

Preliminary Official Statement Dated October 5, 2026

NEW MONEY ISSUE: BOOK-ENTRY-ONLY

RATING: S&P Global Ratings: "AA"

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



Town of Watertown, Connecticut
\$30,600,000
General Obligation Bonds, Issue of 2026, Series A

Dated: Date of Delivery

**Due: Serially October 15, 2027-2046
as detailed on the inside cover page**

The \$30,600,000 General Obligation Bonds, Issue of 2026, Series A (the "Series A Bonds") of the Town of Watertown, Connecticut (the "Town") will bear interest commencing April 15, 2027 and semiannually thereafter on April 15 and October 15 in each year until maturity.

The Series A Bonds are subject to redemption prior to maturity (See "Redemption Provisions" herein.)

Electronic bids only via PARITY® for the Series A Bonds will be received until 11:00 A.M. (Eastern Time) on Tuesday, October 13, 2026, as described in the Notice of Sale. (See Appendix D-1 to this Official Statement).

\$10,000,000
General Obligation Bonds, Issue of 2026, Series B

Dated: Date of Delivery

**Due: Serially October 15, 2027-2046
as detailed on the inside cover page**

The \$10,000,000 General Obligation Bonds, Issue of 2026, Series B (the "Series B Bonds") of the Town will bear interest commencing April 15, 2027 and semiannually thereafter on April 15 and October 15 in each year until maturity.

The Series B Bonds are subject to redemption prior to maturity (See "Redemption Provisions" herein.)

Electronic bids only via PARITY® for the Series B Bonds will be received until 11:30 A.M. (Eastern Time) on Tuesday, October 13, 2026, as described in the Notice of Sale. (See Appendix D-2 to this Official Statement).

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

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

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about October 28, 2026.

Town of Watertown, Connecticut
\$30,600,000
General Obligation Bonds, Issue of 2026, Series A

Dated: Date of Delivery

Due: Serially October 15, 2027-2046
as detailed below:

Year	Principal	Coupon	Yield	CUSIP¹	Year	Principal	Coupon	Yield	CUSIP¹
2027	\$ 1,050,000	.. %	.. %	941893__	2037	\$ 1,575,000	.. %	.. %	941893__
2028	1,300,000	.. %	.. %	941893__	2038	1,575,000	.. %	.. %	941893__
2029	1,500,000	.. %	.. %	941893__	2039	1,575,000	.. %	.. %	941893__
2030	1,550,000	.. %	.. %	941893__	2040	1,575,000	.. %	.. %	941893__
2031	1,575,000	.. %	.. %	941893__	2041	1,575,000	.. %	.. %	941893__
2032	1,575,000	.. %	.. %	941893__	2042	1,575,000	.. %	.. %	941893__
2033	1,575,000	.. %	.. %	941893__	2043	1,575,000	.. %	.. %	941893__
2034	1,575,000	.. %	.. %	941893__	2044	1,575,000	.. %	.. %	941893__
2035	1,575,000	.. %	.. %	941893__	2045	1,575,000	.. %	.. %	941893__
2036	1,575,000	.. %	.. %	941893__	2046	1,575,000	.. %	.. %	941893__

\$10,000,000
General Obligation Bonds, Issue of 2026, Series B

Dated: Date of Delivery

Due: Serially October 15, 2027-2046
as detailed below:

Year	Principal	Coupon	Yield	CUSIP¹	Year	Principal	Coupon	Yield	CUSIP¹
2027	\$ 500,000	.. %	.. %	941893__	2037	\$ 500,000	.. %	.. %	941893__
2028	500,000	.. %	.. %	941893__	2038	500,000	.. %	.. %	941893__
2029	500,000	.. %	.. %	941893__	2039	500,000	.. %	.. %	941893__
2030	500,000	.. %	.. %	941893__	2040	500,000	.. %	.. %	941893__
2031	500,000	.. %	.. %	941893__	2041	500,000	.. %	.. %	941893__
2032	500,000	.. %	.. %	941893__	2042	500,000	.. %	.. %	941893__
2033	500,000	.. %	.. %	941893__	2043	500,000	.. %	.. %	941893__
2034	500,000	.. %	.. %	941893__	2044	500,000	.. %	.. %	941893__
2035	500,000	.. %	.. %	941893__	2045	500,000	.. %	.. %	941893__
2036	500,000	.. %	.. %	941893__	2046	500,000	.. %	.. %	941893__

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

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

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

Set forth in Appendix A – “2025 Financial Statements Excerpted from the Town’s Annual Comprehensive Financial Report” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

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

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, any such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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

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

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Series A Bond Issue Summary

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

Date of Sale:	Tuesday, October 13, 2026 at 11:00 A.M. (Eastern Time).
Location of Sale:	Via Parity® only. (See “Appendix D-1 – Notice of Sale – The Series A Bonds” to this Official Statement)
Issuer:	Town of Watertown, Connecticut (the “Town”).
Issue:	\$30,600,000 General Obligation Bonds, Issue of 2026, Series A (the “Series A Bonds”).
Dated Date:	Date of Delivery.
Interest Due:	Interest due April 15, 2027 and semiannually thereafter on October 15 and April 15 in each year until maturity, or earlier redemption.
Principal Due:	Principal due serially October 15, 2027 through October 15, 2046 as detailed in this official statement.
Authorization and Purpose:	The proceeds of the Series A Bonds are being used finance a water and sewer judgement. See “Authorization and Purpose” and “Use of Proceeds” herein.
Redemption:	The Series A Bonds are subject to redemption prior to maturity. See “Redemption Provisions” herein.
Security and Remedies:	The Series A Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal and interest on the Series A Bonds when due.
Credit Rating:	The Town received a rating of “AA” from S&P Global Ratings (“S&P”) on the Series A Bonds.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Tax Exemption:	See “Tax Matters” herein.
Bank Qualification:	The Series A Bonds <u>shall NOT</u> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986 for purposes of the deduction by financial institutions of interest expense allocable to the Series A Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Series A Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-1 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, a division of First Security Municipal Advisors, Inc. of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Pullman & Comley, LLC, of Hartford, Connecticut will act as bond counsel.
Delivery and Payment:	It is expected that delivery of the Series A Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 28, 2026. Delivery of the Series A Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Maria Guerrero, Finance Director, Town of Watertown, Town Hall, 61 Echo Lake Road, Watertown, Connecticut 06795. Phone: (860) 945-5259.

Series B Bond Issue Summary

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

Date of Sale:	Tuesday, October 13, 2026 at 11:30 A.M. (Eastern Time).
Location of Sale:	Via Parity® only. (See “Appendix D-2 – Notice of Sale – The Series B Bonds” to this Official Statement)
Issuer:	Town of Watertown, Connecticut (the “Town”).
Issue:	\$10,000,000 General Obligation Bonds, Issue of 2026, Series B (the “Series B Bonds”).
Dated Date:	Date of Delivery.
Interest Due:	Interest due April 15, 2027 and semiannually thereafter on October 15 and April 15 in each year until maturity, or earlier redemption.
Principal Due:	Principal due serially October 15, 2027 through October 15, 2046 as detailed in this official statement.
Authorization and Purpose:	The proceeds of the Series B Bonds are being used finance various road improvements. See “Authorization and Purpose” and “Use of Proceeds” herein.
Redemption:	The Series B Bonds are subject to redemption prior to maturity. See “Redemption Provisions” herein.
Security and Remedies:	The Series B Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal and interest on the Series B Bonds when due.
Credit Rating:	The Town received a rating of “AA” from S&P Global Ratings (“S&P”) on the Series B Bonds.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Tax Exemption:	See “Tax Matters” herein.
Bank Qualification:	The Series B Bonds <u>shall NOT</u> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986 for purposes of the deduction by financial institutions of interest expense allocable to the Series B Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Series B Bonds not in excess of 10 business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-2 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, a division of First Security Municipal Advisors, Inc. of Milford, Connecticut. Telephone (203) 283-1110.
Legal Opinion:	Pullman & Comley, LLC, of Hartford, Connecticut will act as bond counsel.
Delivery and Payment:	It is expected that delivery of the Series B Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 28, 2026. Delivery of the Series B Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Maria Guerrero, Finance Director, Town of Watertown, Town Hall, 61 Echo Lake Road, Watertown, Connecticut 06795. Phone: (860) 945-5259.

I. Bond Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Watertown, Connecticut (the “Town”), in connection with the issuance of \$30,600,000 General Obligation Bonds, Issue of 2026, Series A (the “Series A Bonds”) and \$10,000,000 General Obligation Bonds, Issue of 2026, Series B (the “Series B Bonds” and collectively, the “Bonds”) of the Town.

The Bonds are being offered for sale at public bidding. Notices of Sale dated October 5, 2026 have been furnished to prospective bidders. Reference is made to the Notice of Sales, attached hereto 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. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

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

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

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

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The Town faces certain threats due to climate change, including flooding, drought and damaging wind that could become more severe and frequent. The Town cannot predict the timing, extent or severity of climate change and its impact on the Town’s operations and finances. The Town has completed a significant amount of work with detention basins to reduce the possibility of flooding events. In addition, a lot was done in terms of dredging river basins to allow a greater capacity of water and water release.

Cybersecurity

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

To mitigate the risk of business operations impact and/or damage from cyber security incidents or cyber-attacks, the Town has invested in disaster recovery systems and a continuity of IT operations plan which leverages regular daily system backups. In the event of a cybersecurity incident recovery from an earlier state for any enterprise application system is possible. The Town currently has a cybersecurity insurance policy. The Town works with an outside vendor, VC3, to complete cyber training with staff and monitor system 24/7. The Police Department is also Criminal Justice Information Services compliant. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact financial operations and/or damage the Town’s digital networks and systems and the costs of remedying any such damage could be substantial.

Municipal Advisor

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Milford, Connecticut, has served as Municipal Advisor to the Town in connection with the issuance of the Bonds (the “Municipal Advisor”) and has assisted in matters related to the planning, structuring and terms of the Bonds. 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 Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Series A Bonds

The Series A Bonds will mature on October 15 in each of the years as set forth on the inside cover page of this official statement. The Series A Bonds will be dated the date of delivery and bear interest at the rates per annum specified on the inside cover page of this official statement, payable semiannually on April 15 and October 15 in each year until maturity, commencing April 15, 2027. 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 Series A Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank Trust Company, National Association. The Series A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series A Bonds are subject to redemption prior to maturity. See “Redemption Provisions” herein.

Description of the Series B Bonds

The Series B Bonds will mature on October 15 in each of the years as set forth on the inside cover page of this official statement. The Series B Bonds will be dated the date of delivery and bear interest at the rates per annum specified on the inside cover page of this official statement, payable semiannually on April 15 and October 15 in each year until maturity, commencing April 15, 2027. 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 Series B Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank Trust Company, National Association. The Series B Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series B Bonds are subject to redemption prior to maturity. See “Redemption Provisions” herein.

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Redemption Provisions

Series A Bonds

The Series A Bonds maturing on or before October 15, 2031 are not subject to redemption prior to maturity. The Series A Bonds maturing on October 15, 2032 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2031 at any time, either in whole or in part, in such amounts and in such order of maturity, (but by lot within a maturity) as the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of the Series A Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
October 15, 2031 and thereafter.....	100%

Series B Bonds

The Series B Bonds maturing on or before October 15, 2033 are not subject to redemption prior to maturity. The Series B Bonds maturing on October 15, 2034 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2033 at any time, either in whole or in part, in such amounts and in such order of maturity, (but by lot within a maturity) as the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of the Series B Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
October 15, 2033 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 but not more than sixty (60) 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.

Authorization and Purpose

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

Use of Proceeds

Project	Aggregate Amount Authorized	Maturing Notes Due: 10/28/26	This Issue:	
			Series A Bonds	Series B Bonds
Various Road Improvements	\$ 10,000,000	\$ 6,000,000	\$ -	\$ 10,000,000
Water & Sewer Judgment	34,000,000	34,000,000	30,600,000	-
Total	\$ 44,000,000	\$ 40,000,000	\$ 30,600,000	\$ 10,000,000

Tax Matters

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

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

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

Original Issue Discount. The initial public offering prices of certain maturities of the Bonds may be less than the stated principal amount (the "OID Bonds"). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such OID Bonds are expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds are sold. Under existing law, original issue discount on the OID Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the OID Bonds is excludable from gross income for federal income tax purposes.

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

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

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

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

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

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

Accrued original issue discount on an OID Bond is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax.

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

Changes in Federal and State Tax Law. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

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

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

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

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. For the Bonds, one fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity and will be deposited with DTC.

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, principal and interest and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

DTC Practices

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

Replacement Bonds

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds 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 is authorized to issue fully registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

Security and Remedies

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

Unless paid from other sources, the Bonds are payable from general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income and of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

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

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

The Town is subject to suit on its general obligation debt and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. A court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such Bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

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

Qualification for Financial Institutions

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

Availability of Continuing Disclosure Information

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

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

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. In the last five years, the Town has not failed to comply, in all material respects, with its previous undertakings in such agreements except for the following. For the fiscal year ended June 30, 2022, the audited financial statements and operating data of the Town were filed late with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access website ("EMMA"). The Town filed a failure to file notice on March 3, 2023 and the Town's audited financial statements and operating data were filed on March 31, 2023. For the fiscal year ended June 30, 2023, the audited financial statements and operating data of the Town were filed late on EMMA. The Town filed a failure to file notice on March 1, 2024 and the Town's audited financial statements and operating data were filed on May 30, 2024. For the fiscal year ended June 30, 2024, the audited financial statements and operating data of the Town were filed late on EMMA. The Town filed a failure to file notice on March 3, 2025 and the Town's audited financial statements and operating data were filed on July 2, 2025. For the fiscal year ended June 30, 2025, the audited financial statements and operating data of the Town were filed late on EMMA. The Town filed a failure to file notice on March 2, 2026 and the Town's audited financial statements and operating data were filed on March 31, 2026.

Rating

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

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

Bond Insurance

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

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II. The Issuer



Connecticut

Description of the Municipality

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

Form of Government

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

Town Officials

Office	Name	Manner of Selection	Expiration of Term
Chairman, Town Council.....	Jonathan Ramsay	Elected	11/2027
Town Manager.....	Mark A. Raimo	Appointed	-
Finance Director.....	Maria Guerrero	Appointed	-
Tax Collector.....	Carla Hamel	Appointed	-
Assessor.....	Faith Richmond	Appointed	-
Town Clerk.....	Lisa Dalton	Appointed	-
Superintendent of Schools.....	Lisa Fekete	Appointed	-

Municipal Services

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

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

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

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

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

After a comprehensive study, MIRA determined that it was no longer feasible to maintain the trash burn facility in Hartford. In the winter of 2022, MIRA announced that effective July 1, 2022, MIRA planned to begin the process of decommissioning the burn facility and opening a transfer station where trash would be collected and shipped out of state. MIRA requested that participating Towns amend their contracts with MIRA to reflect this new disposal arrangement. Towns were also given the option to opt out of their agreements with MIRA and find alternative methods for disposing of trash and recyclables. The Town chose to opt out of its service contract with MIRA and contracted with a private company to dispose of its municipal solid waste, bulky waste and recyclables. The Town currently sends its waste to F&G Recycling, LLC which handles Municipal Solid Waste (MSW) and Recyclables contract was signed on March 18, 2022 and is valid until June 30, 2027. For Fiscal Year 2025-2026, the Town Cost was \$124.80 per ton for MSW and for 2026-2027 is \$129.95 per ton – each year ends on June 30 of the Towns Fiscal Year. Recycling Fees are at no cost but contingent on sending the MSW and Recycling to F&G. Bulky waste is delivered to Frost Bridge and Town does not have a contract with Frost Bridge Associates for Bulky Waste.

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

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

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

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

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

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

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

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Educational Services

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

The Town has five schools for grades pre-kindergarten through 12 comprising of: one senior high school, one junior high school, two elementary schools, and one primary school. Enrollment in grades pre-kindergarten through 12 as of October 1, 2025 was 2,550. 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				
2016-17	1,482	440	837	2,759
2017-18	1,262	669	835	2,766
2018-19	1,252	675	815	2,742
2019-20	1,442	469	793	2,704
2020-21	1,402	434	773	2,609
2021-22	1,402	393	785	2,580
2022-23	1,473	400	726	2,599
2023-24	1,467	395	719	2,581
2024-25	1,420	413	717	2,550
2025-26	1,400	405	706	2,511
Projected				
2026-27	1,364	425	718	2,507
2027-28	1,351	430	718	2,499

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 10/1/2025	Operating Capacity
Watertown High School	9-12	1972	Brick	48	702	1,123
Swift Junior High School	6-8	1972	Brick	76	621	1,000
Judson Elementary School	3-5	1971	Brick	31	295	452
Polk Elementary School	3-5	1990	Brick	28	304	512
John Trumbull Primary School ...	Pre-K-2	2000	Brick	35	581	950
Total				218	2,503	4,037

Employee Relations and Collective Bargaining Municipal Employees

	2025-26	2024-25	2023-24	2022-23	2021-22
General Government	363	148	130	119	116
Board of Education	525	492	495	472	490
Total	888	640	625	591	606

Employee Relations

Bargaining Unit	Number of Members	Contract Expiration Date
<u>General Government</u>		
American Fed. of State, County and Municipal Employees – Local 1303 - Highway...	36	6/30/2028
American Fed. of State, County and Municipal Employees – Local 541 - Police.....	46	6/30/2028
The United Public Service Employees Union Unit 083 - Communications.....	9	6/30/2025 ¹
The United Public Service Employees Union - White Collar.....	35	6/30/2028
Connecticut State Employees Association/SEIU, Local 2001 - Supervisors.....	10	6/30/2028
Total Organized	136	
Non-Union	227	
Sub-Total	363	
<u>Board of Education</u>		
Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO.....	62	8/31/2028
Watertown Education Association.....	228	8/31/2027
American Federation of State, County and Municipal Employees – Local 1049.....	52	6/30/2028
American Federation of State, County and Municipal Employees – Local 1303.....	26	6/30/2027
Watertown Principals Association.....	13	6/30/2026 ¹
American Federation of State, County and Municipal Employees – Local 1049.....	-	6/30/2027
Watertown School Nurses Association.....	-	6/30/2027
Total Organized	381	
Non-Union	144	
Sub-Total	525	
Total	888	

¹ In negotiations

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of (i) 5% or less with respect to teachers contracts, and (ii) 15% or less with respect to municipal employees, is not available for payment of the cost of any items subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

III. Economic and Demographic Information

Population and Density

Year	Actual		Density ²
	Population ¹	% Increase	
2024 ³	22,253	0.7%	746.7
2020	22,105	-1.8%	741.8
2010	22,514	3.9%	755.5
2000	21,661	5.9%	726.9
1990	20,456	5.0%	686.4
1980	19,489	4.2%	654.0
1970	18,704	26.4%	627.7

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

² Per square mile: 29.8 square miles.

³ American Community Survey 2020-2024.

Age Distribution of the Population

Age	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	819	3.7%	181,691	5.0%
5 to 9 years	1,023	4.6	195,164	5.4%
10 to 14 years	1,431	6.4	214,972	5.9%
15 to 19 years	1,068	4.8	239,710	6.6%
20 to 24 years	907	4.1	238,387	6.6%
25 to 34 years	2,831	12.7	454,892	12.6%
35 to 44 years	2,520	11.3	460,916	12.7%
45 to 54 years	3,117	14.0	453,917	12.5%
55 to 59 years	1,605	7.2	256,068	7.1%
60 to 64 years	1,737	7.8	258,234	7.1%
65 to 74 years	2,930	13.2	386,232	10.7%
75 to 84 years	1,519	6.8	196,373	5.4%
85 years and over	746	3.4	87,952	2.4%
Total.....	22,253	100%	3,624,508	100%
Median Age (Years) 2024.....	46.3		41.1	
Median Age (Years) 2010 ¹	42.4		40.0	

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

Source: American Community Survey 2020-2024.

Income Distribution

Income	Town of Watertown		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	138	2.2%	24,004	2.6%
10,000 - 14,999.....	33	0.5	12,584	1.4%
15,000 - 24,999.....	163	2.6	27,285	3.0%
25,000 - 34,999.....	75	1.2	33,429	3.6%
35,000 - 49,999.....	363	5.9	59,826	6.5%
50,000 - 74,999.....	1,005	16.3	106,611	11.6%
75,000 - 99,999.....	732	11.9	106,893	11.6%
100,000 - 149,999.....	1,386	22.5	182,785	19.8%
150,000 - 199,999.....	1,049	17.0	131,310	14.3%
200,000 and over.....	1,225	19.9	236,661	25.7%
Total.....	6,169	100.0%	921,388	100.0%

Source: American Community Survey 2020-2024.

Income Levels

	Town of Watertown	State of Connecticut
Per Capita Income, 2024.....	\$ 48,479	\$ 55,915
Median Family Income, 2024.....	\$ 126,060	\$ 122,706
Median Household Income, 2024.....	\$ 101,691	\$ 95,781

Source: American Community Survey 2020-2024.

Educational Attainment Years of School Completed Age 25 and Over

	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	400	2.4%	101,458	4.0%
9th to 12th grade.....	570	3.4	114,887	4.5
High School graduate.....	4,555	26.8	647,192	25.3
Some college, no degree.....	3,350	19.7	410,903	16.1
Associate's degree	1,567	9.2	195,081	7.6
Bachelor's degree.....	3,594	21.1	595,631	23.3
Graduate or professional degree.....	2,969	17.5	489,432	19.2
Total.....	17,005	100.0%	2,554,584	100.0%
Total high school graduate or higher (%).....		94.3%		91.5%
Total bachelor's degree or higher (%).....		38.6%		42.5%

Source: American Community Survey 2020-2024.

**Major Employers
As of September 2026**

Employer	Type of Business	Approximate Number of Employees
The Siemon Company.....	Manufacturer	420
Emerson Automated Solutions.....	Manufacturer	300
Shelter Logic.....	Manufacturer	265
The Taft School.....	Private school	235
Super Stop & Shop.....	Supermarket	210
Crystal Rock.....	Manufacturer	200
LaBonnes Market	Supermarket	195
PM Engineered Solutions.....	Manufacturer	191
Braxton Manufacturing.....	Manufacturer	180
Apple Rehab.....	Healthcare	138

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

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

Sector	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	106	0.9%	7,132	0.4%
Construction.....	729	5.9	113,006	6.1
Manufacturing.....	1,433	11.7	198,526	10.7
Wholesale trade.....	120	1.0	35,592	1.9
Retail trade.....	1,516	12.4	192,698	10.4
Transportation warehousing, and utilities.....	776	6.3	87,076	4.7
Information.....	383	3.1	37,488	2.0
Finance, insurance, real estate, and leasing.....	548	4.5	161,226	8.7
Professional, scientific, management, administrative, and waste management.....	1,242	10.1	228,229	12.3
Education, health and social services.....	3,607	29.4	496,559	26.8
Arts, entertainment, recreation, accommodation and food services.....	758	6.2	143,851	7.8
Other services (except public admin.).....	495	4.0	80,617	4.4
Public Administration.....	548	4.5	67,864	3.7
Total Labor Force, Employed.....	12,261	100.0%	1,849,864	100.0%

Source: American Community Survey 2020-2024.

