percentage of covered employee payroll	27.19%	26.81%	25.18%

Notes to the Schedule

Valuation Date Actuarially determined contribution rates are calculated as of January 1, 2015, six months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level cost
Remaining amortization period	20 years, open
Asset valuation method	5-year smoothed market
Inflation	2.50%
Investment rate of return	7.25%
Retirement age	Age 55 or the completion of 25 years, if later
Mortality	RP-2014 Mortality table

Required Supplementary Information
Town of Watertown Police Department Pension Plan
Annual Money-Weighted Rate of Return
Last 10 Fiscal Years or Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2016	1.00%
2015	4.50%
2014	15.20%

Required Supplementary Information - Schedule of Funding Progress
 Other Post Employment Benefits Trust Fund
 Last Three Valuations

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
7/1/2015	\$ 1,406	\$ 42,336,606	\$ 42,335,200	0.00%	\$ 28,170,434	150.28%
7/1/2014	\$ 1,404	\$ 40,730,369	\$ 40,728,965	0.00%	\$ 27,349,936	148.92%
7/1/2013	\$ 624,638	\$ 40,413,326	\$ 39,788,688	1.55%	\$ 27,207,575	146.24%

Required Supplementary Information - Schedule of Employer Contributions
 Other Post Employment Benefits Trust Fund
 Last Six Fiscal Years

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage Contributed
6/30/2016	\$ 3,657,120	\$ 1,254,259	34.30%
6/30/2015	\$ 3,455,906	\$ 1,199,068	34.70%
6/30/2014	\$ 3,561,560	\$ 1,438,191	40.38%
6/30/2013	\$ 3,424,645	\$ 1,338,660	39.09%
6/30/2012	\$ 3,169,267	\$ 1,227,816	38.74%
6/30/2011	\$ 3,094,512	\$ 1,155,270	37.33%

Required Supplementary Information
 Connecticut Municipal Employees' Retirement System
 June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Town's percentage of collective net pension liability	<u>0.611000%</u>	<u>0.611000%</u>
Town's portion net pension liability	<u>\$ 836,477</u>	<u>\$ 628,487</u>
Town's covered payroll	<u>\$ 1,355,765</u>	<u>\$ 1,355,765</u>
Town's portion net pension liability as a % of covered payroll	<u>61.70%</u>	<u>46.36%</u>
Plan Fiduciary net position as a % of total pension liability	<u>92.72%</u>	<u>90.48%</u>

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

Town's contractually required contribution	\$ 154,637	\$ 153,818	\$ 165,978
Town's contributions in relation to the contractually required contribution	<u>154,637</u>	<u>153,818</u>	<u>165,978</u>
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	<u>\$ 1,355,765</u>	<u>\$ 1,283,958</u>	<u>\$ 1,385,459</u>
Town's contributions as a percentage of covered employee payroll	<u>11.41%</u>	<u>11.98%</u>	<u>11.98%</u>

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

Required Supplementary Information
 Connecticut Teachers Retirement System
 June 30, 2016

	<u>2016</u>	<u>2015</u>
Town's percentage of collective net pension liability	0.000000%	0.000000%
Town's proportionate share of the collective net pension liability	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the employer	<u>\$48,464,850</u>	<u>\$44,796,041</u>
Total proportionate share of the collective net pension liability	<u>\$48,464,850</u>	<u>\$44,796,041</u>
Town's covered payroll	<u>\$17,085,880</u>	<u>\$16,464,299</u>
Town's proportionate share of the collective net pension liability as a % of covered payroll	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a % of total pension liability	<u>59.50%</u>	<u>61.51%</u>

**Schedule of Employer Contributions
 Last 10 Fiscal Years or Since Inception of GASB 68**

Contractually required Town contribution	<u>\$ -</u>	<u>\$ -</u>
--	-------------	-------------

The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.5% net of investment expense, including inflation

(This page intentionally left blank)

Appendix B

Opinion of Bond Counsel and Tax Exemption

(This page intentionally left blank)

APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

BOND COUNSEL OPINION

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

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

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Watertown
Watertown, Connecticut

We have represented the Town of Watertown, Connecticut as Bond Counsel in connection with the issuance by the Town of \$1,075,000 General Obligation Bonds, Issue of 2017, and \$6,480,000 Bond Anticipation Notes, each dated as of April 25, 2017.

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

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

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

Based on such representations and agreements and on the record of proceedings authorizing the Bonds and Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion

that, under existing statutes: (1) interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Bonds and Notes are not "private activity bonds" and interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) the Bonds and Notes are "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.

Based on the record of proceedings authorizing the Bonds and Notes, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

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

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

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

The Code provides, however, that for most 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 Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds and Notes will 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. In addition to the matters addressed above, prospective purchasers of the Bonds and Notes should be aware that the ownership of tax-exempt obligations, such as the Bonds and Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain

Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds and Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds and Notes, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

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

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

ORIGINAL ISSUE DISCOUNT.

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

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

ORIGINAL ISSUE PREMIUM.

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

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

GENERAL.