Employment Data By Place of Residence

Period	Town of Watertown		Percentage Unemployed		
	Employed	Unemployed	Town of Watertown	Waterbury Labor Market	State of Connecticut
July 2026.....	11,589	608	5.0	6.4	5.8
Annual Average					
2025.....	12,186	483	3.8	4.4	3.9
2024.....	12,466	416	3.2	4.4	3.5
2023.....	12,484	457	3.5	4.7	3.7
2022.....	12,396	462	3.6	5.2	4.1
2021.....	11,573	656	5.4	8.0	6.6
2020.....	11,804	777	6.2	8.5	7.3
2019.....	12,702	450	3.4	4.6	3.7
2018.....	12,581	482	3.7	5.1	4.1
2017.....	12,546	520	4.0	5.9	4.7
2016.....	12,413	599	4.6	6.5	5.3

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.....	1,507	16.0%	311,584	20.2%
1940 to 1969.....	3,268	34.7	514,365	33.4
1970 to 1979.....	1,643	17.4	210,797	13.7
1980 to 1989.....	1,035	11.0	199,083	12.9
1990 to 1999.....	913	9.7	115,803	7.5
2000 or 2009.....	539	5.7	109,783	7.1
2010 or later.....	512	5.4	80,407	5.2
Total Housing Units	9,417	100.0%	1,541,822	100.0%

Source: American Community Survey 2020-2024.

Housing Inventory

Housing Units	Town of Watertown		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	7,334	77.9%	902,771	58.6%
1-unit, attached.....	434	4.6	99,493	6.5
2 units.....	689	7.3	115,211	7.5
3 or 4 units.....	558	5.9	125,486	8.1
5 to 9 units.....	259	2.8	76,014	4.9
10 to 19 units.....	31	0.3	54,675	3.5
20 or more units.....	112	1.2	156,730	10.2
Mobile home.....	-	-	10,890	0.7
Boat, RV, van, etc.....	-	-	552	0.0
Total Inventory.....	9,417	100.0%	1,541,822	100.0%

Source: American Community Survey 2020-2024.

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	231	3.1%	23,262	2.4%
\$50,000 to \$99,000.....	46	0.6	14,209	1.5
\$100,000 to \$149,999.....	95	1.3	31,134	3.3
\$150,000 to \$199,000.....	421	5.7	65,851	6.9
\$200,000 to \$299,999.....	2,262	30.7	205,349	21.5
\$300,000 to \$499,999.....	3,182	43.2	350,277	36.8
\$500,000 to \$999,999.....	1,049	14.2	197,853	20.8
\$1,000,000 or more.....	77	1.0	65,054	6.8
Total.....	7,363	100.0%	952,989	100.0%
Median Value.....	\$333,500		\$366,900	

Source: American Community Survey 2020-2024.

Building Permits

Ending 6/30	Residential		Commercial / Industrial		Other		All Categories	
	No.	Value	No.	Value	No.	Value	No.	Value
2026	1,240	\$ 24,318,813	120	\$ 197,095	-	\$ -	1,360	\$ 24,515,909
2025	244	4,380,540	22	4,671,350	948	12,490,420	1,214	21,542,310
2024	255	5,938,880	32	3,638,034	879	13,249,419	1,166	22,826,333
2023	245	4,472,152	27	1,901,300	941	13,623,739	1,213	19,997,191
2022	172	5,673,239	26	3,633,360	1,123	14,490,618	1,321	23,797,217
2021	167	5,269,072	37	4,699,485	1,283	16,669,689	1,487	26,638,246
2020	150	6,543,471	21	1,084,900	1,223	14,561,109	1,394	22,189,480
2019	150	5,632,052	28	14,179,415	1,147	12,921,500	1,325	32,732,967
2018	191	5,594,128	34	2,932,998	1,160	10,987,604	1,385	19,514,730
2017	118	5,073,749	13	2,754,900	693	5,306,763	824	13,135,412

Sources: Building Department, Town of Watertown.

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IV. Tax Base Data

Property Tax – Assessments

Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods. Since the Town completed its last physical revaluation effective as of October 1, 2023, the next statistical revaluation is planned for October 1, 2028.

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

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

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

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

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

The Town of Watertown has not approved the use of Section 12-124a of the Connecticut General Statutes, which permits a municipality, upon approval of its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income.

Motor Vehicle Property Tax Rate

Section 12-71e(a) of the Connecticut General Statutes (the “General Statutes”) has been amended whereby the mill rate for motor vehicles shall not exceed 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 12-71e(b) of the General Statutes has been amended to state that no district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town, city, consolidated town and city or consolidated town and borough in which such district or borough is located would result in a combined motor vehicle mill rate above 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 4-66I of the General Statutes diverts a portion of State collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The Town’s mill rate for motor vehicles for the assessment year commencing October 1, 2025 (the fiscal year ending June 30, 2027) is 30.04 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 (%)						
2025	68.6	12.5	0.8	8.7	9.4	\$ 2,697,458	\$ 82,462	\$ 2,614,996	0.77%
2024	68.9	12.8	0.8	8.3	9.2	2,676,167	81,268	2,594,899	-0.11%
2023 ¹	68.5	12.8	0.7	8.0	10.0	2,680,565	82,804	2,597,761	32.35%
2022	63.1	12.3	0.9	10.0	13.7	2,047,099	84,318	1,962,781	1.79%
2021	63.8	12.6	1.1	9.6	13.0	2,010,355	82,096	1,928,259	3.76%
2020	65.9	13.0	0.2	10.0	10.9	1,944,348	85,877	1,858,471	0.18%
2019	66.6	13.1	0.2	10.0	10.1	1,924,732	69,640	1,855,092	1.07%
2018 ¹	67.1	12.8	0.2	9.6	10.1	1,909,409	74,046	1,835,363	3.58%
2017	67.7	12.4	0.2	9.4	10.3	1,839,498	67,502	1,771,996	0.23%
2016	67.8	12.5	0.2	9.1	10.3	1,830,638	62,664	1,767,974	1.30%
2015	68.7	12.7	0.1	8.4	10.2	1,805,525	60,249	1,745,276	0.44%

¹ Revaluation.

Source: Town of Watertown, Town Assessor.

Property Tax Levies and Collections

Fiscal Year Ending 6/30	Grand List of 10/1	Net Taxable Grand List (000s)	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2026
2027 ¹	2025	\$ 2,614,996	30.04	\$ 78,297,276	IN COLLECTION		
2026 ¹	2024	2,594,899	30.04	77,411,446	98.88%	1.12%	1.12%
2025 ²	2023	2,597,761	28.37	73,698,480	99.08%	0.92%	0.28%
	2022	1,962,781	36.86	71,741,107	98.50%	1.50%	0.11%
	2021	1,928,259	34.56	67,236,985	98.82%	1.18%	0.07%
	2020	1,858,471	34.56	63,857,052	99.06%	0.94%	0.05%
	2019	1,855,092	33.19	60,832,438	99.00%	1.00%	0.04%
2020 ²	2018	1,835,363	33.19	60,609,506	99.01%	0.99%	0.03%
	2017	1,771,996	33.59	59,521,344	98.93%	1.07%	0.03%
	2016	1,767,974	31.88	56,356,316	98.56%	1.44%	0.03%

¹ Subject to audit.

² Revaluation.

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

Property Tax Receivables

Fiscal Year Ending 6/30	Current	
	Year Levy Uncollected	Total Uncollected
2026 ¹	\$ 785,895	\$ 1,278,377
2025	680,791	1,355,529
2024	1,077,298	1,936,381
2023	790,741	1,269,059
2022	601,392	1,081,301
2021	616,545	1,032,715
2020	607,885	1,130,756
2019	625,663	1,153,958
2018	770,259	1,301,440
2017	786,029	1,377,402

¹ Subject to audit.

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

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Connecticut Light & Power.....	Utility	\$ 74,862,820	2.86%
Yankee Gas.....	Utility	11,643,630	0.45%
Greenbriar Associates, LLC.....	Real Estate	10,787,210	0.41%
JSD Partners.....	Manufacturing	9,872,590	0.38%
Straits Turnpike Limited Partnership.....	Supermarket	9,507,800	0.36%
Straits	Real Estate	8,878,260	0.34%
DXR Finance 3 LLC.....	Cannabis Distributor	8,801,260	0.34%
Global Steering System.....	Real Estate & Manufacturing	8,344,870	0.32%
Siemon Realty Company.....	Real Estate & Manufacturing	7,479,430	0.29%
Click Bond Inc.....	Real Estate & Manufacturing	5,904,050	0.23%
Total.....		\$ 156,081,920	5.97%

¹ Based on October 1, 2025 Net Taxable Grand List of \$2,614,995,928.

Source: Tax Assessor, Town of Watertown

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V. Debt Summary
Principal Amount of Indebtedness
As of October 28, 2026
(Pro Forma)

Long-Term Debt			Amount of	Outstanding	Fiscal Year
Dated	Purpose	Rate %	Original Issue	After This Issue	Final Maturity
04/30/15	Refunding - Series C (Sewer ¹)	1.50-3.00	\$ 715,000	\$ 45,000	2028
10/24/19	Public Improvement	2.50-5.00	4,370,000	3,059,000	2041
10/24/19	Sewer ¹	2.50-5.00	1,730,000	1,211,000	2041
10/24/19	Water ¹	2.50-5.00	1,100,000	770,000	2041
10/23/20	Public Improvement	1.00-4.00	6,000,000	4,500,000	2042
05/19/21	School - Series A	4.00	3,690,000	110,000	2028
05/19/21	School - Series B (Taxable)	0.25-2.65	4,840,000	3,565,000	2039
01/25/22	Public Improvement	2.00-4.00	2,321,000	1,428,000	2035
01/25/22	School	2.00-4.00	6,836,000	3,746,000	2029
01/25/22	Sewer ¹	2.00-4.00	273,000	106,000	2029
08/01/23	Public Improvement	4.00-5.00	4,000,000	3,400,000	2044
08/01/23	School	4.00-5.00	5,000,000	4,250,000	2044
07/31/24	Public Improvement	4.00-5.00	2,500,000	2,250,000	2045
07/31/24	School	4.00-5.00	7,860,000	7,070,000	2045
09/25/24	Public Improvement	4.00-5.00	5,300,000	4,692,000	2039
09/25/24	School	4.00-5.00	3,655,000	3,080,000	2033
09/25/24	Sewer ¹	4.00-5.00	1,465,000	1,311,000	2039
09/25/24	Water ¹	4.00-5.00	930,000	832,000	2039
Total.....			\$ 62,585,000	\$ 45,425,000	
<u>This Issue</u>					
<u>Series A Bonds</u>					
10/28/26	Sewer - Series A	<i>tbd</i>	\$ 30,600,000	\$ 30,600,000	2047
Sub-Total Series A Bonds.....			\$ 30,600,000	\$ 30,600,000	
<u>Series B Bonds</u>					
10/28/26	Public Improvement - Series B	<i>tbd</i>	\$ 10,000,000	\$ 10,000,000	2047
Sub-Total Series B Bonds.....			\$ 10,000,000	\$ 10,000,000	
Total.....			\$ 103,185,000	\$ 86,025,000	

¹ This debt is self-supporting.

Short-Term Debt
As of October 28, 2026
(Pro Forma)

The Town does not have any outstanding short-term debt.

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**Annual Bonded Debt Maturity Schedule
As of October 28, 2026
(Pro Forma)**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	This Issue:		Total Principal	Cumulative Principal Retired %
				Series A Bonds	Series B Bonds		
2027 ¹	\$ 1,815,000	\$ 867,840	\$ 2,682,840	\$ -	\$ -	\$ 1,815,000	2.11%
2028	4,675,000	1,594,793	6,269,793	1,050,000	500,000	6,225,000	9.35%
2029	4,295,000	1,386,190	5,681,190	1,300,000	500,000	6,095,000	16.43%
2030	3,390,000	1,203,036	4,593,036	1,500,000	500,000	5,390,000	22.70%
2031	3,040,000	1,069,050	4,109,050	1,550,000	500,000	5,090,000	28.61%
2032	3,045,000	948,376	3,993,376	1,575,000	500,000	5,120,000	34.57%
2033	3,040,000	834,950	3,874,950	1,575,000	500,000	5,115,000	40.51%
2034	2,635,000	733,538	3,368,538	1,575,000	500,000	4,710,000	45.99%
2035	2,635,000	641,451	3,276,451	1,575,000	500,000	4,710,000	51.46%
2036	2,480,000	548,848	3,028,848	1,575,000	500,000	4,555,000	56.76%
2037	2,480,000	461,755	2,941,755	1,575,000	500,000	4,555,000	62.05%
2038	2,470,000	376,833	2,846,833	1,575,000	500,000	4,545,000	67.34%
2039	2,465,000	292,311	2,757,311	1,575,000	500,000	4,540,000	72.61%
2040	1,625,000	223,475	1,848,475	1,575,000	500,000	3,700,000	76.91%
2041	1,625,000	169,425	1,794,425	1,575,000	500,000	3,700,000	81.21%
2042	1,265,000	120,100	1,385,100	1,575,000	500,000	3,340,000	85.10%
2043	965,000	78,500	1,043,500	1,575,000	500,000	3,040,000	88.63%
2044	965,000	39,900	1,004,900	1,575,000	500,000	3,040,000	92.17%
2045	515,000	10,300	525,300	1,575,000	500,000	2,590,000	95.18%
2046	-	-	-	1,575,000	500,000	2,075,000	97.59%
2047	-	-	-	1,575,000	500,000	2,075,000	100.00%
Total.....	\$ 45,425,000	\$ 11,600,671	\$ 57,025,671	\$ 30,600,000	\$ 10,000,000	\$ 86,025,000	

¹ Excludes principal payments of \$3,085,000 and interest payments of \$935,581 made between July 1, 2026 and October 28, 2026.

Overlapping/Underlying Debt

The Town does not have any overlapping or underlying debt.

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

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Debt Statement
As of October 28, 2026
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose (Includes This issue).....	\$ 29,329,000
Schools	21,821,000
Sewer (Includes This issue).....	33,273,000
Water	1,602,000
Total Long-Term Debt	86,025,000
Short-Term Debt	-
Total Direct Debt.....	86,025,000
Less: School Construction Grants Receivable (As of June 30, 2026) ¹	-
Less: Self-Supporting Water & Sewer Debt	(34,875,000)
Total Direct Net Debt.....	51,150,000
Overlapping/Underlying Debt.....	-
Total Overall Net Debt.....	\$ 51,150,000

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

Current Debt Ratios
As of October 28, 2026
(Pro Forma)

Population ¹	22,253
Net Taxable Grand List at 70% of Full Value (10/1/25)	\$ 2,614,995,928
Estimated Full Value	\$ 3,735,708,469
Equalized Net Taxable Grand List (10/1/24) ²	\$ 4,444,827,378
Money Income per Capita (2024) ¹	\$ 48,479

	Total	Total
	Direct Debt:	Net Direct Debt /
	\$86,025,000	Overall Net Debt:
	\$86,025,000	\$51,150,000
Debt per Capita.....	\$3,865.77	\$2,298.57
Ratio to Net Taxable Grand List.....	3.29%	1.96%
Ratio to Estimated Full Value.....	2.30%	1.37%
Ratio to Equalized Grand List.....	1.94%	1.15%
Debt per Capita to Money Income per Capita.....	7.97%	4.74%

¹ American Community Survey 2020-2024.

² Office of Policy and Management, State of Connecticut.

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. Refunding bonds are authorized by a resolution of the Town Council.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by no later than the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years or for school and sewer projects, by the amount of time the temporary financing has been outstanding.

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

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Maturities

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

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

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

Section 7-374 of the Connecticut General Statutes also provides for exclusion from the debt limitation calculation debt: (i) issued in anticipation of taxes; (ii) issued for the supply of water, for the supply of gas, for the supply of electricity, for electric demand response, for conservation and load management, for distributed generation, for renewable energy projects, for the construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes, for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments which have been levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from any state or federal grant for which the town or municipality has received

a written commitment or for which an allocation has been approved by the State Bond Commission or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for water pollution control projects in order to meet the requirements of an abatement order of the Commissioner of the Department of Energy and Environmental Protection, provided the municipality files a certificate signed by its chief fiscal officer with the commissioner demonstrating to the satisfaction of the commissioner that the municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable; and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient, together with such investment earnings thereon as are to be retained in said escrow, to provide for the payment when due of the principal of and interest on such bond, note or other evidence of indebtedness.

Statement of Debt Limitation
As of October 28, 2026
(Pro Forma)

Total Tax Collections (including interest and lien fees)

For the year ended June 30, 2026 ¹ \$ 79,309,403

Reimbursement For Revenue Loss:

Tax relief for elderly -

Base for Debt Limitation Computation \$ 79,309,403

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 178,446,157	-	-	-	-
4 1/2 times base.....	-	\$ 356,892,314	-	-	-
3 3/4 times base.....	-	-	\$ 297,410,261	-	-
3 1/4 times base.....	-	-	-	\$ 257,755,560	-
3 times base.....	-	-	-	-	\$ 237,928,209
Total Debt Limitation	\$ 178,446,157	\$ 356,892,314	\$ 297,410,261	\$ 257,755,560	\$ 237,928,209

Indebtedness:

Bonds Outstanding ²	\$ 19,329,000	\$ 21,821,000	\$ 2,673,000	\$ -	\$ -
Series A Bonds (This Issue)	-	-	30,600,000	-	-
Series B Bonds (This Issue)	10,000,000	-	-	-	-
Debt Authorized But Unissued	2,177,672	2,450,254	37,200	-	-
Total Indebtedness	31,506,672	24,271,254	33,310,200	-	-

Less:

Self-Supporting Debt	-	-	(33,310,200)	-	-
Total Net Indebtedness	31,506,672	24,271,254	-	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS... \$ 146,939,485 \$ 332,621,060 \$ 297,410,261 \$ 257,755,560 \$ 237,928,209

¹ Excludes tax collections of coterminous municipalities.

² Excludes \$1,602,000 of self-supporting outstanding water bonds as allowed under the Connecticut General Statutes.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$555,165,821.

**Authorized but Unissued Debt
As of October 28, 2026
(Pro Forma)**

Project	Aggregate Amount Authorized	Bonds Issued	Grants / Paydowns	Maturing Notes Due: 10/28/26	(Paydowns)	New Money	This Issue:		Authorized but Unissued
							Series A Bonds	Series B Bonds	
Watertown High School	\$ 56,157,000	\$ 29,510,000	\$ 26,617,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,012
Judson Elementary School	15,859,000	8,400,000	7,389,408	-	-	-	-	-	69,592
Swift Middle School	33,768,919	14,425,000	18,979,591	-	-	-	-	-	364,328
Water & Sewer Projects	6,330,550	6,330,000	-	-	-	-	-	-	550
Polk Elementary School	12,517,000	5,500,000	5,030,678	-	-	-	-	-	1,986,322
Wattles Brook Sewer Interceptor ...	2,036,650	2,000,000	-	-	-	-	-	-	36,650
Communications System Upgrade ..	1,881,000	1,460,000	300,000	-	-	-	-	-	121,000
Fire House Renovations & Exp	6,046,672	6,020,000	-	-	-	-	-	-	26,672
Road, Drainage & Culvert Imp	1,730,000	1,700,000	-	-	-	-	-	-	30,000
Capital Improvements	4,000,000	2,000,000	-	-	-	-	-	-	2,000,000
Various School Improvements	12,861,000	12,860,000	-	-	-	-	-	-	1,000
Various Road Improvements	10,000,000	-	-	6,000,000	-	4,000,000	-	10,000,000	-
Water & Sewer Judgment ^{1,2}	34,000,000	-	-	34,000,000	(3,400,000)	-	30,600,000	-	-
Total	\$ 197,187,791	\$ 90,205,000	\$ 58,317,665	\$ 40,000,000	\$ (3,400,000)	\$ 4,000,000	\$ 30,600,000	\$ 10,000,000	\$ 4,665,126

¹ This debt is self-supporting with water & sewer assessments

² The judgment was awarded in the amount of \$18 million. The authorized amount includes the judgment amount plus interest.

School Projects

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

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

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

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

Fiscal Year Ended 6/30	Net Assessed Value (000s)	Estimated Full Value ¹ (000s)	Net Long-Term Debt (000s)	Ratio of Net Long-Term Debt to Assessed Value (%)	Net Long-Term Debt to Estimated Full Value (%)	Population ²	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³ (%)
2026 ⁴	\$ 2,594,899	\$ 3,706,999	\$ 48,510	1.87%	1.31%	22,253	\$ 2,179.93
2025	2,597,761	3,711,087	53,495	2.06%	1.44%	22,253	2,403.95
2024	1,962,781	2,803,973	49,535	2.52%	1.77%	22,253	2,225.99
2023	1,928,259	2,754,656	46,005	2.39%	1.67%	22,253	2,067.36
2022	1,858,471	2,654,959	51,475	2.77%	1.94%	22,253	2,313.17

¹ Assessment Ratio: 70%.

² American Community Survey, 2020-2024.

³ Money Income per Capita: American Community Survey 2020-2024 data: \$48,479 used for all calculations.

⁴ Subject to audit.

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

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures ¹	Ratio of General Fund Debt Service To Total General Fund Expenditures
2026 ²	\$ 6,522,833	\$ 100,587,835	6.48%
2025	6,016,613	106,298,306	5.66%
2024	6,601,465	98,972,740	6.67%
2023	7,722,638	97,558,818	7.92%
2022	6,707,692	87,036,797	7.71%
2021	7,210,532	89,086,559	8.09%
2020	7,165,456	82,973,910	8.64%
2019	6,993,692	82,697,199	8.46%
2018	7,060,936	79,171,612	8.92%
2017	7,258,827	79,406,474	9.14%

¹ GAAP basis of accounting. Includes Transfers out.

² Budget, subject to audit.

Source: Annual Audited Financial Statements.

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VI. Financial Administration

Fiscal Year

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

Basis of Accounting

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

Budget Procedure

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

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

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

Audit

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

Liability Insurance

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

Pensions

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

Town - 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, 2025. The budgeted fiscal year 2025–26 annual required contributions ("ARCs") is \$613,605 for the Town Retirement System and \$1,752,090 for the Police Benefit Fund for a total ARC of \$2,365,695. The Town's practice is to always budget 100% of the pension ARC.

Town Retirement System

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

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

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

Town Retirement System

			Actuarial	Overfunded	
	Actuarial Value	Accrued Liability	(Unfunded)	Funded	
Actuarial	of Assets	(AAL)	AAL	Ratio	
Valuation Date	(a)	(b)	(b-a)	(a/b)	
1/1/2025	\$ 27,683,790	\$ 31,693,432	(4,009,642)	87.3%	
1/1/2024	27,837,800	31,312,440	(3,474,640)	88.9%	
1/1/2023	27,285,990	30,651,966	(3,365,976)	89.0%	
1/1/2022	27,001,622	29,509,021	(2,507,399)	91.5%	
1/1/2021	25,206,644	28,517,907	(3,311,263)	88.4%	

			Annual Required	
Fiscal Year	Actual	Contribution	% of ARC	
Ended	Contribution	(ARC)	Contributed	
6/30/2026 ¹	\$ 613,605	\$ 613,605	100.0%	
6/30/2025	543,513	543,513	100.0%	
6/30/2024	578,613	578,613	100.0%	
6/30/2023	473,913	473,913	100.0%	
6/30/2022	546,415	546,415	100.0%	

¹ Subject to audit.

Police Benefit Fund

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

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

		Actuarial	Overfunded	
	Actuarial Value	Accrued Liability	(Unfunded)	Funded
Actuarial	of Assets	(AAL)	AAL	Ratio
Valuation Date	(a)	(b)	(b-a)	(a/b)
1/1/2025	\$ 31,434,863	\$ 42,340,527	(10,905,664)	74.2%
1/1/2024	30,319,602	39,226,654	(8,907,052)	77.3%
1/1/2023	29,229,330	35,838,598	(6,609,268)	81.6%
1/1/2022	28,345,912	35,086,753	(6,740,841)	80.8%
1/1/2021	26,078,722	34,342,254	(8,263,532)	75.9%

		Annual Required	
Fiscal Year	Actual	Contribution	% of ARC
Ended	Contribution	(ARC)	Contributed
6/30/2026 ¹	\$ 1,752,090	\$ 1,752,090	100.0%
6/30/2025	1,484,120	1,484,120	100.0%
6/30/2024	1,154,193	1,154,193	100.0%
6/30/2023	1,131,906	1,131,906	100.0%
6/30/2022	1,254,215	1,254,215	100.0%

¹ Subject to audit.

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

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

The Town has received from its actuarial firm Prudential Financials' reports prepared as of June 30, 2025 containing information to assist the Town in meeting the requirements of GASB 67. These reports indicated the following results as of June 30, 2025 in accordance with GASB 67:

	<i>Town</i>	<i>Police</i>
Total Pension Liability	\$ 31,342,886	\$ 41,651,986
Plan Fiduciary Net Position	28,076,206	31,783,547
Total Net Pension Liability	<u>\$ 3,266,680</u>	<u>\$ 9,868,439</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.58%	76.31%
Covered Payroll.....	\$ 3,906,390	\$ 4,075,149
Net Pension Liability as a Percentage of Covered Payroll.....	83.62%	242.16%

The report for the Town of Watertown Retirement Income Program as of June 30, 2025 used its long term investment rate of 7.00% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used as shown below:

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.00%)</i>	<i>Discount Rate</i>	<i>(8.00%)</i>
	<i>(6.00%)</i>	<i>(7.00%)</i>	<i>(8.00%)</i>
Town Net Pension Liability	\$ 6,737,084	\$ 3,266,680	\$ 1,281,832

The report for the Town of Watertown Police Retirement Income Program as of June 30, 2025 used its long term investment rate of 7.00% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used as shown below:

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.00%)</i>	<i>Discount Rate</i>	<i>(8.00%)</i>
	<i>(6.00%)</i>	<i>(7.00%)</i>	<i>(8.00%)</i>
Police Net Pension Liability	\$ 15,938,536	\$ 9,868,439	\$ 7,746,069

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

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Other Post-Employment Benefits (OPEB)

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

The Town’s total OPEB liability of \$75,747,752 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2025. The following table shows the changes in Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2024.....	\$ 93,827,776	\$ 1,449	\$ 93,826,327
Changes for the Year			
Service Cost.....	3,292,060	-	3,292,060
Interest.....	4,027,808	-	4,027,808
Change in Benefit Terms.....	(19,526,978)	-	(19,526,978)
Change in Assumptions.....	(84,288)	-	(84,288)
Differences Between Expected and Actual Experience.....	(2,863,575)	-	(2,863,575)
Net Investment Income.....	-	127	(127)
Employer Contributions.....	-	2,925,051	(2,925,051)
Administrative Expense.....	-	-	-
Benefit Payments Including Implicit Costs....	(2,925,051)	(2,925,051)	-
Net Changes.....	(18,080,024)	127	(18,080,151)
Balance at June 30, 2025.....	<u>\$ 75,747,752</u>	<u>\$ 1,576</u>	<u>\$ 75,746,176</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 Actuarially Determined Contribution for fiscal 2024-2025 totaled \$6,505,821 and the Town contributed \$2,925,051.

	2025	2024	2023	2022	2021
Actuarially Determined Contribution.....	\$ 6,505,821	\$ 6,486,626	\$ 5,955,217	\$ 6,475,026	\$ 6,204,992
Contributions in Relation to the Actuarially Determined Contribution.....	2,925,051	2,796,957	2,217,450	2,122,597	2,827,249
Contribution Deficiency (Excess).....	\$ 3,580,770	\$ 3,689,669	\$ 3,737,767	\$ 4,352,429	\$ 3,377,743
Contributions as a Percentage of ADC.....	44.96%	43.12%	37.24%	32.78%	45.56%
Covered Payroll.....	\$ 43,767,683	\$ 38,861,387	\$ 37,729,502	\$ 29,925,404	\$ 29,053,790
Contributions as a Percentage of Covered Payroll.....	6.68%	7.20%	5.88%	7.09%	9.73%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Town as of June 30, 2025, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.81%) or 1-percentage-point higher (5.81%) than the current discount rate:

			<i>Current</i>	
	<i>1% Decrease</i>		<i>Discount Rate</i>	<i>1% Increase</i>
	<i>3.81%</i>		<i>4.81%</i>	<i>5.81%</i>
Net OPEB Liability	\$ 87,719,880	\$	75,746,176	\$ 66,119,762

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Town as of June 30, 2025, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

			<i>Current</i>	
	<i>1% Decrease</i>		<i>Trend Rate</i>	<i>1% Increase</i>
	<i>3.50%</i>		<i>4.50%</i>	<i>5.50%</i>
Net OPEB Liability	\$ 64,680,521	\$	75,746,176	\$ 89,831,226

Investment Policy

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

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

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Comparative Balance Sheets – General Fund

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Assets					
Cash and Cash Equivalents.....	\$ 14,159,008	\$ 13,408,170	\$ 12,096,177	\$ 12,074,314	\$ 8,275,988
Receivables.....	5,738,662	6,236,944	6,177,694	4,315,707	3,277,785
Pre-Paid Expenses.....	-	19,591	-	-	-
Due From Other funds.....	808,076	350,000	865,156	847,967	1,532,138
Total Assets.....	20,705,746	20,014,705	19,139,027	17,237,988	13,085,911
Liabilities and Fund Balances					
Accounts Payable.....	4,864,249	2,717,922	3,074,641	2,798,692	2,678,515
Accrued Payroll & Related.....	-	-	-	-	-
Performance Bonds.....	290,374	281,077	286,246	285,986	266,298
Unearned Revenue.....	30,667	-	-	-	-
Due to Other funds.....	1,338,822	147,579	5,000	-	-
Deferred Revenue.....	-	-	-	-	-
Total Liabilities.....	6,524,112	3,146,578	3,365,887	3,084,678	2,944,813
Deferred Inflows of Resources					
Lease Related.....	2,868,994	2,993,440	3,117,886	1,299,036	-
Unavailable Revenues.....	1,975,661	2,443,890	2,531,526	2,304,101	2,798,534
Total Deferred Inflows of Resources....	4,844,655	5,437,330	5,649,412	3,603,137	2,798,534
Fund Balances					
Nonspendable.....	260,404	193,978	83,626	101,157	-
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	112,950	336,736	407,967	529,627	485,101
Unassigned.....	8,963,625	10,900,083	9,632,135	9,919,389	6,857,463
Total Fund Balance.....	9,336,979	11,430,797	10,123,728	10,550,173	7,342,564
Total Liabilities, Deferred Inflows of Resources, and Fund Balance.....	20,705,746	20,014,705	19,139,027	17,237,988	13,085,911
Analysis of General Fund Balance					
Operating Revenues.....	\$103,650,808	\$ 99,980,877	\$ 95,031,019	\$ 89,007,129	\$ 85,872,207
Fund balance as a percent of					
operating revenues.....	9.01%	11.43%	10.65%	11.85%	8.55%
Unassigned fund balance as					
a percent of operating revenues.....	8.65%	10.90%	10.14%	11.14%	7.99%

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

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

	Adopted Budget 6/30/2027¹	Estimated Actual 6/30/2026¹	Actual 6/30/2025	Actual 6/30/2024	Actual 6/30/2023	Actual 6/30/2022
Revenues:						
Property taxes.....	\$ 79,189,867	\$ 79,302,482	\$ 74,972,386	\$ 72,148,471	\$ 67,501,870	\$ 65,471,466
Intergovernmental revenues.....	15,668,953	16,201,738	23,913,226	23,516,649	23,494,674	20,230,826
Departmental revenues.....	2,860,179	2,196,436	3,378,247	3,342,065	3,068,782	2,974,639
Investment income.....	967,975	876,599	949,739	547,491	524,164	79,561
Other revenue.....	396,343	404,920	437,210	426,201	441,529	250,637
Total.....	99,083,317	98,982,175	103,650,808	99,980,877	95,031,019	89,007,129
Expenditures:						
General Government.....	4,650,534	3,950,969	3,985,830	3,940,422	3,445,769	2,892,757
Public Safety.....	8,177,898	8,044,267	8,072,496	7,273,797	6,739,238	6,549,136
Public Works.....	5,574,438	5,347,526	5,110,032	3,891,864	3,761,363	3,438,059
Parks and Recreation.....	1,550,892	1,481,546	1,251,443	1,191,621	1,109,140	968,766
Health and Welfare.....	191,621	188,255	176,270	171,262	166,137	150,651
Education.....	59,511,962	62,943,011	66,292,713	63,203,157	61,361,203	55,115,793
Debt Service.....	6,462,434	6,522,833	6,016,613	6,601,465	7,722,638	6,707,692
Capital Outlay.....	-	-	-	1,702,432	1,539,374	744,865
Other.....	12,963,538	11,859,428	14,111,784	10,660,813	11,577,390	9,994,908
Total.....	99,083,317	100,337,835	105,017,181	98,636,833	97,422,252	86,562,627
Excess (Deficiency) of Revenues Over Expenditures.....	-	(1,355,660)	(1,366,373)	1,344,044	(2,391,233)	2,444,502
Other financing sources (uses):						
Issuance of Refunding Bonds.....	-	-	-	-	-	9,430,000
Bond Premium.....	-	-	-	-	-	1,209,460
Bond Proceeds.....	-	-	-	-	-	-
Issuance of Equipment Financing Notes.....	-	-	553,680	298,932	367,139	-
Subscription Based IT Arrangements.....	-	-	-	-	496,408	-
Deposit to Escrow & Costs of Debt Issuance...	-	-	-	-	-	(10,534,474)
Capital Lease Proceeds.....	-	-	-	-	675,827	744,865
Operating Transfers In.....	-	-	-	-	561,980	387,426
Operating Transfers Out.....	(100,000)	(250,000)	(1,281,125)	(335,907)	(136,566)	(474,170)
Total Other financing sources (uses).....	(100,000)	(250,000)	(727,445)	(36,975)	1,964,788	763,107
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses.....	(100,000)	(1,605,660)	(2,093,818)	1,307,069	(426,445)	3,207,609
Fund Balance, Beginning of Year.....	7,731,319	9,336,979	11,430,797	10,123,728	10,550,173	7,342,564
Fund Balance, End of Year.....	\$ 7,631,319	\$ 7,731,319	\$ 9,336,979	\$ 11,430,797	\$ 10,123,728	\$ 10,550,173

¹ Budgetary Basis of accounting.

VII. Legal and Other Information

Litigation

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

Documents Furnished at Delivery

The winning purchasers of the Bonds will be furnished the following documentation when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A Certificate on behalf of the Town, signed by the Town Manager and the Finance Director which will be dated the date of delivery, which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds were accepted the descriptions and statements contained in the Official Statement (with such supplemental information concerning ratings, insurance, interest rates and corrections) relating to the Town and its finances were and are true and correct in all material respects and did not and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no view is expressed with respect to any information furnished to the Town by or on behalf of the purchasers or any insurer specifically for inclusion in the Official Statement, and that there has been no material adverse change in the financial condition of the Town from that set forth in or as contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds;
4. The approving opinions of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut, substantially in the forms attached hereto as Appendices B-1 and B-2.
5. Executed Continuing Disclosure Agreements in substantially the forms attached hereto as Appendices C-1 and C-2; and
6. The Town has prepared an Official Statement for the Bonds which is dated October __, 2026. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Town will provide to the winning purchasers of each series of the Bonds a reasonable number of copies of the Official Statement, prepared for this Bond issue at the Town's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning purchasers at their own expense by arrangement with the printer. If the Town's Municipal Advisor is provided with the necessary information from the winning purchasers by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

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

Concluding Statement

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

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

TOWN OF WATERTOWN, CONNECTICUT

By: _____

Mark A. Raimo, *Town Manager*

By: _____

Maria Guerrero, *Finance Director*

Dated: October __, 2026

Appendix A

2025 Financial Statements Excerpted from the Town's Annual Comprehensive Financial Report

The following includes the General Purpose Financial Statements of the Town of Watertown, Connecticut for the fiscal year ended June 30, 2025. 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, a division of First Security Municipal Advisors, Inc., 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.



Independent Auditors' Report

To the Town Council
Town of Watertown, Connecticut
Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Watertown, CT, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Watertown's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Watertown, CT, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Watertown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Watertown's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2026, on our consideration of the Town of Watertown's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Watertown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Watertown's internal control over financial reporting and compliance.



Sinnamon & Associates, LLC
Certified Public Accountants

Litchfield, Connecticut
March 30, 2026

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

This discussion and analysis of the Town of Watertown, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2025. Please read this management discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

- The Town's total net position increased by \$10,725,088 as a result of this year's operations. Net position of the governmental activities increased by \$20,988,006 and net position of the business-type activities decreased by \$10,262,918.
- As described in Note 15, the business-type activities have accrued a liability of \$35,326,647 as of June 30, 2025. This is in relation to an unexpected judgment resulting from a trial during fiscal year 2023 and 2024 with regards to the dispute with the Town of Waterbury and the usage rates being charged to the Town of Watertown. Subsequent to the fiscal year end the Town has paid this liability in full.
- In the Town's business-type activities, total net position decreased by \$10,262,918 which includes recording current rate charges and interest due on the judgement through June 30, 2025.
- Total cost of all the Town's programs was \$117,666,700 on a government-wide basis.
- The General Fund reported an unassigned fund balance as of June 30, 2025, of \$8,963,625 which represents 9.3% of the subsequent years budgeted general fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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

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

The government-wide financial statements can be found on pages 21-22 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is the Town's most basic services. Unlike the government-wide financial statements, however, the funds focus on (1) cash and other financial resources that can be readily converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital improvement fund and the ARPA Grant Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 23-26 of this report.

Proprietary Funds

The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water funds as well as the Crestbrook Golf operations. Internal service funds are used for the financing of goods and services provided by one department or agency to other departments or agencies of the Town, or to other governments, on a cost reimbursement basis. The Town uses internal service funds to report activities that provide supplies and services for the Town's Health and Dental Benefits and Workers Compensation Internal Service Funds.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and financial fund statements.

The notes to the financial statements can be found on pages 32 - 89 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town of Watertown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,908,174 at the close of the most recent fiscal year.

By far the largest portion of the Town's assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment). It is presented in the statement of net position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's net position increased by \$10,725,088 during the current fiscal year.

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

NET POSITION - June 30, 2025 and June 30, 2024

	6/30/2025 Net Position			6/30/2024 Net Position		
	Governmental Activities	Business -Type Activities	Total	Governmental Activities	Business -Type Activities	Total
<u>Assets</u>						
Current and Other Assets	\$ 42,524,962	\$ 12,276,174	\$ 54,801,136	\$ 47,687,981	\$ 10,814,796	\$ 58,502,777
Capital Assets	194,633,242	16,936,698	211,569,940	183,406,945	17,314,226	200,721,171
<u>Total Assets</u>	<u>237,158,204</u>	<u>29,212,872</u>	<u>266,371,076</u>	<u>231,094,926</u>	<u>28,129,022</u>	<u>259,223,948</u>
 <u>Deferred Outflows of Resources</u>	 16,572,349	 79,580	 16,651,929	 17,858,851	 161,416	 18,020,267
<u>Liabilities</u>						
Current Liabilities	18,795,079	35,873,607	54,668,686	28,841,959	24,543,909	53,385,868
Non Current Liabilities	146,018,428	385,566	146,403,994	152,895,526	400,012	153,295,538
<u>Total Liabilities</u>	<u>164,813,507</u>	<u>36,259,173</u>	<u>201,072,680</u>	<u>181,737,485</u>	<u>24,943,921</u>	<u>206,681,406</u>
 <u>Deferred Inflows Of Resources</u>	 21,020,866	 303,837	 21,324,703	 20,308,118	 354,157	 20,662,275
<u>Net Position</u>						
Net Investment in Capital Assets	147,766,883	16,910,322	164,677,205	136,540,586	17,283,239	153,823,825
Restricted	2,328,259	-	2,328,259	2,003,202	-	2,003,202
Unrestricted	(82,198,962)	(24,180,880)	(106,379,842)	(91,635,614)	(14,290,879)	(105,926,493)
<u>Total Net Position</u>	<u>\$ 67,896,180</u>	<u>\$ (7,270,558)</u>	<u>\$ 60,625,622</u>	<u>\$ 46,908,174</u>	<u>\$ 2,992,360</u>	<u>\$ 49,900,534</u>

The Town's negative unrestricted net position of \$(106,379,842) is primarily attributed to; 1) the recording of pension and Other Post Employment Benefits (OPEB) debt as a liability on the government-wide statements totaling \$92,445,356 in governmental activities, and 2) accrued liabilities related to the water and sewer fund of \$35,326,647 in the business-type activities.

The comparative analysis below separately considers the operations of the governmental and business-type activities for the last two fiscal years.

Approximately 58% of the governmental activities' revenue was derived from property taxes, followed by 29% from operating and capital grants, 9% from service charges, and 4% from other sources. On a government-wide basis the fiscal year 2025 revenue includes estimated capital grants for school construction reimbursements due in the amount of \$4,341,768.

For the most part, increases in expenses closely paralleled inflation and growth in demand for services. Approximately 57% of the Town's governmental activities expenses relate to education, 6% relate to public works, 12% for general government, 7% for public safety, 13% for water and sewer and 5% for all other activities. Water and sewer expenses for the fiscal year include the interest due on the Waterbury judgement and will be decreased in future years as this liability has been paid in full.

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

CHANGES IN NET POSITION - June 30, 2025 and June 30, 2024

	June 30, 2025			June 30, 2024		
	Changes in Net Position			Changes in Net Position		
	Governmental Activities	Business -Type Activities	Total	Governmental Activities	Business -Type Activities	Total
Revenues						
General Revenues						
Property Taxes	\$ 74,562,894	\$ -	\$ 74,562,894	\$ 72,658,651	\$ -	\$ 72,658,651
Grants and contributions, unrestricted	2,537,860	-	2,537,860	1,916,711	-	1,916,711
Unrestricted investment earnings	1,274,150	122,113	1,396,263	999,185	110,011	1,109,196
Other general revenue	245,000	-	245,000	205,000	-	205,000
Program Revenues						
Charges for services	5,842,825	6,089,044	11,931,869	5,721,009	5,741,723	11,462,732
Operating grants and contributions	26,449,211	-	26,449,211	24,610,209	-	24,610,209
Capital grants and contributions	11,268,691	-	11,268,691	5,233,497	-	5,233,497
Total Revenues	<u>122,180,631</u>	<u>6,211,157</u>	<u>128,391,788</u>	<u>111,344,262</u>	<u>5,851,734</u>	<u>117,195,996</u>
Expenses						
Governmental Activities						
General government	14,611,768	-	14,611,768	16,039,183	-	16,039,183
Public safety	8,492,973	-	8,492,973	7,984,294	-	7,984,294
Public works	6,765,598	-	6,765,598	8,008,302	-	8,008,302
Parks and recreation	1,848,502	-	1,848,502	1,858,229	-	1,858,229
Health and welfare	407,560	-	407,560	393,743	-	393,743
Education	66,972,674	-	66,972,674	67,701,207	-	67,701,207
Interest on Long Term Debt	1,975,446	-	1,975,446	1,327,215	-	1,327,215
Business-Type Activities						
Sewer	-	10,216,182	10,216,182	-	5,301,726	5,301,726
Water	-	5,380,341	5,380,341	-	2,868,532	2,868,532
Golf	-	995,656	995,656	-	954,485	954,485
Total Expenses	<u>101,074,521</u>	<u>16,592,179</u>	<u>117,666,700</u>	<u>103,312,173</u>	<u>9,124,743</u>	<u>112,436,916</u>
Change in Net Position Before Transfers	21,106,110	(10,381,022)	10,725,088	8,032,089	(3,273,009)	4,759,080
Transfers	(118,104)	118,104	-	(115,907)	115,907	-
Change in Net Position	20,988,006	(10,262,918)	10,725,088	7,916,182	(3,157,102)	4,759,080
Net Position, beginning	<u>46,908,174</u>	<u>2,992,360</u>	<u>49,900,534</u>	<u>38,991,992</u>	<u>6,149,462</u>	<u>45,141,454</u>
Net Position, ending	<u>\$ 67,896,180</u>	<u>\$ (7,270,558)</u>	<u>\$ 60,625,622</u>	<u>\$ 46,908,174</u>	<u>\$ 2,992,360</u>	<u>\$ 49,900,534</u>

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Governmental Activities

The Town's governmental activities reported an increase of \$20,988,066 in net position in fiscal year 2025. The Town's total governmental revenue for the year was \$122,180,631, and total program expenses were \$103,102,154.

The table below presents the costs of each of the Town's governmental programs, as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions. Note that historically the cost of the health insurance fund has been reported under general government for governmental activities. It is now allocated between general government and education.

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
General government	\$ 14,611,768	\$ 16,039,183	\$ 5,441,400	\$ 9,790,713
Public safety	8,492,973	7,984,294	6,868,826	6,266,356
Public works	6,765,598	8,008,302	6,305,433	6,091,061
Parks and recreation	1,848,502	1,858,229	1,047,895	1,194,903
Health and welfare	407,560	393,743	203,023	315,121
Education	66,972,674	67,701,207	35,671,771	42,762,089
Interest on Long Term Debt	1,975,446	1,327,215	1,975,446	1,327,215
	<u>\$ 101,074,521</u>	<u>\$ 103,312,173</u>	<u>\$ 57,513,794</u>	<u>\$ 67,747,458</u>

Business-Type Activities

The Town's business-type activities reported a decrease \$10,262,918 in net position in fiscal year 2025. The business-type activities consist of the Water and Sewer Authority and the Crestbrook Golf Operations. The table below presents the cost of the Town's business-type programs as well as the business-type programs net cost (total cost less revenues generated by the activities). As discussed above and in Note 15, during FY2023 there was an unexpected unfavorable judgment against the Town for past Water and Sewer usage rates. As a result of that judgment, the Town has accrued a balance for water and sewer usage fees, plus interest through June 30, 2025, at the rates stated by the court.