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

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds and Notes. Prospective owners of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds and Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

[Remainder of this page intentionally left blank]

Appendix C-1

Form of Continuing Disclosure Agreement for Bonds

(This page intentionally left blank)

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 April 25, 2017 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$1,075,000 General Obligation Bonds, Issue of 2017, dated as of April 25, 2017 (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 April 12, 2017 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, 2017) 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 Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance 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 _____
Frank J. Nardelli, Jr.
Director of Finance

(This page intentionally left blank)

Appendix C-2

Form of Continuing Disclosure Agreement for Notes

(This page intentionally left blank)

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 April 25, 2017 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,480,000 Bond Anticipation Notes, dated as of April 25, 2017 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 Director of Finance, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Director of Finance 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: _____
Frank J. Nardelli, Jr.
Director of Finance

(This page intentionally left blank)

Appendix D-1

Notice of Sale and Bid Form - Bonds

(This page intentionally left blank)

NOTICE OF SALE
\$1,075,000
Town of Watertown, Connecticut
General Obligation Bonds
(BOOK-ENTRY)

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Watertown, Connecticut at the Office of the Town Manager, Town Hall Annex, 424 Main Street, Watertown, Connecticut, until **11:30 A.M. Eastern Time on WEDNESDAY,**

APRIL 12, 2017

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

\$1,075,000 General Obligation Bonds, Issue of 2017
Payable annually on April 15 as follows:

\$75,000 in 2019
\$100,000 in 2020 through 2029

The Bonds will be dated April 25, 2017, with interest payable on October 15, 2017 and thereafter semiannually on each April 15th and October 15th.

The Town will designate the Bonds as "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.

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 after April 15, 2024 are subject to redemption prior to maturity, at the option of the Town, on or after April 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 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>
April 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 two (2%) 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.

Sealed Proposals Bidding Procedure. All proposals for the purchase of Bonds 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 Bonds." All proposals should be addressed to Mr. Frank J. Nardelli, Jr., Director of Finance, Town of Watertown, Office of the Town Manager, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795.

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, 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. **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 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 and the form of Proposal for Bonds.

Basis of Award. As between proposals which comply with this Notice, 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 April 25, 2017, 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 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. 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, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and the Bonds are "qualified tax-exempt obligations"; 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.

Official Statement. The Town of Watertown has prepared a preliminary Official Statement for the Bond issue which is dated April 4, 2017. 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 financial advisor, Phoenix Advisors, LLC, Milford, Connecticut, 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 financial 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 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 financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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 purchaser to apply for CUSIP numbers for the Bonds prior to delivery. 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 Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Reoffering Prices. **IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE BONDS THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF EACH MATURITY OF THE BONDS WERE SOLD.** The successful bidder may specify that the Bonds as "not reoffered" if the successful bidder certifies that it purchased the specified Bonds for its own account (or the account of a related party) without any present intention of reoffering such Bonds to any other investor.

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about April 25, 2017 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. 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 Mr. Frank J. Nardelli, Jr., Director of Finance, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795 (telephone: (860) 945-5258).

ROBERT M. SCANNELL,
Town Manager

FRANK J. NARDELLI, JR.,
Director of Finance

April 4, 2017

PROPOSAL FOR BONDS

April 12, 2017

Mr. Frank J. Nardelli, Jr.
 Director of Finance
 Town of Watertown
 Office of the Town Manager
 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 April 4, 2017 which is hereby made a part of this proposal, we hereby offer to purchase all of the aggregate principal amount of \$1,075,000 General Obligation Bonds, Issue of 2017, of the Town of Watertown described in said Notice of Sale, and to pay therefor the price of par plus a premium of \$_____ plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2019	\$75,000	_____%	2025	\$100,000	_____%
2020	\$100,000	_____%	2026	\$100,000	_____%
2021	\$100,000	_____%	2027	\$100,000	_____%
2022	\$100,000	_____%	2028	\$100,000	_____%
2023	\$100,000	_____%	2029	\$100,000	_____%
2024	\$100,000	_____%			

We acknowledge receipt of the Official Statement referred to in the Notice of Sale.

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or Authorized Agent of Bidder: _____

Telephone Number: _____

The following is our computation of the percentage of true interest cost, made as provided in the above mentioned Notice of Sale, and certain other information, which is not part of the foregoing proposal.

Percent of True Interest Cost _____%
 (four decimals)

Gross Interest \$ _____

Premium \$ _____

(This page intentionally left blank)

Appendix D-2

Notice of Sale and Bid Form - Notes

(This page intentionally left blank)

NOTICE OF SALE
\$6,480,000
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 Office of the Town Manager, Town Hall Annex, 424 Main Street, Watertown, Connecticut until **11:00 A.M. Eastern Time on WEDNESDAY,**

APRIL 12, 2017

for the purchase of \$6,480,000 Bond Anticipation Notes of the Town of Watertown, dated April 25, 2017, maturing on January 25, 2018 (the "Notes").

The Town will designate the Notes as "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.

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. 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. Frank J. Nardelli, Jr., Director of Finance, Town of Watertown, Office of the Town Manager, 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, 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. **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, 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 Bonds in accordance with the provisions of this Notice of Sale.

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

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

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, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and the Notes are "qualified tax-exempt obligations"; 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.

Official Statement. The Town of Watertown has prepared a preliminary Official Statement for the Note issue which is dated April 4, 2017. 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 financial advisor, Phoenix Advisors, LLC, Milford, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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 purchaser to apply for CUSIP numbers for the Notes prior to delivery. 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 Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Reoffering Prices. **IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD.** The successful bidder may specify that the Notes as “not reoffered” if the successful bidder certifies that it purchased the specified Notes for its own account (or the account of a related party) without any present intention of reoffering such Notes to any other investor.

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 April 25, 2017.

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 Mr. Frank J. Nardelli, Jr., Director of Finance, Town of Watertown, Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795 (telephone: (860) 945-5258).

ROBERT M. SCANNELL,
Town Manager

FRANK J. NARDELLI, JR.,
Director of Finance

April 4, 2017

PROPOSAL FOR NOTES

April 12, 2017

Mr. Frank J. Nardelli, Jr.
Director of Finance
Town of Watertown
Office of the Town Manager
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 April 4, 2017 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 \$6,480,000 Bond Anticipation Notes of the Town of Watertown, dated April 25, 2017, maturing January 25, 2018, 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: _____

(This page intentionally left blank)