	Business-Type Activities			
	Total Cost of Services		Net Cost of Services	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Sewer	\$ 10,216,182	\$ 5,301,726	\$ 7,159,474	\$ 2,396,011
Water	5,380,341	2,868,532	3,310,156	917,117
Golf	995,656	954,485	33,505	69,892
	<u>\$ 16,592,179</u>	<u>\$ 9,124,743</u>	<u>\$ 10,503,135</u>	<u>\$ 3,383,020</u>

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Financial Analysis of the Town's Government Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$22,450,540, a decrease of \$7,186,586 in comparison with the prior year. A large contributing factor to this was capital expenses incurred in fiscal year 2025 that were funded through the issuance of general obligation bonds and bond anticipation notes in the prior fiscal year 2024.

Of the total governmental fund balances, \$8,963,625 constitutes unassigned fund balance, which is primarily derived from the General Fund. The remainder of the Town's fund balance has been classified as either nonspendable, restricted, committed or assigned, and is not available for other use without authorization from the governing bodies of the Town or external parties.

Proprietary Funds

Net position of the Town's three self-insured internal service funds increased by \$2,260,824 during the fiscal year. Net position of The Health and Dental Benefits Fund increased by \$2,310,168. Net position of the Town's Workers Compensation Fund decreased by \$49,345. Net position of the Town's General Liabilities Deductibles Fund increased by \$1.

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

General Fund Budgetary Highlights

The original budget did not anticipate the use of fund balance to balance the budget. During the year, there were additional appropriations from fund balance of \$5,513,776. The largest items making up this increase were related to the health funds which were discontinued during the fiscal year and replaced with a traditional health insurance plan.

The actual revenues without the use of fund balance exceeded the budgetary revenues of \$92,691,794 by \$2,111,535 due to property taxes, building permits, grants, investment income, and other local revenues being higher than anticipated. The Town expended \$1,232,209 less than the amended appropriations budget amount of \$96,673,361, with a large part of that coming from savings in the general government, public works, and miscellaneous lines. Accordingly, the actual fund balance utilized was \$1,870,032 which is significantly less than the approved amount.

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Capital Assets

The Town of Watertown's reported value in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$211,569,939 net of accumulated depreciation. The reported value in capital assets includes land and buildings, vehicles, machinery and equipment, infrastructure, right of use equipment, and right of use subscription-based IT arrangements. The following is a comparison of capital assets over the last two fiscal years:

	June 30, 2025			June 30, 2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 3,147,876	\$ 1,019,600	\$ 4,167,476	\$ 3,147,876	\$ 1,019,600	\$ 4,167,476
Construction in process	10,747,103	-	10,747,103	4,440,860	-	4,440,860
Building and improvements	116,746,223	520,222	117,266,445	118,480,453	573,234	119,053,687
Vehicles	1,775,988	74,380	1,850,368	703,059	55,820	758,879
Machinery and equipment	3,116,823	58,670	3,175,493	1,916,639	92,389	2,009,028
Infrastructure	58,843,142	15,263,825	74,106,967	54,143,051	15,555,220	69,698,271
Right of use equipment	(1)	-	(1)	225,275	17,934	243,209
Right of use SBITA	256,088	-	256,088	349,732	-	349,732
Total	\$ 194,633,242	\$ 16,936,697	\$ 211,569,939	\$ 183,406,945	\$ 17,314,197	\$ 200,721,142

Additional information on the Town of Watertown's capital assets can be found in Note 9 of this report.

Long-Term Debt

At year-end, the Town had \$53,495,000 in governmental activities bonds outstanding. This is an increase of \$3,960,000 from the prior year. The Town's general obligation bond rating carries an AA rating. Additional information on the Town of Watertown's long-term debt can be found in Note 11 of this report. During the fiscal year the Town issued bonds in the amount of \$10,360,000 and repaid bond anticipation loans totaling \$6,000,000. In addition, the Town issued new refinancing bonds totaling \$11,350,000 which resulted in net present value savings estimated at \$885,826.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2024/2025 budget tax rates, and fees that will be charged for the business-type activities.

Revenue & Expenditures

- The Town approved a balanced FY 2025–2026 budget with a mill rate of 30.04, up from 28.37 the prior year. The increase resulted from the required property revaluation and a state change that shifted motor vehicle assessments from NADA values to MSRP, which reduced the motor vehicle grand list. To maintain revenue based on the October 1, 2024 grand list, the Town raised the real estate mill rate. Additional contributors included budget increases, new state and federal mandates, uncertain or reduced revenue sources, and debt service for bonds, roads, and infrastructure.
- No undesignated fund balance was required to balance the budget.

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Long-Term Financial Strategy

- Provide clear, accessible financial reports and budget information.
- Communicate openly about financial challenges, long-term risks, and progress toward goals.
- Maintain updated, transparent financial policies that guide budgeting, purchasing, reserves, and capital planning.
- Standardize procedures across departments to reduce errors, improve accountability, and support consistent decision-making.
- Use multi-year financial forecasting to anticipate revenue trends, cost pressures, and long-term obligations.
- Align annual budgets with strategic priorities and realistic revenue projections.
- Streamline workflows, modernize technology, and improve cross-department coordination to reduce costs and improve service delivery.
- Evaluate programs regularly to ensure resources are used effectively.

Economic Environment

- Regional inflation elevated in Connecticut in 2024–2025 mainly because of lingering post-pandemic effects, high housing and energy costs, supply-chain normalization lag, and elevated interest rates.

Waterbury Judgement

On June 3, 2025, the appellate court upheld an \$18.8 million judgment against the Town for unpaid water and sewer charges owed to the City of Waterbury. As a result of the original and subsequent rulings, the Water and Sewer Funds have accrued a liability of \$35,326,647 as of June 30, 2025 representing the amounts billed by the City of Waterbury to the Town of Watertown at their stated rates through June 30, 2025, including interest charges.

The Town paid \$5 Million towards this liability in August 2025. To address the remaining balance and to fund capital needs, the Town proceeded with issuing \$40 million in short-term bond anticipation notes, consisting of \$34 million for the Waterbury judgment and \$6 million for road and infrastructure improvements. The note sale occurred on October 16, 2025. The notes were rated SP-1+ by S&P, and the Town's AA underlying rating was affirmed. The notes mature in October 2026, and the Town plans to issue long-term bonds in 2026, when interest rates may be more favorable. The remaining balance due to the Town of Waterbury was paid in full on October 29, 2025.

Enterprise Funds - Water/Sewer (WSA)

The WSA has been closely monitoring its revenues and expenses due to the ongoing litigation with Waterbury. For FY 2025–2026, the Town Manager froze the WSA budget, allowing only necessary spending to move forward. Any non-essential expenses require approval or will be deferred until a future fiscal year. The Town will evaluate and adjust water and sewer rates to ensure consistency with the actual rates.

TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Union Negotiations

The Town is currently engaged in four union negotiations covering White Collar, Highway, Police, and Communications employees. The White-Collar contract is fully negotiated and finalized, while the Highway contract is completed and awaiting signatures. Negotiations with the Police and Communications unions remain ongoing. These union agreements create binding, multi-year financial and operational obligations that the Town must honor regardless of economic conditions and therefore represent significant legal and budgetary liabilities that must be factored into current and long-term financial planning.

Request for Information

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

**BASIC
FINANCIAL
STATEMENTS**

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 28,577,788	\$ 10,615,701	\$ 39,193,489
Restricted cash and cash equivalents	290,374	-	290,374
Investments	2,109	-	2,109
Receivables	13,567,963	1,660,473	15,228,436
Inventory and prepaid expenses	86,728	-	86,728
Due From Business-Type Activities	-	-	-
Capital Assets, not being depreciated	13,894,979	1,019,600	14,914,579
Capital Assets, net of accumulated depreciation	180,738,263	15,917,098	196,655,361
<u>Total Assets</u>	<u>237,158,204</u>	<u>29,212,872</u>	<u>266,371,076</u>
<u>Liabilities</u>			
<u>Deferred Outflows of Resources</u>			
Deferred outflows related to pension	4,748,453	79,580	4,828,033
Deferred outflows related to post-employment benefits	10,780,110	-	10,780,110
Deferred outflows on refunding bonds	1,043,786	-	1,043,786
<u>Total Deferred Outflows of Resources</u>	<u>16,572,349</u>	<u>79,580</u>	<u>16,651,929</u>
<u>Liabilities</u>			
Accounts payable and accrued items	5,412,198	35,744,630	41,156,828
Accrued interest payable	728,950	-	728,950
Long-Term claims payable	3,052,301	-	3,052,301
Unearned revenue	1,977,278	16,387	1,993,665
Performance bonds	290,374	-	290,374
Due to Governmental Funds	-	-	-
Noncurrent Liabilities:			
Due within one year	7,333,978	112,590	7,446,568
Due in more than one year	146,018,428	385,566	146,403,994
<u>Total Liabilities</u>	<u>164,813,507</u>	<u>36,259,173</u>	<u>201,072,680</u>
<u>Deferred Inflows Of Resources</u>			
Deferred inflows related to pensions	4,275,324	136,462	4,411,786
Deferred outflows related to post-employment benefits	13,876,548	-	13,876,548
Deferred inflows on leases	2,868,994	167,375	3,036,369
<u>Total Deferred Inflows Of Resources</u>	<u>21,020,866</u>	<u>303,837</u>	<u>21,324,703</u>
<u>Net Position</u>			
Net Investment in Capital Assets	147,766,883	16,910,322	164,677,205
Restricted for			
Restricted for community development	733,437	-	733,437
Restricted for other purposes	1,118,136	-	1,118,136
Restricted for other nonexpendable	290,732	-	290,732
Restricted for trust nonexpendable	97,143	-	97,143
Restricted for trust expendable	88,811	-	88,811
Unrestricted	(82,198,962)	(24,180,880)	(106,379,842)
<u>Total Net Position</u>	<u>\$ 67,896,180</u>	<u>\$ (7,270,558)</u>	<u>\$ 60,625,622</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Program Activities	Net (Expenses) Revenue and Changes in Net Position				
	Primary Government				Total
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					
General government	\$ 14,611,768	\$ 1,868,303	\$ 375,542	\$ 6,926,523	\$ (5,441,400)
Public safety	8,492,973	1,565,168	58,979	-	\$ (6,868,826)
Public works	6,765,598	84,110	375,655	400	- (6,305,433)
Parks and recreation	1,848,502	691,064	109,543	-	- (1,047,895)
Health and welfare	407,560	204,537	-	-	- (203,023)
Education	66,972,674	1,429,643	25,529,492	4,341,768	- (35,671,771)
Interest on Long Term Debt	1,975,446	-	-	-	- (1,975,446)
<u>Total Governmental Activities</u>	<u>101,074,521</u>	<u>5,842,825</u>	<u>26,449,211</u>	<u>11,268,691</u>	<u>(57,513,794)</u>
<u>Business Type Activities</u>					
Sewer	10,216,182	3,056,708	-	-	(7,159,474)
Water	5,380,341	2,070,185	-	-	(3,310,156)
Golf	995,656	962,151	-	-	(33,505)
<u>Total Business Type Activities</u>	<u>16,592,179</u>	<u>6,089,044</u>	<u>-</u>	<u>-</u>	<u>(10,503,135)</u>
<u>Total Primary Government</u>	<u>\$ 117,666,700</u>	<u>\$ 11,931,869</u>	<u>\$ 26,449,211</u>	<u>\$ 11,268,691</u>	<u>\$ (68,016,929)</u>
<u>General Revenues:</u>					
Property taxes					74,562,894
Grants and contributions not restricted to specific programs					- 2,537,860
Unrestricted investment earnings					1,274,150 1,396,263
Other general revenue					245,000 245,000
Transfers					(118,104) 118,104
<u>Total General Revenues</u>					<u>78,501,800 78,742,017</u>
<u>Change in Net Position</u>					<u>10,725,088</u>
<u>Net Position Beginning of Year</u>					<u>49,900,534</u>
<u>Net Position End of Year</u>					<u>\$ 60,625,622</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Improvement Fund	ARPA Grant Fund	Non Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 13,868,634	\$ 9,265,952	\$ 1,287,161	\$ 3,587,879	\$ 28,009,626
Restricted cash and cash equivalents	290,374	-	-	-	290,374
Investments	-	-	-	2,109	2,109
Receivables, net of allowance	5,738,662	6,738,259	-	1,061,527	13,538,448
Inventory and prepaid expenses	-	56,400	-	30,328	86,728
Due from other funds	808,076	179,230	-	864,106	1,851,412
<u>Total Assets</u>	<u>20,705,746</u>	<u>16,239,841</u>	<u>1,287,161</u>	<u>5,545,949</u>	<u>43,778,697</u>
<u>Liabilities</u>					
Accounts payable and accrued items	4,864,249	101,466	52,878	371,603	5,390,196
Unearned revenue	30,667	360,593	1,141,683	444,335	1,977,278
Performance bonds	290,374	-	-	-	290,374
Due to other Funds	1,338,822	458,076	-	350,000	2,146,898
<u>Total Liabilities</u>	<u>6,524,112</u>	<u>920,135</u>	<u>1,194,561</u>	<u>1,165,938</u>	<u>9,804,746</u>
<u>Deferred Inflows Of Resources</u>					
Unavailable Revenues					
Property taxes and interest	1,290,566	-	-	-	1,290,566
Special assessments	685,095	-	-	-	685,095
School building grants	-	6,678,756	-	-	6,678,756
Lease related	2,868,994	-	-	-	2,868,994
<u>Total Deferred Inflows Of Resources</u>	<u>4,844,655</u>	<u>6,678,756</u>	<u>-</u>	<u>-</u>	<u>11,523,411</u>
<u>Fund Balances</u>					
Nonspendable	260,404	-	-	127,471	387,875
Restricted	-	7,740,704	92,600	1,847,784	9,681,088
Committed	-	900,246	-	1,849,036	2,749,282
Assigned	112,950	-	-	-	112,950
Unassigned	8,963,625	-	-	555,720	9,519,345
<u>Total Fund Balances</u>	<u>9,336,979</u>	<u>8,640,950</u>	<u>92,600</u>	<u>4,380,011</u>	<u>22,450,540</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 20,705,746</u>	<u>\$ 16,239,841</u>	<u>\$ 1,287,161</u>	<u>\$ 5,545,949</u>	<u>\$ 43,778,697</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

<u>Total fund balances for governmental funds</u>		\$ 22,450,540
Total net position reported for governmental activities in the statement of net assets is different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Capital assets	324,996,430	
Less accumulated depreciation	(130,363,188)	
Net capital assets	<u>194,633,242</u>	194,633,242
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		
Property taxes receivable greater than 60 days		876,458
Interest receivable on property taxes		416,499
Receivable From State for School construction projects		6,678,756
Assessment receivables		685,095
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Position		
		(2,183,531)
Governmental funds report the effect of premiums, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position		
		(4,123,517)
Certain changes related to pensions are deferred and amortized over time		
Deferred Outflows - Pension		4,748,453
Deferred Inflows - Pension		(4,275,324)
Deferred Outflows - OPEB		10,780,110
Deferred Inflows - OPEB		(13,876,548)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements		
Accrued interest payable		(728,950)
Bonds payable		(53,495,000)
Equipment Financing Notes		(1,139,995)
Subscription Liability		(254,206)
Compensated Absences		(3,192,357)
Special Termination Benefits		(6,087)
Pension Buy-In		(332,293)
Net Pension Liability		(14,018,983)
OPEB Liability		(75,746,182)
<u>Net position of governmental activities</u>		<u>\$ 67,896,180</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Improvement Fund	ARPA Grant Fund	Non Major Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property taxes, interest and lien fees	\$ 74,972,386	\$ -	\$ -	\$ -	\$ 74,972,386
Intergovernmental revenues	23,913,226	1,709,131	2,666,768	3,539,405	31,828,530
Licenses, permits and charges for services	3,378,247	-	-	2,037,236	5,415,483
Investment income	949,739	239,878	29,239	55,276	1,274,132
Other revenue	437,210	25	-	700,077	1,137,312
<u>Total Revenues</u>	<u>103,650,808</u>	<u>1,949,034</u>	<u>2,696,007</u>	<u>6,331,994</u>	<u>114,627,843</u>
<u>Expenditures:</u>					
<u>Current:</u>					
General government	3,985,830	-	-	160,227	4,146,057
Public safety	8,072,496	-	1,000	341,196	8,414,692
Public works	5,110,032	-	400	-	5,110,432
Parks and recreation	1,251,443	-	5,254	493,269	1,749,966
Health and welfare	176,270	-	-	224,290	400,560
Education	66,292,713	-	-	4,604,861	70,897,574
Other	14,111,784	-	-	-	14,111,784
Debt service	6,016,613	418,030	-	-	6,434,643
Capital outlay	-	12,832,062	2,639,455	560,215	16,031,732
<u>Total Expenditures</u>	<u>105,017,181</u>	<u>13,250,092</u>	<u>2,646,109</u>	<u>6,384,058</u>	<u>127,297,440</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,366,373)	(11,301,058)	49,898	(52,064)	(12,669,597)
<u>Other Financing Sources (Uses):</u>					
Transfers In		310,415	-	852,606	1,163,021
Transfers Out	(1,281,125)	-	-	-	(1,281,125)
Issuance of equipment financing notes	553,680	-	-	-	553,680
Bond and bond anticipation notes proceeds	-	4,360,000	-	-	4,360,000
Premium on financing	-	687,435	-	-	687,435
<u>Total Other Financing sources (Uses):</u>	<u>(727,445)</u>	<u>5,357,850</u>	<u>-</u>	<u>852,606</u>	<u>5,483,011</u>
Net Change in Fund Balances	(2,093,818)	(5,943,208)	49,898	800,542	(7,186,586)
<u>Fund Balances Beginning of Year</u>	<u>11,430,797</u>	<u>14,584,158</u>	<u>42,702</u>	<u>3,579,469</u>	<u>29,637,126</u>
<u>Fund Balances End of Year</u>	<u>\$ 9,336,979</u>	<u>\$ 8,640,950</u>	<u>\$ 92,600</u>	<u>\$ 4,380,011</u>	<u>\$ 22,450,540</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances for governmental funds \$ (7,186,586)

Total change in net position reported for governmental activities in the statement of activities is different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation differed from capital outlays in the current period is as follows:

Capital expenditures	18,343,333	
Depreciation expense	(7,117,036)	
Net adjustment	11,226,297	11,226,297

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

Proceeds from long-term debt - equipment financing notes	(553,680)	
Principal payments on long-term debt - equipment financing notes	495,475	
Proceeds from long-term debt - general obligation bonds	(21,710,000)	
Principal payments on general obligation bond anticipation notes	6,000,000	
Principal payments on long-term debt - general obligation bonds	11,750,000	
Amortization of deferred charge on refunding	(120,926)	
Premium additions	(1,902,500)	
Amortization of premiums	327,718	
Payments on leases	229,790	
Payments on subscription based IT arrangements	92,992	
Net adjustment	(5,391,131)	(5,391,131)

Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds:

Property taxes collected accrual basis change		(384,705)
Interest income on property taxes accrual basis change		(24,787)
Assessment revenue accrual basis change		(56,346)
Receivable From State for School construction projects		4,341,768
Other revenues accrual basis change		(16,614)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest		(276,720)
Compensated Absences		(276,720)
Post-closure landfill costs		33,805
Special termination benefits		14,522
Pension buy-in payable		33,665
Pension obligations and related outflows/inflows		238,880
OPEB obligations and related outflows/inflows		16,451,854

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

2,260,824

Change in net position of governmental activities \$ 20,988,006

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business Type Activities - Enterprise Funds				Governmental Activities
	Sewer Authority	Water Authority	Non-Major Cresbrook Golf Operations	Total	
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 7,769,788	\$ 2,845,913	\$ -	\$ 10,615,701	\$ 568,162
Due from other funds	-	-	-	-	295,486
Receivables, net					
Usage charges	890,500	583,445	-	1,473,945	-
Leases	-	-	41,951	41,951	-
Other receivables	-	-	16,202	16,202	29,515
Total current assets	8,660,288	3,429,358	58,153	12,147,799	893,163
Noncurrent assets					
Leases receivable	-	-	128,375	128,375	-
Capital Assets, not being depreciated	-	84,600	935,000	1,019,600	-
Capital assets, net of accumulated depreciation	7,893,486	7,835,605	188,007	15,917,098	-
Total Noncurrent assets	7,893,486	7,920,205	1,251,382	17,065,073	-
Total Assets	16,553,774	11,349,563	1,309,535	29,212,872	893,163
<u>Deferred Outflows of Resources</u>					
Deferred outflows related to pension	29,731	29,731	20,118	79,580	-
<u>Liabilities</u>					
Current Liabilities					
Accounts payable and accrued items	25,863,073	9,717,673	163,884	35,744,630	2,391
Unearned revenue	-	-	16,387	16,387	-
Equipment financing notes payable	-	-	26,376	26,376	-
Compensated absences	28,203	28,203	29,808	86,214	-
Risk management claims	-	-	-	-	22,002
Total Current Liabilities	25,891,276	9,745,876	236,455	35,873,607	24,393
Noncurrent Liabilities					
Net pension liability	81,461	81,461	65,916	228,838	-
Equipment financing notes payable	-	-	43,075	43,075	-
Compensated absences	34,471	34,471	44,711	113,653	-
Risk management claims	-	-	-	-	3,052,301
Total Noncurrent Liabilities	115,932	115,932	153,702	385,566	3,052,301
Total Liabilities	26,007,208	9,861,808	390,157	36,259,173	3,076,694
<u>Deferred Outflows of Resources</u>					
Deferred inflows related to pension	51,570	51,570	33,322	136,462	-
Deferred inflows on leases	-	-	167,375	167,375	-
Total Deferred Outflows of Resources	51,570	51,570	200,697	303,837	-
<u>Net Position</u>					
Net Investment in Capital Assets	7,893,486	7,920,205	1,096,631	16,910,322	-
Unrestricted	(17,368,759)	(6,454,289)	(357,832)	(24,180,880)	(2,183,531)
Total Net Position	\$ (9,475,273)	\$ 1,465,916	\$ 738,799	\$ (7,270,558)	\$ (2,183,531)

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business Type Activities - Enterprise Funds				Governmental Activities
	Sewer Authority	Water Authority	Non-Major Crestbrook Golf Operations	Total	Internal Service Funds
<u>Operating Revenue</u>					
Charges for services	\$ 3,053,953	\$ 2,060,126	\$ 962,151	\$ 6,076,230	\$ 19,186,866
Permits and fees	2,755	10,059	-	12,814	-
<u>Total Operating Revenues</u>	<u>3,056,708</u>	<u>2,070,185</u>	<u>962,151</u>	<u>6,089,044</u>	<u>19,186,866</u>
<u>Operating Expenses</u>					
Salaries	327,899	327,731	430,206	1,085,836	-
Benefits	50,631	50,648	51,898	153,177	-
Purchased services	2,026,544	1,971,584	428,254	4,426,382	-
Depreciation and amortization	307,608	297,973	81,484	687,065	-
Claims	-	-	-	-	14,987,546
Premiums and administrative charges	-	-	-	-	1,938,514
<u>Total Operating Expenses</u>	<u>2,712,682</u>	<u>2,647,936</u>	<u>991,842</u>	<u>6,352,460</u>	<u>16,926,060</u>
<u>Operating Income (Loss)</u>	<u>344,026</u>	<u>(577,751)</u>	<u>(29,691)</u>	<u>(263,416)</u>	<u>2,260,806</u>
<u>Non-Operating Revenues (Expenses)</u>					
Investment income	65,767	56,346	-	122,113	18
Interest expense	(7,503,500)	(2,732,405)	(3,814)	(10,239,719)	-
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(7,437,733)</u>	<u>(2,676,059)</u>	<u>(3,814)</u>	<u>(10,117,606)</u>	<u>18</u>
<u>Income (Loss) Before Transfers</u>	<u>(7,093,707)</u>	<u>(3,253,810)</u>	<u>(33,505)</u>	<u>(10,381,022)</u>	<u>2,260,824</u>
<u>Transfers</u>					
Transfers in	-	118,104	-	118,104	-
<u>Total Transfers</u>	<u>-</u>	<u>118,104</u>	<u>-</u>	<u>118,104</u>	<u>-</u>
<u>Change In Net Position</u>	<u>(7,093,707)</u>	<u>(3,135,706)</u>	<u>(33,505)</u>	<u>(10,262,918)</u>	<u>2,260,824</u>
<u>Net Position Beginning of Year</u>	<u>(2,381,566)</u>	<u>4,601,622</u>	<u>772,304</u>	<u>2,992,360</u>	<u>(4,444,355)</u>
<u>Net Position End of Year</u>	<u>\$ (9,475,273)</u>	<u>\$ 1,465,916</u>	<u>\$ 738,799</u>	<u>\$ (7,270,558)</u>	<u>\$ (2,183,531)</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Business Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Sewer Authority	Water Authority	Crestbrook Golf Operations	Non-Major	Total	
Cash Flows from Operating Activities						
Cash received from customers and users	\$ 3,018,264	\$ 2,072,070	\$ 960,508	-	\$ 6,050,842	\$ 18,893,457
Payments to employees	(327,899)	(327,731)	(430,206)	-	(1,085,836)	-
Payments to suppliers	(1,257,792)	(1,185,069)	(487,286)	-	(2,930,147)	-
Payments for benefits and claims	(50,631)	(50,648)	(51,898)	-	(153,177)	(16,971,406)
Premiums and administrative charges	-	-	-	-	-	(1,938,514)
Net Cash Provided by Operating Activities	1,381,942	508,622	(8,882)	-	1,881,682	(16,463)
Cash Flows from Noncapital Financing Activities						
Cash received from general fund	-	118,104	-	-	118,104	-
Net Cash Used by Noncapital Financing Activities	-	118,104	-	-	118,104	-
Cash Flows from Capital and Related Financing Activities						
Principal payments on equipment financing notes	-	-	(12,083)	-	(12,083)	-
Principal payments on leases payable	-	-	(18,904)	-	(18,904)	-
Lease receivable adjustments	-	-	43,683	-	43,683	-
Proceeds from new borrowing	-	-	27,807	-	27,807	-
Purchases of capital assets	(173,494)	(108,264)	(27,807)	-	(309,565)	-
Interest paid on debt	-	(400,098)	(3,814)	-	(403,912)	-
Net Cash Used by Capital and Related Financing Activities	(173,494)	(508,362)	8,882	-	(672,974)	-
Cash Flows From Investing Activities						
Investment income	65,767	56,346	-	-	122,113	18
Net Cash Provided by Investing Activities	65,767	56,346	-	-	122,113	18
Net Increase (Decrease) in Cash and Cash Equivalents	1,274,215	174,710	-	-	1,448,925	(16,445)
Cash and Cash Equivalents, Beginning of Year	6,495,573	2,671,203	-	-	9,166,776	584,607
Cash and Cash Equivalents, End of Year	7,769,788	2,845,913	-	-	10,615,701	568,162
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating Income (Loss)	344,026	(577,751)	(29,691)	-	(263,416)	2,260,806
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation and amortization	307,608	297,973	81,484	-	687,065	-
Changes in assets and liabilities						
(Increase) decrease in due from other funds	-	-	-	-	-	(295,486)
(Increase) decrease in accounts receivable	(38,444)	1,885	(1,643)	-	(38,202)	2,077
(Increase) decrease in deferred outflows pension	30,574	30,574	20,688	-	81,836	-
Increase (decrease) in deferred inflows pension	(2,515)	(2,515)	(1,626)	-	(6,656)	-
Increase (decrease) in deferred inflows leases	-	-	(43,664)	-	(43,664)	-
Increase (decrease) in net pension liability	(14,916)	(14,916)	(12,070)	-	(41,902)	-
Increase (decrease) in accounts payable	8,250,826	3,097,396	(43,945)	-	11,304,277	2,391
Increase (decrease) in unearned revenue	-	-	11,526	-	11,526	-
Increase (decrease) in claims payable	-	-	-	-	-	(1,986,251)
Increase (decrease) in compensated absences	8,283	8,283	10,059	-	26,625	-
Net Cash Provided by Operating Activities	8,885,442	2,840,929	(8,882)	-	11,717,489	(16,463)

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

<u>Assets</u>	<u>Pension and OPEB Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,576	\$ 1,576
Investments, at fair value		
Guaranteed deposit accounts	6,153,742	6,153,742
Mutual funds	50,471,090	50,471,090
Accounts receivable	2,027,633	2,027,633
<u>Total assets</u>	<u>58,654,041</u>	<u>58,654,041</u>
<u>Liabilities</u>		
Payables	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>
<u>Net position</u>		
Restricted for pension benefits	58,652,465	58,652,465
Restricted for OPEB Benefits	1,576	1,576
<u>Total net position</u>	<u>\$ 58,654,041</u>	<u>\$ 58,654,041</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2025

	Pension and OPEB Trust Funds	Total
<u>Additions</u>		
Contributions		
Employer	\$ 2,395,181	\$ 2,395,181
Plan members	248,290	248,290
Total contributions	<u>2,643,471</u>	<u>2,643,471</u>
Investment Income		
Net Appreciation/(Depreciation) in Fair Value of Investments	5,656,391	5,656,391
Interest and dividends	<u>279,478</u>	<u>279,478</u>
Total Investment Income	<u>5,935,869</u>	<u>5,935,869</u>
<u>Total Additions</u>	<u>8,579,340</u>	<u>8,579,340</u>
<u>Deductions</u>		
Pension benefits	4,508,784	4,508,784
Administrative expenses	<u>107,562</u>	<u>107,562</u>
<u>Total Deductions</u>	<u>4,616,346</u>	<u>4,616,346</u>
<u>Change in net position</u>	3,962,994	3,962,994
<u>Net position beginning of year</u>	<u>54,691,047</u>	<u>54,691,047</u>
<u>Net position end of year</u>	<u>\$ 58,654,041</u>	<u>\$ 58,654,041</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Presentation

The accompanying financial statements of the Town of Watertown, Connecticut (the Town) have been prepared in conformance with accounting principles generally accepted in the United States of America 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 Town's significant accounting policies are described below.

Government-Wide Financial Statements

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

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

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

Measurement Focus Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town or specifically identified.

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, equipment financing, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Proceeds from the issuance of long-term debt and acquisitions under equipment financing are reported as other financing sources.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for the funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned, then unassigned.

The Town reports the following major governmental funds:

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

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

The *ARPA Grant Fund* was established to account for intergovernmental grants received and expended under the American Rescue Plan Act grant.

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

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

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

Special Revenue Funds account for revenue derived from specific sources other than capital projects that are restricted or committed by legal and regulatory provisions to finance specific activities.

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Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds account for and report resources that are legally restricted to the extent that only income, and not principal, may be used for purposes that support the Town's programs.

Fiduciary Funds account for, and report assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements.

Accounting 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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Town's cash and cash equivalents consist of cash on hand, checking, savings and money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. This definition also applies to the proprietary statement of cash flows. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash.

Investments

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

Receivables and Payables

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

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Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

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

Long-Term Receivables

The Town administers a loan program for individuals and families in need. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2025, loans receivable totaled \$698,419 under this program.

Inventories and Prepaid Items

Inventories are reported at the lower of cost or net realizable value using the first-in/first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are recorded as expenditures when consumed rather than when purchased.

Leases (as Lessor)

The Town determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the Town's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Town uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 with an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation. Infrastructure asset thresholds for additions have been established at \$25,000 for road overlays and \$100,000 for new construction.

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

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

Assets	Years
Buildings	50
Vehicles	3 - 5
Building Improvements	20
Infrastructure	20 - 100
Machinery and Equipment	5 - 10

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and deferred leases in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Also, within the government-wide statement of net position the Town reports as deferred inflows amounts representing the net difference between expected and actual results, changes in assumptions and projected

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and actual earnings of its pension and OPEB plans. These amounts are deferred and included in pension and OPEB expense over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, school building grants, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period during which the amounts become available.

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Long-Term Obligations

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

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

Compensated Absences

Both the Town and Board of Education employees accumulate compensated leave balances for subsequent use or for payment upon termination or retirement. Compensated absences are accrued when incurred in the government-wide, proprietary or fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

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Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB 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.

Leases (as Lessee) and Subscription-Based Information Technology Arrangements

The Town determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease liabilities represent the Town's obligation to make lease payments arising from the lease. The Town recognizes a lease/subscription liability and an intangible right-of-use asset (lease/subscription asset) for a noncancellable lease/subscription in the government-wide and proprietary fund financial statements. The Town recognizes lease/subscription liabilities with an initial, individual value of \$20,000 or more. At the commencement of a lease/subscription, the Town initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease/subscription liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases/subscriptions include how the Town determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments. The Town uses the interest rate charged by the lessor/subscription vendor as the discount rate. When the interest rate charged by the lessor/subscription vendor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases/subscriptions. The lease/subscription term includes the non-cancellable period of the lease/subscription. Lease/subscription payments included in the measurement of the lease/subscription liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise. The Town monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/subscription liability. Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt and other long-term obligations in the statement of net position.

Fund Equity and Net Position

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

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

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

Unrestricted Net Position - This component of net consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. 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 practice to consider restricted net position to have been depleted before unrestricted net position is applied.

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

Nonspendable Fund Balance – includes amounts that are not in spendable form or amounts that must be maintained intact legally or contractually. The criteria include items that are not expected to be converted to cash such as inventories, prepaid amounts and long-term receivables. This includes leases receivable that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

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

Assigned Fund Balance – In the General Fund, the balance 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 – This balance represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

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

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

Encumbrances

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

Property Taxes

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A physical revaluation of all real property is required to be completed every ten years, and statistical revaluation is required to be completed every five years. The Town had a revaluation of its property as of October 1, 2023. The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. A mill rate was applied to the Grand List. Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. Liens are placed on delinquent accounts in June following the levy date. Taxes are due in two equal installments on the July 1 and January 1 following the levy date, although a 30-day grace period is provided. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts.

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

Sewer Use Charges and Assessments

User charges and assessments are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Upon completion of sewer projects, sewer assessments are levied and assessed to the users. The Town establishes an allowance for doubtful accounts based on historical collections, experience and other factors.

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NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Budget control is established at the department level. Under the Town Charter, no officer of the Town may involve the Town in any obligation to spend money for any purpose in excess of the amount appropriated for the department until such matter has been approved and voted by the Council. Management may make changes to line items within a department without the approval of the Town Council. Town Meeting approval is required for additional appropriations over \$50,000. Additional appropriations of \$1,224,653 from fund balance were approved during the fiscal year for the General Fund in accordance with Charter requirements.

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

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

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

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

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Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America. A reconciliation of general fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)	Net Change
Total Budgetary Basis - Non GAAP	\$ 94,803,329	\$ 96,673,361	\$ -	\$ (1,870,032)
Teachers retirement System On Behalf Payments	7,616,491	7,616,491	-	-
Teachers retirement System OPEB	106,638	106,638	-	-
Revenues and expenditures from excess cost grant	1,124,350	1,124,350	-	-
Prior year encumbrances	-	336,736	-	(336,736)
Current year encumbrances	-	(112,950)	-	112,950
Other Financing Sources/uses Equipment Financing	-	553,680	553,680	-
Transfers Out	-	(1,281,125)	(1,281,125)	-
Net difference Budgetary vs GAAP Basis	8,847,479	8,343,820	(727,445)	(223,786)
Total GAAP Basis	<u>\$ 103,650,808</u>	<u>\$ 105,017,181</u>	<u>\$ (727,445)</u>	<u>\$ (2,093,818)</u>

NOTE 3 – CASH DEPOSITS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 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. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio. The amount of public deposits is determined based on either the public

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deposits reported on the most recent quarterly call reports, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. All of the Town's deposits were in qualified public institutions as defined by state statute.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board and are regulated under the state statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

As of June 30, 2025, the carrying amount of the Town's cash deposits was as follows:

	Carrying Amount	Bank Balance
<u>Cash and cash equivalents</u>		
Governmental Funds	\$ 28,009,626	\$ 31,249,359
Proprietary Funds	10,615,701	10,615,701
Internal Service Funds	568,162	572,918
Fiduciary Funds	1,576	1,576
	39,195,065	42,439,554
Short Term Investment Fund Cash Equivalent	(3,685,321)	(3,685,321)
Restricted cash	290,374	290,374
<u>Total Cash and Cash Equivalents</u>	<u>\$ 35,800,118</u>	<u>\$ 39,044,607</u>
<u>Classified as follows:</u>		
Governmental Funds	\$ 24,614,679	
Proprietary Funds	10,615,701	
Internal Service Funds	568,162	
Fiduciary Funds	1,576	
	<u>\$ 35,800,118</u>	

Custodial Credit Risk

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

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At year-end, the Town's carrying amount of deposits was \$35,800,118 and the bank balance was \$39,044,607. Of the bank balance, the Federal Depository Insurance Corporation insured \$23,225,377. As of June 30, 2025, \$15,819,230 of the Town's bank balance of \$39,044,607 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 14,152,676
Uninsured and collateralized with securities held by the pledging Bank's trust department or agent but not in the Town's name	1,666,554 \$ 15,819,230

The level of the Town's deposits varied significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were substantially higher than at year-end.

At June 30, 2025, the Town's cash equivalents (Short-Term Investment Fund (STIF) amounted to \$3,685,321. 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.

Concentrations of Credit Risk

The Town does not have a policy that limits the amounts invested in any one issuer. At June 30, 2025, the Town had all of its cash deposits in financial institutions located in the State of Connecticut. The Town has not experienced any losses on such accounts.

NOTE 4 – INVESTMENTS

The Town has no formally adopted investment policy that would limit its investment choices due to credit risk other than the State of Connecticut General Statutes that limit investments to obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investments are stated at fair value using quoted market prices and consist of funds deposited in certificates of deposit, permanent funds and pension assets held by the pension administrator. As of June 30, 2025, the Town had the following investments:

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	Average Credit Rating	Fair Market Value	Investment Maturities		
			Less than 1 Year	1-10 Years	Over 10 Years
Guaranteed deposit accounts	AA-	\$ 6,153,742	\$ -	\$ 6,153,742	\$ -
Mutual funds	N/A	50,471,090	N/A	N/A	N/A
Common Stock	N/A	2,109			
		<u>\$ 56,626,941</u>	<u>\$ -</u>	<u>\$ 6,153,742</u>	<u>\$ -</u>

These investments are reported in the following funds on the financial statements:

	Pension and OPEB Trust Funds	E.C. Margraff	Total
Guaranteed deposit accounts	\$ 6,153,742	\$ -	\$ 6,153,742
Mutual funds	50,471,090	-	50,471,090
Common Stock	-	2,109	2,109
	<u>\$ 56,624,832</u>	<u>\$ 2,109</u>	<u>\$ 56,626,941</u>

Interest Rate Risk

Interest rate risk is the risk that the Town will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk-Investments

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the Town's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Town's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the Town's name. The Town does not have a policy for custodial credit risk.

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Concentrations of Credit Risk

The Town does not have a policy that limits the amounts invested in any one issuer.

Fair Value Measurements

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs).

The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which inputs are observable, either directly or indirectly), and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The town's investments are measured on a recurring basis using level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2025.

The Town has the following recurring fair value measurements as of June 30, 2025:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2025			
Guaranteed deposit accounts	\$ 6,153,742	\$ 6,153,742	\$ -	\$ -
Mutual funds	50,471,090	50,471,090	-	-
Common Stock	2,109	2,109	-	-
	<u>\$ 56,626,941</u>	<u>\$ 56,626,941</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – RECEIVABLES

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

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	General Fund	Capital Improvement Fund	Non Major Governmental Funds	Proprietary & Internal Service Funds	Total
Receivables					
Property taxes	\$ 1,355,529	\$ -	\$ -	\$ -	\$ 1,355,529
Interest, liens and fees due on taxes	462,499	-	-	-	462,499
Assessments	685,095	-	-	-	685,095
Usage charges	-	-	-	1,511,687	1,511,687
Loans	-	-	698,419	-	698,419
Leases	3,129,398	-	-	170,326	3,299,724
Intergovernmental	-	6,738,259	363,108	-	7,101,367
Other receivables	352,141	-	-	45,717	397,858
Total Gross Receivables	<u>5,984,662</u>	<u>6,738,259</u>	<u>1,061,527</u>	<u>1,727,730</u>	<u>15,512,178</u>
Less Allowances					
Property taxes	(200,000)	-	-	-	(200,000)
Interest, liens and fees due on taxes	(46,000)	-	-	-	(46,000)
Usage charges	-	-	-	(37,742)	(37,742)
Total Allowance	<u>(246,000)</u>	<u>-</u>	<u>-</u>	<u>(37,742)</u>	<u>(283,742)</u>
Total Net Receivables	<u>\$ 5,738,662</u>	<u>\$ 6,738,259</u>	<u>\$ 1,061,527</u>	<u>\$ 1,689,988</u>	<u>\$ 15,228,436</u>

The assessments receivable of \$685,095, the loans receivable of \$698,419, and the leases receivable of \$3,299,724 are long-term receivables and not expected to be fully collected within one year.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The outstanding balances between funds result mainly from the timing 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. As of June 30, 2025, interfund receivables and payables that resulted from various interfund transactions were as follows:

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	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund	\$ 808,076	\$ 1,338,822
Capital Improvement Fund	179,230	458,076
Educational Grant fund	11,500	-
STEAP Grant Fund	602,606	
Public Works Equipment Replacement	100,000	
Vehicle Replacement	150,000	
Cafeteria Fund	-	350,000
Total Governmental Funds	<u>1,851,412</u>	<u>2,146,898</u>
Internal Service Funds		
Workers Compensation	295,486	-
Total All funds	<u>\$ 2,146,898</u>	<u>\$ 2,146,898</u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds. A summary of interfund transfers is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
General Fund	\$ -	\$ 1,281,125
Capital Improvement Fund	310,415	
Public Works Equipment Replacement	100,000	-
STEAP Grant Fund	602,606	
Vehicle Replacement Fund	150,000	-
	<u>1,163,021</u>	<u>1,281,125</u>
<u>Proprietary Funds</u>		
Proprietary fund - sewer fund	118,104	-
	<u>118,104</u>	<u>-</u>
<u>Total Transfers All Funds</u>	<u>\$ 1,281,125</u>	<u>\$ 1,281,125</u>

NOTE 7 - LEASES RECEIVABLE

The Town, acting as lessor, has noncancelable lease agreements for cell tower space on Town property. The cell tower leases expire at various dates through 2028 and include automatic renewal terms. Additionally, the Crestbrook Golf Course leases a space in a building to a restaurant which will expire in April of 2029.

TOWN OF WATERTOWN, CONNECTICUT
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	Leases Receivable	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
<u>Governmental Activities</u>				
Cell Towers	\$ 3,129,398	\$ 2,868,994	\$ 86,017	\$ 119,351
<u>Business Type Activities</u>				
Restaurant	\$ 170,326	\$ 167,375	\$ 40,308	\$ 7,692

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

Year	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 43,444	\$ 117,803	\$ 41,951	\$ 6,049	\$ 85,395	\$ 123,852
2027	48,755	116,056	43,660	4,340	92,415	120,396
2028	56,561	114,065	45,439	2,562	102,000	116,627
2029	62,570	111,809	39,276	723	101,846	112,532
2030	68,917	109,316	-	-	68,917	109,316
2031-2035	460,238	499,525	-	-	460,238	499,525
2036-2040	694,681	390,588	-	-	694,681	390,588
2041-2045	823,670	237,555	-	-	823,670	237,555
2046-2050	597,532	99,784	-	-	597,532	99,784
2051-2053	273,030	14,792	-	-	273,030	14,792
	<u>\$ 3,129,398</u>	<u>\$ 1,811,293</u>	<u>\$ 170,326</u>	<u>\$ 13,674</u>	<u>\$ 3,299,724</u>	<u>\$ 1,824,967</u>

NOTE 8 -UNEARNED REVENUE

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

General Fund	
Unearned revenue	\$ 30,667
Capital Improvement Fund	
Advances on grants	360,593
ARPA Grant Fund	
Advances on grants	1,141,683
Non Major Governmental Funds	
Rehabilitation Loans	1,206
Advances on grants	443,129
Total Unearned Revenue for Governmental Funds	<u>\$ 1,977,278</u>

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NOTE 9 – CAPITAL ASSETS

Capital asset activity for the governmental activities funds for the year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, not being depreciated				
Land	\$ 3,147,876	\$ -	\$ -	\$ 3,147,876
Construction in process	4,440,860	10,747,103	4,440,860	10,747,103
Total Capital Assets, not being depreciated	<u>7,588,736</u>	<u>10,747,103</u>	<u>4,440,860</u>	<u>13,894,979</u>
Capital Assets, being depreciated				
Building and improvements	180,432,910	2,134,877	-	182,567,787
Vehicles	10,711,452	1,282,784	235,980	11,758,256
Machinery and equipment	10,458,521	1,908,251	421,021	11,945,751
Infrastructure	96,946,244	6,711,178	-	103,657,422
Right of use equipment	675,827	-	-	675,827
Right of use SBITAs	496,408	-	-	496,408
Total Capital Assets being depreciated	<u>299,721,362</u>	<u>12,037,090</u>	<u>657,001</u>	<u>311,101,451</u>
Less Accumulated Depreciation for:				
Building and improvements	61,952,457	3,869,107	-	65,821,564
Vehicles	10,008,393	209,855	235,980	9,982,268
Machinery and equipment	8,541,882	708,067	421,021	8,828,928
Infrastructure	42,803,193	2,011,087	-	44,814,280
Right of use equipment	450,552	225,276	-	675,828
Right of use SBITAs	146,676	93,644	-	240,320
Total Accumulated Depreciation	<u>123,903,153</u>	<u>7,117,036</u>	<u>657,001</u>	<u>130,363,188</u>
Total Capital Assets, being depreciated net	<u>175,818,209</u>	<u>4,920,054</u>	<u>-</u>	<u>180,738,263</u>
Governmental Activities Capital Assets, net	<u>\$ 183,406,945</u>	<u>\$ 15,667,157</u>	<u>\$ 4,440,860</u>	<u>\$ 194,633,242</u>

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

Governmental Activities	
General government	\$ 284,786
Public safety	690,297
Public works	2,714,716
Parks and recreation	98,536
Education	3,328,701
Total Depreciation and Amortization Expense -	
Governmental Activities	<u>\$ 7,117,036</u>

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Capital asset activity for the business-type activities for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business Type Activities</u>				
Capital Assets, not being depreciated				
Land	\$ 1,019,600	\$ -	\$ -	\$ 1,019,600
Construction in Process	-	-	-	-
Total Capital Assets, not being depreciated	<u>1,019,600</u>	<u>-</u>	<u>-</u>	<u>1,019,600</u>
Capital Assets, being depreciated				
Building and improvements	2,892,500	-	-	2,892,500
Vehicles	326,801	50,062	-	376,863
Machinery and equipment	1,136,105	33,073	-	1,169,178
Infrastructure	30,445,861	226,430	-	30,672,291
Right of use equipment	125,536	-	-	125,536
Total Capital Assets being depreciated	<u>34,926,803</u>	<u>309,565</u>	<u>-</u>	<u>35,236,368</u>
Less Accumulated Depreciation for:				
Building and improvements	2,319,266	53,012	-	2,372,278
Vehicles	270,981	31,502	-	302,483
Machinery and equipment	1,043,716	66,792	-	1,110,508
Infrastructure	14,890,641	517,825	-	15,408,466
Right of use equipment	107,602	17,934	-	125,536
Total Accumulated Depreciation	<u>18,632,206</u>	<u>687,065</u>	<u>-</u>	<u>19,319,271</u>
Total Capital Assets, being depreciated net	<u>16,294,597</u>	<u>(377,500)</u>	<u>-</u>	<u>15,917,097</u>
Business Type Activities Capital Assets, net	<u>\$ 17,314,197</u>	<u>\$ (377,500)</u>	<u>\$ -</u>	<u>\$ 16,936,697</u>

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

Business-Type Activities:	
Sewer authority	307,608
Water authority	280,038
Crestbrook golf operations	<u>81,484</u>
Total Depreciation and Amortization Expense - Business-Type Activities	<u>\$ 669,130</u>

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - CONSTRUCTION COMMITMENTS

The Town has several active construction/renovation projects as of June 30, 2025. At year-end, the Town's commitments are as follows:

	Project Authorization	Current Expenditures	Cumulative Expenditures	Project Balance
Road Bridge and Drainage	\$ 4,000,000	\$ -	\$ 3,671,286	\$ 328,714
2019 PW Projects	6,000,000	123,278	5,755,702	244,298
2020 Steep Grant	256,410	-	13,450	242,960
Guernseytown Road	4,276,305	1,271,621	4,276,305	-
Steele Brook Greenway	498,900	276,689	456,666	42,234
2023 Various School Improvements	11,000,000	7,729,002	9,876,454	1,123,546
2023 Various Road Improvements	5,000,000	2,949,231	4,406,405	593,595
2023 Fire Truck Acquisition	1,500,000	-	652,644	847,356
Electric Vehicle Charging Stations	227,000	46,250	46,250	180,750
Highway Garage 2023 STEAP Grant	602,606	-	-	602,606
	<u>\$ 33,361,221</u>	<u>\$ 12,396,071</u>	<u>\$ 29,155,162</u>	<u>\$ 4,206,059</u>

NOTE 11 - GENERAL LONG-TERM DEBT

The following is a summary of changes in general obligation debt during the fiscal year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities					
General Obligation Bonds	\$ 49,535,000	\$ 21,710,000	\$ 17,750,000	\$ 53,495,000	\$ 4,985,000
Unamortized Premiums	3,592,521	1,902,500	327,718	5,167,303	448,874
Total Bonds Payable	<u>53,127,521</u>	<u>23,612,500</u>	<u>18,077,718</u>	<u>58,662,303</u>	<u>5,433,874</u>
Equipment Financing Notes	1,081,790	553,680	495,475	1,139,995	573,780
Lease Liability	229,790	-	229,790	-	-
Subscription Liability	347,198	-	92,992	254,206	95,570
Compensated Absences	2,899,023	1,564,435	1,271,101	3,192,357	1,188,208
Post-Closure Landfill Costs	33,805	-	33,805	-	-
Special Termination Benefits	20,609	-	14,522	6,087	6,087
Pension Buy-In	365,958	-	33,665	332,293	36,459
Net Pension Liability	14,632,336	(613,353)	-	14,018,983	-
OPEB Liability	93,826,333	-	18,080,151	75,746,182	-
Total Other Liabilities	<u>113,436,842</u>	<u>1,504,762</u>	<u>20,251,501</u>	<u>94,690,103</u>	<u>1,900,104</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 166,564,363</u>	<u>\$ 25,117,262</u>	<u>\$ 38,329,219</u>	<u>\$ 153,352,406</u>	<u>\$ 7,333,978</u>

TOWN OF WATERTOWN, CONNECTICUT
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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.

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, 2025, consisted of the following:

Description	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2025	Due within One Year
2015 Series C Wattles Brook Sewer	2015	9/15/2027	1.5-3%	\$ 715,000	\$ 145,000	\$ 50,000
2019 Issue General Sewer	2019	10/15/2040	2.5-5%	7,200,000	5,760,000	360,000
2020 Issue General Obligation Bonds	2020	10/15/2041	1-4%	6,000,000	5,100,000	300,000
2021 Issue Refunding Series A General Obligation Bonds	2021	10/15/2027	4.00%	5,450,000	850,000	630,000
2021 Issue Refunding Series B General Obligation Bonds	2021	10/15/2038	2.5-2.65%	4,840,000	4,285,000	365,000
2022 Issue Refunding General Obligation Bonds	2022	3/15/2035	2-4%	9,430,000	7,095,000	1,815,000
2023 Issue Refunding General Obligation Bonds	2023	8/1/2044	4.50%	9,000,000	8,550,000	450,000
2024 Issue A General Obligation Bonds	2025	8/1/2044	4.0 - 5.0%	10,360,000	10,360,000	520,000
2024 Issue B Refunding General Obligation Bonds	2025	9/15/2038	4.0 - 5.0%	11,350,000	11,350,000	495,000
				<u>\$64,345,000</u>	<u>\$ 53,495,000</u>	<u>\$ 4,985,000</u>

See Note 16 Subsequent events for notes on Bonds refinanced subsequent to June 30, 2025.

TOWN OF WATERTOWN, CONNECTICUT
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The following is a summary of debt service requirements to maturity by year as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 4,985,000	\$ 2,010,471	\$ 6,995,471
2027	4,900,000	1,803,421	6,703,421
2028	4,675,000	1,594,793	6,269,793
2029	4,295,000	1,386,190	5,681,190
2030	3,390,000	1,203,036	4,593,036
2031	3,040,000	1,069,050	4,109,050
2032	3,045,000	948,376	3,993,376
2033	3,040,000	834,950	3,874,950
2034	2,635,000	733,538	3,368,538
2035	2,635,000	641,451	3,276,451
2036	2,480,000	548,848	3,028,848
2037	2,480,000	461,755	2,941,755
2038	2,470,000	376,833	2,846,833
2039	2,465,000	292,311	2,757,311
2040	1,625,000	223,475	1,848,475
2041	1,625,000	169,425	1,794,425
2042	1,265,000	120,100	1,385,100
2043	965,000	78,500	1,043,500
2044	965,000	39,900	1,004,900
2045	515,000	10,300	525,300
	<u>\$ 53,495,000</u>	<u>\$ 14,546,723</u>	<u>\$ 68,041,723</u>

Interest incurred, accrued and expensed on general obligation bonds for the year ended June 30, 2025, totaled \$1,975,446.

Pension Buy-In

The Town has a note outstanding totaling \$332,293 on the buy-in to the State pension plan with an interest rate of 8.0%. Annual debt service requirements to maturity for this payable are as follows:

TOWN OF WATERTOWN, CONNECTICUT
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Year	Principal	Interest	Total
2026	\$ 36,459	\$ 25,266	\$ 61,725
2027	39,485	22,240	61,725
2028	42,763	18,963	61,726
2029	23,718	16,230	39,948
2030	25,687	14,261	39,948
2031	27,819	12,129	39,948
2032	30,128	9,820	39,948
2033	32,628	7,320	39,948
2034	35,337	4,611	39,948
2035	38,269	1,679	39,948
	<u>\$ 332,293</u>	<u>\$ 132,519</u>	<u>\$ 464,812</u>

Interest incurred and expensed on the buy-in for the year ended June 30, 2025, totaled \$28,060.

Equipment Financing Notes - Direct Borrowings

The Town has entered into equipment financing notes for the purchase of various vehicles and equipment with interest rates ranging from 3.3% to 6.5%. The notes are due at various dates through 2029. The annual debt service requirements of the Town's equipment financing notes are as follows:

Year	Principal	Interest	Total
2026	\$ 573,780	\$ 57,896	\$ 631,676
2027	435,749	32,071	467,820
2028	107,441	7,642	115,083
2029	23,025	1,600	24,625
	<u>\$ 1,139,995</u>	<u>\$ 99,209</u>	<u>\$ 1,239,204</u>

Interest paid and expensed on the notes for the year ended June 30, 2025, totaled \$53,439.

Bonds Authorized/Unissued

The amount of authorized, unissued bonds are as follows:

	Authorized and Unissued
General Purpose	\$ 2,177,672
Schools	2,450,254
Sewer and Water	<u>37,200</u>
Total bond authorizations, unissued	<u>\$ 4,665,126</u>

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2025.

Category	Debt Limit	Net Indebtedness	Balance
General Purpose	\$ 162,828,961	\$ 24,021,672	\$ 138,807,289
Schools	325,657,922	29,142,254	296,515,668
Sewers	271,381,601	4,996,200	266,385,401
Urban Renewal	235,197,388	-	235,197,388
Pension Deficit	217,105,281	-	217,105,281
Total bond authorizations, unissued		<u>\$ 58,160,126</u>	<u>\$ 1,154,011,026</u>

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$506,578,989.

Subscription-Based Information Technology Arrangements

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITA arrangements expire at various dates through June 2028. As of June 30, 2025, SBITA assets and related accumulated amortization totaled \$496,408 and \$240,320, respectively. The future subscription payments under SBITA agreements as of June 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 95,570	\$ 5,164	\$ 100,734
2027	98,222	2,512	100,734
2028	60,414	119	60,533
	<u>\$ 254,206</u>	<u>\$ 7,795</u>	<u>\$ 262,001</u>

Compensated Absences

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

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

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

Post-Closure Landfill Costs

Solid waste landfill closure and post-closure care requirements have been established by the State of Connecticut Department of Environmental Protection Agency and the Federal Environmental Protection Agency. The costs associated with monitoring and maintaining the landfill area during the post closure period are the responsibility of the Town. The landfill was closed in 1996. The estimated remaining project costs of this post-closure period are \$0. The cost estimate is subject to change due to inflation, technology, or changes in cost estimate components. Current year costs amounted to \$33,805.

Special Termination Benefits

The liability for special termination benefits for Board of Education employees as of June 30, 2025, is \$6,087. This amount consists of payments due to retired individuals for retirement incentives that have been amortized over the following years:

<u>Year ending June 30</u>	<u>Principal</u>
2026	\$ 6,087
	<u>\$ 6,087</u>

Business-Type Activities

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-Type Activities					
Net Pension Liability	\$ 270,740	\$ -	\$ 41,903	\$ 228,837	\$ -
Equipment Financing Notes	53,727	27,807	12,083	69,451	26,376
Lease Liability	18,904	-	18,904	-	-
Compensated Absences	173,242	121,192	94,568	199,866	86,214
Total Business-Type Activities Long-Term Liabilities	<u>\$ 516,613</u>	<u>\$ 148,999</u>	<u>\$ 167,458</u>	<u>\$ 498,154</u>	<u>\$ 112,590</u>

TOWN OF WATERTOWN, CONNECTICUT
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JUNE 30, 2025

Equipment Financing Notes - Direct Borrowings

The Town has a financing note for a 2023 Ford F250 to be used by the Crestbrook Golf Course dated August 15, 2023, for \$53,727. This note is payable over 4 years with an interest rate of 7.1%. and an annual payment of \$15,898 due each August 14 beginning in 2025. In addition, the Town has a financing note for a 2004 Ventrac Tractor and Mower used by the Crestbrook Golf Course dated July 24, 2024, for \$27,807. This note is payable over 2 years with an interest rate of 6.9%. and an annual payment of \$15,375 due each July 24 beginning in 2025. The principal outstanding amount at June 30, 2025 of both notes is \$69,451. Annual Debt Service Requirements on equipment financing notes as of June 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 26,376	\$ 4,898	\$ 31,274
2027	28,231	3,041	31,272
2028	14,844	1,054	15,898
	<u>\$ 69,451</u>	<u>\$ 8,993</u>	<u>\$ 78,444</u>

Interest paid and expensed on the notes for the year ended June 30, 2025, totaled \$3,814.

NOTE 12 – NET POSITION AND FUND BALANCES

Restricted Net Position

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

	Expendable	Nonspendable
Purposes of Trust	\$ 88,811	\$ 97,143
Small Cities Loans	733,437	-
General Government	92,600	260,404
Public Safety	54,662	-
Public Works	339,739	-
Parks and Recreation	309,798	-
Health and Welfare	336	-
Education	321,001	30,328
Total	<u>\$ 1,940,384</u>	<u>\$ 387,875</u>

As of June 30, 2025, governmental fund balances are composed of the following:

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	General Fund	Capital Improvement Fund	ARPA Grant Fund	Non Major Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>					
Trust principal	\$ -	\$ -	\$ -	\$ 97,143	\$ 97,143
Inventory and prepaid	-	-	-	30,328	30,328
Leases	260,404	-	-	-	260,404
<u>Total Nonspendable</u>	<u>260,404</u>	<u>-</u>	<u>-</u>	<u>127,471</u>	<u>387,875</u>
<u>Restricted</u>					
General government	-	-	92,600	39,988	132,588
Public safety	-	-	-	55,858	55,858
Public works	-	-	-	339,739	339,739
Parks and recreation	-	-	-	309,798	309,798
Health and welfare	-	-	-	766,079	766,079
Education	-	-	-	336,322	336,322
Capital	-	7,740,704	-	-	7,740,704
<u>Total Restricted</u>	<u>-</u>	<u>7,740,704</u>	<u>92,600</u>	<u>1,847,784</u>	<u>9,681,088</u>
<u>Committed</u>					
General government	-	-	-	73,093	73,093
Public safety	-	-	-	28,521	28,521
Public works	-	-	-	871	871
Parks and recreation	-	-	-	670,527	670,527
Health and welfare	-	-	-	182,729	182,729
Education	-	-	-	389,377	389,377
Capital	-	900,246	-	503,918	1,404,164
<u>Total Committed</u>	<u>-</u>	<u>900,246</u>	<u>-</u>	<u>1,849,036</u>	<u>2,749,282</u>
<u>Assigned Encumbrances</u>					
General government	3,056	-	-	-	3,056
Public safety	13,946	-	-	-	13,946
Public works	32,566	-	-	-	32,566
Parks and recreation	-	-	-	-	-
Health and welfare	-	-	-	-	-
Education	63,382	-	-	-	63,382
Miscellaneous	-	-	-	-	-
<u>Total Committed</u>	<u>112,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,950</u>
<u>Unassigned</u>	<u>8,963,625</u>	<u>-</u>	<u>-</u>	<u>555,720</u>	<u>9,519,345</u>
<u>Total governmental funds</u>	<u>\$ 9,336,979</u>	<u>\$ 8,640,950</u>	<u>\$ 92,600</u>	<u>\$ 4,380,011</u>	<u>\$ 22,450,540</u>

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 -DEFICIT FUND BALANCES

The following funds had deficit fund balances as of June 30, 2025:

Internal Service Funds

Workers Compensation	\$ (2,420,472)
	<u>(2,420,472)</u>

Governmental Funds

Preservation of Historical Documents	(38,484)
Police Asset Forfeiture	<u>(1,725)</u>
	\$ (40,209)

Proprietary Funds

Proprietary fund - sewer fund	<u>\$ (9,475,273)</u>
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These amounts will be funded through transfers from the general fund, bonds, grant reimbursements, contributions and future revenues. For the sewer fund this deficit fund balance was funded through debt issued in October 2025.

NOTE 14 - RISK MANAGEMENT AND UNCERTAINTIES

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks and any claims have not exceeded commercial coverage.

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 and Estimates	Claim Payments	Ending Claims Payable
2025	\$ 2,908,683	\$ 856,914	\$ 713,296	\$ 3,052,301
2024	2,976,333	684,017	751,667	2,908,683
2023	3,340,578	544,677	908,922	2,976,333
2022	2,755,165	1,351,856	766,443	3,340,578
2021	2,436,191	1,049,782	730,808	2,755,165

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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 and Estimates	Claim Payments	Ending Claims Payable
2025	\$ 2,151,871	\$ 6,911,367	\$ 9,041,236	\$ 22,002
2024	1,137,377	13,999,896	12,985,402	2,151,871
2023	1,204,540	12,678,348	12,745,511	1,137,377
2022	719,202	12,489,827	12,004,489	1,204,540
2021	1,066,187	11,841,193	12,188,178	719,202

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, 2025, 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.

The Health and Dental Benefits Fund was discontinued during the fiscal year ended June 30, 2025.

NOTE 15 – CONTINGENT LIABILITIES

Water and Sewer Usage Agreement with the City of Waterbury

The Town had an agreement regarding water and sewer usage rates with the City of Waterbury which expired June 30, 2018. In connection with the above agreement, there has been an ongoing dispute regarding water and sewer rates being charged by the City of Waterbury to the Town of Watertown. The dispute went to a trial and resulted in an unexpected judgment against the Town of Watertown by the Superior Court on July 28, 2023, in the amount of \$18,800,445. The Town filed an appeal based on claims that the rates for water and sewer service the City of Waterbury is seeking to apply to the Town of Watertown violate state statutes and municipal charter provisions.

On June 6, 2025, the appellate court upheld the original judgment against the Town for unpaid water and sewer charges owed to the City of Waterbury. As a result of the original and subsequent rulings, the Water and Sewer Funds have accrued a liability of \$35,326,647 representing the amounts billed by the City of Waterbury to the Town of Watertown at their stated rates through June 30, 2025, including interest charges. Subsequent to the fiscal year end the Town has issued general obligation bonds with \$34,000,000 of those proceeds utilized to pay this liability in full.

TOWN OF WATERTOWN, CONNECTICUT
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Other Contingencies

There are other legal actions pending in which the Town is involved. The Town Officials are of the opinion that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the Town.

The Town has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

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

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.

NOTE 16 – SUBSEQUENT EVENTS

The Town issued \$40,000,000 of general obligation bond anticipation notes in October 2025. The notes have an interest rate of 3.5% and mature in October 2026. Proceeds of this issuance were utilized as follows: \$34,000,000 was used to pay the remaining balance of the water and sewer judgment due and \$6,000,000 was used for various road improvements.

NOTE 17 - PENSION PLANS

EMPLOYEE PENSION PLANS

The Town accounts for activity relating to four defined benefit pension plans, (1) the Town Employees Retirement Income Plan, 2) the Police Department Pension Plan, 3) the Municipal Employees Retirement System, and 4) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2025, the plans had the following balances reported in the Town's government-wide financial statements:

TOWN OF WATERTOWN, CONNECTICUT
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	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenue and Expense	Pension Expense
Town Employees Retirement Income Plan	\$ 3,266,680	\$ 1,162,956	\$ 1,926,040	\$ -	\$ 404,281
Police Department Pension Plan	9,868,439	3,379,219	2,175,130	-	1,279,276
Municipal Employees' Retirement System	1,112,702	285,858	310,616	-	64,585
Connecticut Teachers' Retirement System	-	-	-	7,616,491	7,616,491
Total	<u>\$ 14,247,821</u>	<u>\$ 4,828,033</u>	<u>\$ 4,411,786</u>	<u>\$ 7,616,491</u>	<u>\$ 9,364,633</u>
Reported in:					
Business-Type Activities	228,838	136,462	79,580	-	65,368
Governmental Activities	14,018,983	-	-	7,616,491	9,299,265
Total	<u>\$ 14,247,821</u>	<u>\$ 136,462</u>	<u>\$ 79,580</u>	<u>\$ 7,616,491</u>	<u>\$ 9,364,633</u>

Defined Benefit Pension Plans

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

- Town of Watertown Retirement Income Plan - General Town Employees
- Police Department Pension Plan - Police Employees

General Town Employees

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

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

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JUNE 30, 2025

accrued benefit is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date. Disabled employees are entitled to receive normal pension benefits based on service and final pay at the time of disability.

Police Employees

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

Benefits Provided - All policemen who work more than 20 hours per week and 5 months per calendar year are eligible to participate in the plan. All employees are 100% vested after 10 years of continuous service. The retirement benefit is 2.5% (2.0% if hired after April 15, 2014) of final earnings per year of credited service, less 17.5% of social security. Final earnings are defined as the average earnings received in the last three full calendar years before retirement date. A temporary retirement annuity equal to 17.5% of the social security benefit shall be paid from normal retirement date at age 65. The normal retirement age is 55 or 25 years of service. An employee may accumulate up to 30 years of service. For early retirement, age 50 with 10 years of service, the normal benefit accrued is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date.

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

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

Plan Membership

As of the date of the latest actuarial valuation (January 1, 2024), membership consisted of the following:

	<u>Town Plan</u>	<u>Police Plan</u>
Inactive plan members or beneficiaries receiving payments	132	38
Inactive plan members entitled but not yet receiving payments	23	1
Active Members	59	37
	<u>214</u>	<u>76</u>

Contribution Policy

The contribution requirements of plan members are established and may be amended by the Town Council, subject to union contract negotiation. Plan members of the Town of Watertown Retirement Income Plan are required to contribute 3% of their salary up to \$7,800 plus 4.5% of their salary in excess of \$7,800, except for Highway Division employees who are required to contribute 7.1% of their salary up to \$7,800 plus 7.6% of their salary in excess of \$7,800. Plan members of the Police Benefit fund are required to contribute 6.25% of their earnings. The Town is required to contribute the remaining amounts necessary to finance administrative costs and benefits for its employees.

TOWN OF WATERTOWN, CONNECTICUT
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JUNE 30, 2025

Funding Policy

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

Summary of Significant Accounting Policies

Basis of Accounting - The Town of Watertown Pension Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the plan and additions/deductions to/from the Town's fiduciary net position have been determined on the same basis as they are reported by the Town's Pension Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The value of the Guaranteed Deposit account for the calculation of plan net position and the net pension liability is as of the valuation date (January 1, 2024). In the fiduciary fund financial statements, the Guaranteed Deposit account is recorded at fair value as of June 30, 2025, which is the reason for the difference in value reported in the Pension Trust Funds versus the notes to the financial statements.

Investment Policy

The Town's pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Town Manager at any time. It is the policy of the Town Manager to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the asset allocation policies of the pension plans as of June 30, 2025:

Town Plan		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	31%	5.05%
Small cap equity	8%	6.05%
Mid cap equity	4%	5.80%
International equity	12%	5.10%
Fixed income	24%	3.35%
Real estate	5%	4.60%
Stable value	16%	1.85%
	100%	
Long-Term Inflation Expectation		2.65%
Long-Term Expected Investment Return		7.00%

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Police Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	26%	5.05%
Small cap equity	7%	6.05%
Mid cap equity	7%	5.80%
International equity	10%	5.10%
Fixed income	27%	3.35%
Real estate	5%	4.60%
Stable value	18%	1.85%
	100%	
Long-Term Inflation Expectation		2.65%
Long-Term Expected Investment Return		7.00%

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 Empower Retirement, to the asset allocation strategy of the Plan using a building block approach. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation.

Calculation of Money-Weighted Rate of Return

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

Town - Net money-weighted rate of return for the year ended June 30, 2025 - 12.4%

Police - Net money-weighted rate of return for the year ended June 30, 2025 - 11.4%

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2025, were as follows:

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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	Town Plan	Police Plan
Total pension liability	\$ 31,342,886	\$ 41,651,986
Plan fiduciary net position	28,076,206	31,783,547
Net pension liability (asset)	3,266,680	9,868,439
Plan fiduciary net position as a percentage of total pension liability	89.58%	76.31%
Covered payroll	3,906,390	4,075,149
Net pension liability as a % of covered payroll	83.62%	242.16%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2024, valuation and projected forward to a measurement date of June 30, 2025:

Valuation timing	Actuarially determined contribution rates are calculated as of January 1, 2024, 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
Inflation	2.65%
Payroll growth	Town - 2.5% Police - 2.75%
Investment rate of return	Town - 7.00% net of investment and contract fees Police - 7.00% net of investment and contract fees
Retirement age	Town - The earlier of age 55 with 25 years of service or age 65 Police - Age 55 or the completion of 25 years, if later
Post-retirement mortality	Town - RP-2014 Blue Collar Mortality Table Police - RP-2014 Blue Collar Mortality Table with Scale MP-2014

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

Discount Rate

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

TOWN OF WATERTOWN, CONNECTICUT
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Sensitivity Analysis

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town Plan Net Pension Liability	\$ 6,737,084	\$ 3,266,680	\$ 1,281,832
Police Plan Net Pension Liability	\$ 15,938,536	\$ 9,868,439	\$ 7,746,069

Funded Status and Funding Progress

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. The changes in the Net Pension Liability for the year ended June 30, 2025, were:

<u>Town Pension Plan</u>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance beginning of year	\$ 30,998,955	\$ 26,491,062	\$ 4,507,893
Charges for the year			
Service cost	326,101	-	326,101
Interest	2,099,411	-	2,099,411
Differences between expected and actual experience	150,294	-	150,294
Employer contributions	-	543,513	(543,513)
Employee contributions	-	192,688	(192,688)
Net investment income	-	3,142,134	(3,142,134)
Benefit payments	(2,231,875)	(2,231,875)	-
Administrative expenses	-	(61,316)	61,316
Net changes	343,931	1,585,144	(1,241,213)
Balance end of year	\$ 31,342,886	\$ 28,076,206	\$ 3,266,680
Plan fiduciary net position as a percentage of the total pension liability			89.58%
Covered-employee payroll			\$ 3,906,390
Net pension liability as a percentage of covered-employee payroll			83.62%

TOWN OF WATERTOWN, CONNECTICUT
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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<u>Police Pension Plan</u>			
Balance beginning of year	\$ 37,948,650	\$ 28,936,889	\$ 9,011,761
Charges for the year			
Service cost	654,535	-	654,535
Interest	2,590,487	-	2,590,487
Differences between expected and actual experience	2,553,791	-	2,553,791
Employer contributions	-	1,484,120	(1,484,120)
Employee contributions	-	302,651	(302,651)
Net investment income	-	3,201,607	(3,201,607)
Benefit payments	(2,095,477)	(2,095,477)	-
Administrative expenses	-	(46,243)	46,243
Net changes	3,703,336	2,846,658	856,678
Balance end of year	\$ 41,651,986	\$ 31,783,547	\$ 9,868,439
Plan fiduciary net position as a percentage of the total pension liability			76.31%
Covered-employee payroll			\$ 4,075,149
Net pension liability as a percentage of covered-employee payroll			242.16%

For the year ended June 30, 2025, the total pension expense recognized was \$404,281 for the Town plan and \$1,279,276 for the Police plan. As of June 30, 2025, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
<u>Town Plan</u>			
Net differences between projected and actual earnings	\$ 132,546	\$ -	\$ (132,546)
Differences between expected and actual experience	1,030,410	1,926,040	895,630
Total Town Plan	\$ 1,162,956	\$ 1,926,040	\$ 763,084
<u>Police Plan</u>			
Net differences between projected and actual earnings	\$ 2,336,258	\$ 454,326	\$ (1,881,932)
Differences between expected and actual experience	1,042,961	1,720,804	677,843
Total Police Plan	\$ 3,379,219	\$ 2,175,130	\$ (1,204,089)

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Amounts reported as deferred outflows and inflows of resources will be recognized as a component of pension expense in future years as follows:

Year ended June 30,	Town Plan	Police Plan	Total
2026	\$ (583,979)	\$ (1,096,536)	\$ (1,680,515)
2027	578,977	175,669	754,646
2028	497,334	40,417	
2029	270,751	(249,258)	21,493
2030	-	(74,381)	(74,381)
	<u>\$ 763,083</u>	<u>\$ (1,204,089)</u>	<u>\$ (978,757)</u>

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM (MERS)

Plan Description

The Town is a member of the Connecticut Municipal Employees Retirement System (CMERS) which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. CMERS is a cost-sharing defined benefit pension plan administered by the Connecticut State Retirement Commission. The Connecticut State Retirement Commission is responsible for the administration of CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees Retirement System (CMERS). This designation may be the result of collective bargaining. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full-time employees of participating departments except Police and Fire hired after age 60.

The plan has four sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

Benefit Provisions

The plan provides retirement, disability, and death benefits as defined in the Statutes.

General Employees

Employees are eligible to retire at age 55 with 5 years of continuous active service, or 15 years of active non-continuous service. Employees under the age of 55 are eligible to retire with 25 years of service.

TOWN OF WATERTOWN, CONNECTICUT
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Police Officers and Firefighters

Compulsory retirement age for police and fire members is age 65.

Normal Retirement- For members not covered by social security, the benefit is 2% of average final compensation time years of service.

For members covered by social security, the benefit is 1.5 of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is both 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement- Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement- Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit of 50% of compensation at the time of disability.

Employees are eligible for non-service related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

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

On June 7, 2023, House Bill 6930, an Act Concerning the Development of Best Practices for Governance Structures of Municipal Retirement Plans, was passed by the Connecticut Legislature on. The following is a summarization of future changes in benefit provisions.

- A five-year phase-out of the Cost-Of-Living-Adjustment (COLA) floor from the existing 2.5% to 0%, which reduces the floor by 0.5% each year for future retirees, beginning July 1, 2025, reducing to 0% on July 1, 2029. Subject to the COLA floors outlined above, for years in which inflation (as measured by the CPI-W) increases by 2% or less, the MERS COLA will track inflation directly. For those years in which inflation increases by 2% or more, the COLA will be 60% of the inflation rate up to 6.0%, and 75% of the inflation rate in excess of 6.0% with a maximum COLA of 7.5%.

TOWN OF WATERTOWN, CONNECTICUT
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- Beginning July 1, 2025, the benefit formula multiplier will increase to 2.2% (1.7% for Social Security covered eligible participants) based on the following eligibility:
 - General Employees: Beginning for service at age 60 with at least 30 years of service.
 - Police and Fire: Beginning for service at age 55 with at least 27 years of service.
 - Beginning July 1, 2025, a Deferred Retirement Option Plan (DROP), capped at five years of participation in the program, will be offered based on the following eligibility:
 - General Employees: at age 60 with 30 years of service OR at age 62 with 5 years of service.
 - Police and Fire: at age 55 with 25 years of service; at age 57 with 5 years of service; or at any age with 30 years of service.
 - Upon entering DROP, the member contribution rate is reduced to half. After 24 months of DROP participation, the member contribution rate is reduced to 0%.
 - Beginning annually at the 2nd anniversary of the member's DROP entry, the DROP account is credited with interest at a not to exceed 4%. Interest is also credited at the 3rd, 4th, and 5th anniversary date of DROP entry.
 - Pension amount will not increase with annual COLAs while participating in DROP. Once member exits DROP, future COLAs will be determined based on the provisions in effect at the time the member entered the DROP.

Contributions

Contributions are established by the Statutes as follows:

Employer: Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. There is also an annual administrative fee per active & retired member.

Employees: Employees not covered by social security are required to contribute 6.0% of compensation. Employees covered by social security are required to contribute 3.25% of compensation up to the social security taxable wage base plus 6.0% of compensation, if any, in excess of such base.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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Investment policy

The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related To Pensions

The total estimated collective net pension liability of the CMERS as of June 30, 2024, was \$1,312,266,202, the most recent available reporting provided by the Board. The collective net pension liability of the CMERS sub plan for general employees with social security was \$419,281,212 as of June 30, 2024. The portion that was associated with the Town totaled \$713,923 or approximately .170% of the total estimated net pension liability vs. .244% in the prior year. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024.

For the Year ended June 30, 2025, the Town recognized its total proportional share of the collective pension expenses of approximately \$64,585. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description of Outflows/Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,507	\$ 12,895
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,115	297,721
Change of Assumptions	81,205	-
Net differences between projected and actual earnings on plan investments	-	-
Town contributions subsequent to measurement date	<u>104,031</u>	<u>-</u>
Total	<u>\$ 285,858</u>	<u>\$ 310,616</u>
Net amount of deferred inflow and outflow excluding District contributions subsequent to measurement date	<u>\$ (128,789)</u>	

The \$104,031 amount reported as deferred inflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF WATERTOWN, CONNECTICUT
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<u>Fiscal Year Ending June 30</u>	
2026	\$ (26,889)
2027	37,064
2028	(70,118)
2029	(59,910)
2030	(8,936)
Total	<u>\$ (128,789)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement period:

- Inflation - 2.5%
- Long- Term Investment Rate of Return, net of investment expense, including inflation 7.00%
- Salary increase - 3.50 -9.50%, including inflation
- Mortality rates - The Pub-2010 Mortality Tables set-forward one year (except Active Employees) are projected generationally with scale MP-2021.
- Future Cost-of-Living Annually compounded increases are applied to disabled and nondisabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.25% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001, increases of 2.55% are assumed, regardless of age. For members retiring between July 1, 2025, and June 30, 2026, the COLA assumption is 2.5%. The COLA assumption is reduced to 2.3% for members retiring between July 1, 2026, and June 30, 2027; 2.1% for members retiring between July 1, 2027, and June 30, 2028; and 2.0% for members retiring after July 1, 2028.

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2024, are summarized in the following table:

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Asset Class	Allocation	Long-Term Target Expected Real Rate of Return
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core Fixed Income	13.0%	0.4%
Liquidity Fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real Estate	10.0%	6.3%
Infrastructure & Natural Resources	7.0%	7.7%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarial 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of The Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportional share of the net pension liability	\$ 1,024,085	\$ 713,923	\$ 452,586

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of June 30, 2024, the average of the expected remaining service lives of all employees calculated by our external actuaries is 5.21 years.

TOWN OF WATERTOWN, CONNECTICUT
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Additional Financing and Actuarial Information

The net pension liability, pension expense and deferred outflows and inflows of resources presented in this report have been determined based on CMERS' fiduciary net position included in the State of Connecticut ACFR as of and for the year ended June 30, 2024, which was audited by the State of Connecticut Auditors of Public Accounts. CMERS is included in the State of Connecticut's ACFR as a pension trust fund.

Additional financial information supporting the preparation of the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer (including the disclosure of the net pension liability (asset) and the unmodified audit opinion on the State of Connecticut's financial statements) is located in the State of Connecticut's ACFR for the fiscal year ended June 30, 2024. The State of Connecticut ACFR is available at www.osc.ct.gov/reports. The supporting actuarial information is included in the June 30, 2024, GASB Statements No. 68 Report for the Connecticut Municipal Employees' Retirement System. The additional financial and actuarial information is available at www.osc.ct.gov/rbsd/cmers/plandoc or by contacting the Connecticut Municipal Employees Retirement System at: 55 Elm Street, Hartford, CT 06106, by e-mailing osc.generalinfo@cmers.ct.gov or by calling (860) 702-3480.

DEFINED CONTRIBUTION PLAN

As of July 1, 2015, eligible on-call firefighters are eligible to participate in a Defined Contribution retirement plan (Town of Watertown FF 401a) administered by the Town. The Town contributed \$80,000 to this plan during the year ended June 30, 2025. Participants are 100% vested and are not required to contribute.

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

Benefit Provisions

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

Normal Retirement

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

Early Retirement

Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year

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for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Minimum Benefit

Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full-time Connecticut service at retirement.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service-related disability. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this Plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A Plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit

The System also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are amended and certified by the TRB and appropriated by the General Assembly.

Employer (School Districts)

School district employers are not required to make contributions to the Plan, as contributions are required only from employees and the State. The statutes require the state of Connecticut to contribute 100% of each school district's required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2025, the Town recognized benefits expense and contribution revenue of \$7,616,491 in the governmental funds for on behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$8,863,174 for pension expense and revenue for on-behalf amounts for the benefits provided by the State.

Employees

Effective July 1, 1992, each teacher was required to contribute 6% of pensionable salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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Pension Liabilities, Pension Expenses, and Deferred Inflows/Outflows of Resources

At June 30, 2024, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the state pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportional share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	77,271,216
Total	<u>\$ 77,271,216</u>

The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. As of June 30, 2024, the Town has no proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, with a reporting date of June 30, 2024, using the following key actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 Percent
Salary increases, including inflation	3.00-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	6.90 Percent

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

Assumption changes since the prior year are as follows:

There were no changes in assumptions that affected the measurement of the TPL since the prior measurement date.

Benefit changes since the prior year are as follows:

There were no changes in benefit provisions that affected the measurement of the TPL since the prior measurement date.

Cost of Living Allowance

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

TOWN OF WATERTOWN, CONNECTICUT
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TRS after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.4%
Developed Market International Stock Fund	11.0%	6.4%
Emerging Market International Stock Fund	9.0%	8.6%
Core Fixed Income Fund	13.0%	0.8%
Emerging Market Debt Fund	5.0%	3.8%
High Yield Bond Fund	3.0%	3.4%
Real Estate Fund	19.0%	5.2%
Private Equity	10.0%	9.4%
Private Credit	5.0%	6.5%
Alternative Investments	3.0%	3.1%
Liquidity Fund	2.0%	-0.4%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the 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 pension plan investments was applied to all long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$0, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

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Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

TOWN PLAN OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town accounts for activity relating to two other post-employment benefit plans, The Retiree Welfare Plan and the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2024, the plans had the following balances reported in the Town's government-wide financial statements:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenue	OPEB Expense
Retiree Welfare Plan	\$ 75,747,752	\$ 10,780,110	\$ 13,876,548	\$ -	\$ (16,451,854)
Connecticut Teachers' Retirement System	-	-	-	106,638	106,638
	<u>\$ 75,747,752</u>	<u>\$ 10,780,110</u>	<u>\$ 13,876,548</u>	<u>\$ 106,638</u>	<u>\$ (16,345,216)</u>

Retiree Welfare Plan

Plan Description

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

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

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Funding Policy

All retired program members receiving benefits are required to contribute up to 12% of premiums for medical (teachers & BOE administrators pay 100% of premiums). Life insurance is 100% employer insurance. The percentage contribution of the employees and retirees for these benefits varies and are detailed in the Town's various bargaining agreements. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The Town does not expect to contribute beyond the pay-as-you-go payments in the future. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. For the 2025 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$2,925,051.

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	213
Active plan members	<u>603</u>
	<u>816</u>

Total OPEB Liability: The Town's total OPEB liability of \$75,747,752 was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the July 1, 2024, valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2025
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Value of Assets	Fair Value
Discount Rate	4.81% (previously 4.21%)
Salary Increases	3.00%
Inflation	2.50%
Municipal Bond Rate	4.81% (previously 4.21%)
Mortality Rates	PubG-2010 Mortality Table for Employees projected generationally with Scale MP-2020 for males and females
Healthcare Cost Trend Rates	5.00% in 2024, decreasing to an ultimate rate of 3.63% in 2060 and beyond

Changes of assumptions included a change in the discount rate and mortality tables as noted above.

The changes in the Net OPEB Liability for the year ended June 30, 2025, were:

TOWN OF WATERTOWN, CONNECTICUT
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JUNE 30, 2025

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 93,827,776	\$ 1,449	\$ 93,826,327
Charges for the year			
Service cost	3,292,060	-	3,292,060
Interest	4,027,808	-	4,027,808
Changes in Benefit Terms	(19,526,978)		(19,526,978)
Changes in assumptions or other inputs	(84,288)	-	(84,288)
Differences between expected and actual experience	(2,863,575)	-	(2,863,575)
Net investment income	-	127	(127)
Employer contributions	-	2,925,051	(2,925,051)
Benefit payments including implicit costs	(2,925,051)	(2,925,051)	-
Net changes	(18,080,024)	127	(18,080,151)
Balance at June 30, 2024	\$ 75,747,752	\$ 1,576	\$ 75,746,176

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.81%) or 1-percentage-point higher (5.81%) than the current discount rate:

	1% Decrease (3.81%)	Current Discount (4.81%)	1% Increase (5.81%)
Total OPEB Liability	\$ 87,719,880	\$ 75,746,176	\$ 66,119,762

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 64,680,521	\$ 75,746,176	\$ 89,831,226

OPEB Expense: For the year ended June 30, 2025, the Town recognized an OPEB expense reduction of \$(16,451,854). As of June 30, 2025, deferred outflows and inflows of resources related to OPEB are reported as follows:

TOWN OF WATERTOWN, CONNECTICUT
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JUNE 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Net difference between projected and actual earnings	\$ -	\$ 111	\$ (111)
Difference between expected and actual experience	6,702,175	4,031,386	2,670,789
Changes in assumptions	4,077,935	9,845,051	(5,767,116)
Total	<u>\$ 10,780,110</u>	<u>\$ 13,876,548</u>	<u>\$ (3,096,438)</u>

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

Year Ended June 30,	
2026	\$ (1,659,295)
2027	(2,073,313)
2028	128,847
2029	1,478,364
2030	(549,916)
Thereafter	(421,125)
	<u>\$ (3,096,438)</u>

CONNECTICUT STATE TEACHERS' OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools, plus professional employees at state schools of higher education, are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit Provisions

There are two types of health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer, and the CTRB Sponsored Medicare Supplement Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$220 per month for a retired member plus an additional \$220 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, and any remaining portion is used to offset the district's cost. The subsidy amount is set by statute.

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

A subsidy amount of \$440 per month may be paid for a retired member, spouse, or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost and contributes at least \$440 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option must wait two years to re-enroll.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$220 monthly subsidy or participate in the TRB-Sponsored Medicare Supplement Plans, as long as they do not remarry.

Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, state employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Pro-ratable Retirement

Age 60 with 10 years of Credited Service.

TOWN OF WATERTOWN, CONNECTICUT
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JUNE 30, 2025

Disability Retirement

No service requirement if incurred in the performance of duty, and five years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

For the year ended June 30, 2024, the amount of "on-behalf" contributions made by the state was \$106,638 and is recognized in the General Fund as intergovernmental revenues and education expenditures. In the government-wide financial statements, the Town recognized \$219,625 for OPEB expense and revenue for on-behalf amounts for the benefits provided by the State.

OPEB Liabilities, OPEB Expense, and Deferred Inflows/Outflows of Resources Related to OPEB

As of June 30, 2025, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the state pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportional share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	15,850,983
Total	<u>\$ 15,850,983</u>

The net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2024. As of June 30, 2025, the Town has no proportionate share of the net OPEB liability.

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00% to 6.50%
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Municipal bond index rate:	
Measurement date	3.93%
Prior Measurement date	3.65%

The projected fiduciary net position is projected to be depleted in 2027.

Single equivalent interest rate	Single equivalent interest rate
Measurement date	3.64%, net of OPEB plan investment expense, including price inflation.
Prior Measurement date	3.93 %, net of OPEB plan investment expense, including price inflation.
Healthcare cost trends rates	
Medicare	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.5% by 2031.

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

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

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

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

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Asset Class	Target Allocation	Expected 10- Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.00%	1.26%	1.10%
Price Inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		3.75%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection was based on an actuarial valuation performed as of June 30, 2024.

In addition to the actuarial methods and assumptions of the June 30, 2024 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

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

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2027 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

The changes in the assumptions since the prior year are as follows:

- Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2024 was updated to equal the SEIR of 3.93% as of June 30, 2024
- Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience
- Assumed election rates for post-65 retirees between the Local School District Coverage Subsidy and CTRB Sponsored Medical Plans were updated to reflect the recent plan experience. Spouse coverage election assumptions were also updated with this change
- Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans

The changes in the benefit terms since the prior year are as follows:

- There were no changes to benefit terms since the prior Measurement Date.

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate
The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

OPEB Fiduciary Net Position

Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

NOTE 19 ACCOUNTING CHANGES

Change in Accounting Principle

Effective July 1, 2024, the Town implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, beginning net position was not affected.

NOTE 20 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 103, *Financial Reporting Model Improvements*.** The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2025.
- **GASB Statement No. 104, *Disclosure of Certain Capital Assets*.** The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2026.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
GENERAL FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
<u>Revenues:</u>				
Property taxes	\$ 74,244,326	\$ 74,244,326	\$ 74,972,386	\$ 728,060
Intergovernmental	15,338,787	15,338,787	15,065,747	(273,040)
Departmental charges for services	2,346,349	2,346,349	3,378,247	1,031,898
Investment income	420,000	420,000	949,739	529,739
Other Revenues	342,332	342,332	437,210	94,878
Use of fund balance	-	5,213,776	-	(5,213,776)
<u>Total Revenues</u>	<u>92,691,794</u>	<u>97,905,570</u>	<u>94,803,329</u>	<u>(3,102,241)</u>
<u>Expenditures:</u>				
Current:				
General government	4,287,128	4,298,918	3,945,151	353,767
Public safety	7,889,528	8,084,683	7,962,245	122,438
Public works	5,143,023	6,007,560	5,911,125	96,435
Parks and recreation	1,316,906	1,382,462	1,220,777	161,685
Health and welfare	176,772	176,772	175,412	1,360
Education	55,305,902	57,476,216	57,475,616	600
Other	12,182,805	14,089,229	13,966,422	122,807
Debt service	6,389,730	6,389,730	6,016,613	373,117
<u>Total Expenditures</u>	<u>92,691,794</u>	<u>97,905,570</u>	<u>96,673,361</u>	<u>1,232,209</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	(1,870,032)	<u>\$ (1,870,032)</u>
<u>Net difference Budgetary vs GAAP Basis Change in</u>				
<u>Encumbrances</u>			(223,786)	
<u>Net Change In Fund Balance</u>			(2,093,818)	
<u>Fund Balances - Beginning of Year</u>			11,430,797	
<u>Fund Balances - End of Year</u>			<u>\$ 9,336,979</u>	

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>Property Taxes</u>				
Current year	\$ 73,368,326	\$ 73,368,326	\$ 73,285,096	\$ (83,230)
Prior years	550,000	550,000	1,044,310	494,310
Interest and lien fees	325,000	325,000	642,595	317,595
Scholarship fund	1,000	1,000	385	(615)
<u>Total Property Taxes</u>	<u>74,244,326</u>	<u>74,244,326</u>	<u>74,972,386</u>	<u>728,060</u>
<u>Intergovernmental</u>				
State of Connecticut Education				
Nonpublic health and social services	43,674	43,674	42,031	(1,643)
Equalization (ECS)	12,747,426	12,747,426	12,323,183	(424,243)
Total State of Connecticut Education	12,791,100	12,791,100	12,365,214	(425,886)
Federal and State of Connecticut Other				
PILOT State property	488,617	488,617	488,617	-
Mashantucket Pequot	11,631	11,631	11,631	-
Elderly tax relief	2,700	2,700	2,437	(263)
Tax relief for veterans	22,411	22,411	20,030	(2,381)
Motor vehicle cap reimbursement	1,322,647	1,322,647	1,322,647	-
FEMA Reimbursement	-	-	155,640	155,640
Early Voting Grant	-	-	7,033	7,033
Telephone access	57,400	57,400	50,217	(7,183)
Municipal aid	642,281	642,281	642,281	-
Total Federal and State of Connecticut Other	2,547,687	2,547,687	2,700,533	152,846
<u>Total Intergovernmental</u>	<u>15,338,787</u>	<u>15,338,787</u>	<u>15,065,747</u>	<u>(273,040)</u>
<u>Departmental</u>				
Local Revenues				
Communication tower rental	180,028	180,028	205,368	25,340
Municipal Nips fees	15,371	15,371	-	(15,371)
Equipment and scrap sales	2,000	2,000	1,301	(699)
Scrap iron, oil, glass	18,000	18,000	18,085	85
Miscellaneous town clerk fees	50,000	50,000	48,880	(1,120)
Miscellaneous fishing and hunting	8,000	8,000	6,053	(1,947)
Town clerk dog licenses	5,000	5,000	9,165	4,165
Conveyance tax	280,000	280,000	349,032	69,032
Town clerk recording fees	180,000	180,000	88,153	(91,847)
Assessor photocopies	200	200	116	(84)
Supplemental dog licenses	600	600	750	150
Supplemental marriage licenses	2,200	2,200	2,448	248
Animal population control	1,500	1,500	2,946	1,446
3-LOCIP preservation	7,500	7,500	6,562	(938)
Pool fees	7,500	7,500	9,585	2,085
Damage claims and settlements	5,000	5,000	1,539	(3,461)
Miscellaneous local revenue	35,000	35,000	272,980	237,980
Town vehicle use	700	700	699	(1)
Transfer station fees	100,000	100,000	69,080	(30,920)
Landfill fees	14,000	14,000	15,030	1,030
<u>Total Local Revenues</u>	<u>912,599</u>	<u>912,599</u>	<u>1,107,772</u>	<u>195,173</u>

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>Departmental</u>				
Permits and Fees				
Zoning board of appeals	3,000	3,000	900	(2,100)
Planning and zoning	11,000	11,000	26,956	15,956
Zoning compliance fees	36,000	36,000	33,890	(2,110)
Soil/Water state fees	22,000	22,000	21,510	(490)
Inland - Wetlands	8,500	8,500	2,860	(5,640)
Building permits	350,000	350,000	527,763	177,763
Building inspection education fee	5,000	5,000	10,585	5,585
Blasting permits	400	400	1,080	680
Street opening permits	5,000	5,000	4,950	(50)
Miscellaneous permits and fees	500	500	69,421	68,921
Total Permits and Fees	441,400	441,400	699,915	258,515
Police				
Parking tickets	2,000	2,000	4,785	2,785
Pistol permits	12,000	12,000	8,400	(3,600)
Police reports	5,500	5,500	3,271	(2,229)
Solicitor permits	2,200	2,200	3,604	1,404
Bingo and raffle	650	650	785	135
Alarm charges	15,500	15,500	22,100	6,600
Police services	847,000	847,000	1,292,187	445,187
Miscellaneous - police	80,500	80,500	210,019	129,519
Animal control fees	1,000	1,000	7,160	6,160
Total Police	966,350	966,350	1,552,311	585,961
Board of Education				
Latchkey program	7,000	7,000	-	(7,000)
Miscellaneous school	15,000	15,000	18,249	3,249
Community service reimbursement	4,000	4,000	-	(4,000)
Total Board of Education	26,000	26,000	18,249	(7,751)
<u>Total Departmental</u>	2,346,349	2,346,349	3,378,247	1,031,898
<u>Investment Income</u>	420,000	420,000	949,739	529,739
<u>Other Revenues</u>				
Taft contributions	195,000	195,000	240,000	45,000
Water and sewer administrative charge	97,396	97,396	96,380	(1,016)
Bond reimbursement heritage	49,936	49,936	49,936	-
National opioid settlement	-	-	45,894	45,894
Other miscellaneous revenue	-	-	5,000	5,000
<u>Total Other Revenues</u>	342,332	342,332	437,210	94,878
<u>Other Financing Sources</u>				
Use of fund balance	-	4,673,387	-	(4,673,387)
<u>Total Other Financing Sources</u>	-	4,673,387	-	(4,673,387)
<u>Total Revenues and Other Financing Sources</u>	\$ 92,691,794	\$ 97,365,181	\$ 94,803,329	\$ (2,561,852)

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<u>General Government</u>				
Town council	\$ 19,800	\$ 17,700	\$ 3,101	\$ 14,599
Town manager	327,115	328,675	338,665	(9,990)
Finance department	683,293	694,277	688,118	6,159
Tax collector	251,587	251,587	249,821	1,766
Assessor	238,759	244,226	250,185	(5,959)
Town clerk	239,815	236,320	230,487	5,833
Elections	137,315	152,344	117,148	35,196
Planning and zoning	350,787	359,008	320,088	38,920
Zoning board of appeals	3,980	2,495	3,546	(1,051)
Conservation commission	4,750	4,450	3,650	800
Public buildings	998,856	948,447	900,417	48,030
Building inspections	234,028	245,507	183,235	62,272
Information technology	608,120	621,131	471,245	149,886
Economic development	58,162	58,162	47,515	10,647
Human resources	129,786	133,614	137,930	(4,316)
Historic district	975	975	-	975
<u>Total General Government</u>	<u>4,287,128</u>	<u>4,298,918</u>	<u>3,945,151</u>	<u>353,767</u>
<u>Public Safety</u>				
Fire department administration	295,935	295,935	287,890	8,045
Fire department suppression and rescue	537,234	539,984	500,791	39,193
Fire department maintenance and support	311,664	361,514	320,701	40,813
Police department administration	670,442	674,808	652,084	22,724
Police department patrol and detectives	4,901,202	5,064,846	5,067,796	(2,950)
Police department maintenance and support	214,041	211,083	204,364	6,719
Police department traffic	8,440	9,356	7,855	1,501
Police department animal control	123,405	123,024	120,263	2,761
Police department communications	827,165	804,133	800,501	3,632
<u>Total Public Safety</u>	<u>7,889,528</u>	<u>8,084,683</u>	<u>7,962,245</u>	<u>122,438</u>
<u>Health and Welfare</u>				
Social services	44,000	44,000	46,044	(2,044)
Health services	132,772	132,772	129,368	3,404
<u>Total Health and Welfare</u>	<u>176,772</u>	<u>176,772</u>	<u>175,412</u>	<u>1,360</u>
<u>Miscellaneous</u>				
Centralized services	1,009,456	897,122	854,189	42,933
Legal	167,600	265,131	265,131	-
Employee benefits	8,512,245	9,770,091	9,440,522	329,569
Non-Town agencies	2,269,208	2,961,830	3,216,837	(255,007)
Reserve - wage and benefit	189,296	189,296	183,984	5,312
Reserve - contingency	35,000	5,759	5,759	-
<u>Total Miscellaneous</u>	<u>12,182,805</u>	<u>14,089,229</u>	<u>13,966,422</u>	<u>122,807</u>

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>Public Works</u>				
Engineering administration	738,453	731,489	715,142	16,347
Highway	3,215,905	4,087,204	4,129,586	(42,382)
Snow removal	522,000	522,000	492,563	29,437
Solid waste disposal	405,829	405,829	315,656	90,173
Street lighting	174,336	174,538	174,538	-
Tree removal	86,500	86,500	83,640	2,860
<u>Total Public Works</u>	<u>5,143,023</u>	<u>6,007,560</u>	<u>5,911,125</u>	<u>96,435</u>
<u>Parks and Recreation</u>				
Parks administration	605,075	640,664	508,279	132,385
Recreation administration	450,073	470,839	481,689	(10,850)
Senior center	261,758	270,959	230,809	40,150
<u>Total Parks and Recreation</u>	<u>1,316,906</u>	<u>1,382,462</u>	<u>1,220,777</u>	<u>161,685</u>
<u>General Fund Debt Service</u>	<u>6,389,730</u>	<u>6,389,730</u>	<u>6,016,613</u>	<u>373,117</u>
<u>Total Town General Fund</u>	<u>37,385,892</u>	<u>40,429,354</u>	<u>39,197,745</u>	<u>1,231,609</u>
<u>Education</u>				
Watertown School district	55,305,902	57,476,216	57,475,616	600
Employee benefits	-	-	-	-
<u>Total Education</u>	<u>55,305,902</u>	<u>57,476,216</u>	<u>57,475,616</u>	<u>600</u>
<u>Total Expenditures</u>	<u>\$ 92,691,794</u>	<u>\$ 97,905,570</u>	<u>\$ 96,673,361</u>	<u>\$ 1,232,209</u>

TOWN OF WATERTOWN, CONNECTICUT
TOWN OF WATERTOWN RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Total pension liability</u>										
Service cost	\$ 326,101	\$ 365,606	\$ 384,032	\$ 449,303	\$ 489,791	\$ 489,375	\$ 505,750	\$ 512,203	\$ 534,404	\$ 488,264
Interest	2,099,411	2,056,737	2,014,843	2,054,893	1,962,282	1,925,606	1,839,139	1,717,052	1,620,129	1,540,877
Changes in benefit terms	-	-	-	41,531	-	-	-	382,996	-	19,822
Differences between expected and actual experience including assumption charges	150,294	451,045	180,805	(1,400,277)	435,826	552,039	302,557	486,806	486,567	107,640
Benefit payments, including refunds	(2,231,875)	(2,300,567)	(1,842,880)	(1,596,461)	(1,534,351)	(1,455,161)	(1,454,437)	(1,377,117)	(1,201,225)	(1,074,321)
Net change in total pension liability	343,931	572,821	736,800	(451,011)	1,353,548	1,511,859	1,193,009	1,721,940	1,439,875	1,082,282
<u>Total pension liability - beginning</u>	30,998,955	30,426,134	29,689,334	30,140,345	28,786,797	27,274,938	26,081,929	24,359,989	22,920,114	21,837,832
<u>Total pension liability - ending</u>	31,342,886	30,998,955	30,426,134	29,689,334	30,140,345	28,786,797	27,274,938	26,081,929	24,359,989	22,920,114
<u>Plan fiduciary net position</u>										
Employer contributions	543,513	578,613	473,913	546,415	721,026	702,930	606,363	538,056	446,566	411,648
Employee contributions	192,688	155,573	172,045	207,516	236,705	254,416	269,484	276,657	300,260	286,125
Net investment income	3,142,134	2,842,832	2,070,984	(3,197,310)	5,935,655	707,707	1,373,185	1,466,341	2,201,418	162,277
Benefit payments	(2,231,875)	(2,300,567)	(1,842,880)	(1,596,461)	(1,534,351)	(1,455,161)	(1,454,437)	(1,377,117)	(1,201,225)	(1,074,321)
Administrative expenses	(61,316)	(70,468)	(89,709)	(51,212)	(58,051)	(53,376)	(54,170)	(55,404)	(60,412)	(71,158)
Net Change in plan fiduciary net position	1,585,144	1,205,983	784,353	(4,091,052)	5,300,984	156,516	740,425	848,533	1,686,607	(285,429)
<u>Plan fiduciary net position - beginning</u>	26,491,062	25,285,079	24,500,726	28,591,778	23,290,794	23,134,278	22,393,853	21,545,320	19,858,713	20,144,142
<u>Plan fiduciary net position - ending</u>	28,076,206	26,491,062	25,285,079	24,500,726	28,591,778	23,290,794	23,134,278	22,393,853	21,545,320	19,858,713
<u>Net pension liability - Ending</u>	\$ 3,266,680	\$ 4,507,893	\$ 5,141,055	\$ 5,188,608	\$ 1,548,567	\$ 5,496,003	\$ 4,140,660	\$ 3,688,076	\$ 2,814,669	\$ 3,061,401
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	89.58%	85.46%	83.10%	82.52%	94.86%	80.91%	84.82%	85.86%	88.45%	86.64%
<u>Covered-employee payroll</u>	\$ 3,906,390	\$ 4,391,729	\$ 4,842,259	\$ 5,066,634	\$ 5,773,751	\$ 5,689,468	\$ 6,167,542	\$ 6,249,539	\$ 6,363,036	\$ 6,326,497
<u>Net pension liability as a percentage of covered employee payroll</u>	83.62%	102.65%	106.17%	102.41%	26.82%	96.60%	67.14%	59.01%	44.23%	48.39%

TOWN OF WATERTOWN, CONNECTICUT
TOWN OF WATERTOWN RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS TO THE DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Actuarially determined employer contribution</u>	\$ 543,513	\$ 578,613	\$ 473,913	\$ 546,415	\$ 721,026	\$ 702,930	\$ 606,363	\$ 538,056	\$ 446,566	\$ 411,648
<u>Contributions in relation to the actuarially determined contribution</u>	543,513	578,613	473,913	546,415	721,026	702,930	606,363	538,056	446,566	411,648
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered-employee payroll</u>	\$3,906,390	\$4,391,729	\$4,842,259	\$5,066,634	\$5,773,751	\$5,689,468	\$6,167,542	\$6,249,539	\$6,363,036	\$6,326,497
<u>Contributions as a percentage of covered-employee payroll</u>	13.91%	13.18%	9.79%	10.78%	12.49%	12.35%	9.83%	8.61%	7.02%	6.51%

Notes to Schedule

Most recent valuation date

Measurement date

Methods and assumptions used to determine the contribution rates:

Actuarial cost method

Amortization method

Remaining amortization period

Asset valuation method

Salary increases

Investment rate of return

Retirement age

Mortality rates

January 1, 2024

June 30, 2025

Entry Age Normal Actuarial Cost Method

Level Cost

20 years

5-year Smoothed 80%/120% Corridor

3.50%

7.00%

Highway division - Earlier of age 55 with 25 years of service or age 65

All other divisions - Age 65, participants at or beyond this age are eligible to retire immediately

RP-2014 Blue Collar Mortality Table with no projection scale

TOWN OF WATERTOWN, CONNECTICUT
TOWN OF WATERTOWN RETIREMENT PLAN
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return net of investment expense	12.40%	11.60%	8.70%	11.40%	25.80%	3.10%	6.20%	6.90%	11.20%	80.00%

TOWN OF WATERTOWN, CONNECTICUT
TOWN OF WATERTOWN POLICE DEPARTMENT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Total pension liability</u>										
Service cost	\$ 654,535	\$ 643,340	\$ 665,179	\$ 612,962	\$ 606,483	\$ 570,722	\$ 552,159	\$ 538,120	\$ 471,622	\$ 457,058
Interest	2,590,487	2,547,242	2,505,789	2,327,069	2,247,120	2,126,767	2,060,519	2,039,799	1,836,955	1,652,133
Differences between expected and actual experience including assumption charges	2,553,791	(402,831)	(590,080)	1,414,471	(23,741)	1,288,416	(124,552)	(423,677)	1,705,330	1,606,784
Benefit payments, including refunds	(2,095,477)	(2,248,229)	(1,905,272)	(1,700,890)	(1,675,015)	(1,584,352)	(1,539,580)	(1,404,319)	(1,294,672)	(1,181,881)
<u>Net change in total pension liability</u>	3,703,336	539,522	675,616	2,653,612	1,154,847	2,401,553	948,546	749,923	2,719,235	2,534,094
<u>Total pension liability - beginning</u>	37,948,650	37,409,128	36,733,512	34,079,900	32,925,053	30,523,500	29,574,954	28,825,031	26,105,796	23,571,702
<u>Total pension liability - ending</u>	41,651,986	37,948,650	37,409,128	36,733,512	34,079,900	32,925,053	30,523,500	29,574,954	28,825,031	26,105,796
<u>Plan fiduciary net position</u>										
Employer contributions	1,484,120	1,154,193	1,131,906	1,254,215	1,165,983	1,177,609	983,828	980,141	981,681	875,571
Employee contributions	302,651	288,585	264,191	256,429	268,674	262,156	243,012	252,446	247,888	226,756
Net investment income	3,201,607	2,920,326	1,958,634	(3,218,935)	5,854,791	641,315	1,261,265	1,316,031	1,931,673	180,904
Benefit payments	(2,095,477)	(2,248,229)	(1,905,272)	(1,700,890)	(1,675,015)	(1,584,352)	(1,539,580)	(1,404,319)	(1,294,672)	(1,181,881)
Administrative expenses	(46,243)	(63,332)	(48,078)	(30,954)	(26,879)	(29,035)	(27,665)	(27,680)	(28,923)	(34,663)
<u>Net Change in plan fiduciary net position</u>	2,846,658	2,051,543	1,401,381	(3,440,135)	5,587,554	467,693	920,860	1,116,619	1,837,647	66,687
<u>Plan fiduciary net position - beginning</u>	28,936,889	26,885,346	25,483,965	28,924,100	23,336,546	22,868,853	21,947,993	20,831,374	18,993,727	18,927,040
<u>Plan fiduciary net position - ending</u>	31,783,547	28,936,889	26,885,346	25,483,965	28,924,100	23,336,546	22,868,853	21,947,993	20,831,374	18,993,727
<u>Net pension liability - Ending</u>	\$ 9,868,439	\$ 9,011,761	\$ 10,523,782	\$ 11,249,547	\$ 5,155,800	\$ 9,588,507	\$ 7,654,647	\$ 7,626,961	\$ 7,993,657	\$ 7,112,069
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	76.31%	76.25%	71.87%	69.38%	84.87%	70.88%	74.92%	74.21%	72.27%	72.76%
<u>Covered-employee payroll</u>	\$ 4,075,149	\$ 3,264,060	\$ 3,342,383	\$ 3,511,018	\$ 3,308,561	\$ 3,299,771	\$ 3,387,490	\$ 3,368,353	\$ 3,460,441	\$ 3,220,197
<u>Net pension liability as a percentage of covered employee payroll</u>	242.16%	276.09%	314.86%	320.41%	155.83%	290.58%	225.97%	226.43%	231.00%	220.86%

TOWN OF WATERTOWN, CONNECTICUT
TOWN OF WATERTOWN POLICE DEPARTMENT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS TO THE DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Actuarially determined employer contribution</u>	\$1,484,120	\$1,154,193	\$1,131,906	\$1,254,215	\$1,165,983	\$1,177,609	\$ 983,828	\$ 980,141	\$ 981,681	\$ 875,571
<u>Contributions in relation to the actuarially determined contribution</u>	1,484,120	1,154,193	1,131,906	1,254,215	1,165,983	1,177,609	983,828	980,141	981,681	875,571
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered-employee payroll</u>	\$4,075,149	\$3,264,060	\$3,342,383	\$3,511,018	\$3,308,561	\$3,299,771	\$3,387,490	\$3,368,353	\$3,460,441	\$3,220,197
<u>Contributions as a percentage of covered-employee payroll</u>	36.42%	35.36%	33.87%	35.72%	35.24%	35.69%	29.04%	29.10%	28.37%	27.19%

Notes to Schedule

Most recent valuation date	January 1, 2024
Measurement date	June 30, 2025
Methods and assumptions used to determine the contribution rates:	
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level Cost
Remaining amortization period	20 years
Asset valuation method	5-year Smoothed 80%/120% Corridor
Salary increases	4.00%
Investment rate of return	7.00%
Retirement age	Age 55 or the completion of 25 years of Service, if later
Mortality rates	RP-2014 Blue Collar Mortality Table with Scale MP-2014

TOWN OF HARWINTON, CONNECTICUT
TOWN OF WATERTOWN POLICE DEPARTMENT PENSION PLAN
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return net of investment expense	11.40%	11.00%	7.80%	11.20%	23.00%	2.90%	5.80%	6.40%	10.20%	1.00%

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018
<u>Total OPEB liability:</u>								
Service cost	\$ 3,292,060	\$ 2,800,818	\$ 2,420,604	\$ 3,644,061	\$ 3,389,770	\$ 2,831,861	\$ 2,155,078	\$ 1,841,510
Interest	4,027,808	3,813,802	3,048,429	2,175,208	2,428,290	2,375,885	2,483,561	2,080,341
Changes in Benefit Terms	(19,526,978)	-	-	-	-	-	-	-
Differences between expected and actual experience	(2,863,575)	(917,283)	11,754,061	(24,573,183)	(7,060,630)	(1,098,876)	(7,548,927)	7,851,771
Changes of assumptions	(84,288)	(2,711,014)	2,711,014	(24,573,183)	11,841,332	-	14,832,443	-
Benefit payments, including implicit cost	(2,925,051)	(2,796,957)	(2,217,450)	(2,122,597)	(2,827,249)	(2,695,875)	(2,542,856)	(1,906,242)
<u>Net change in OPEB liability:</u>	(18,080,024)	2,900,380	17,716,658	(20,876,511)	7,771,513	1,412,995	9,379,299	9,867,380
<u>Total OPEB liability - beginning</u>	93,827,776	90,927,396	73,210,738	94,087,249	86,315,736	84,902,741	75,523,442	63,114,489
<u>Total OPEB liability - ending</u>	75,747,752	93,827,776	90,927,396	73,210,738	94,087,249	86,315,736	84,902,741	72,981,869
<u>Plan fiduciary net position</u>								
Employer contributions	2,925,051	2,796,957	2,217,450	2,122,597	2,287,249	2,695,875	2,542,856	1,906,242
Net investment income	127	6	1	1	1	1	14	7
Benefit payments, including implicit cost	(2,925,051)	(2,796,957)	(2,217,450)	(2,122,597)	(2,287,249)	(2,695,875)	(2,542,856)	(1,906,242)
Administrative expense and other	-	-	(5)	-	-	-	-	-
<u>Net Change in plan fiduciary net position</u>	127	6	(4)	1	-	1	14	7
<u>Plan fiduciary net position - beginning</u>	1,449	1,443	1,447	1,446	1,446	1,445	1,431	1,409
<u>Plan fiduciary net position - ending</u>	1,576	1,449	1,443	1,447	1,446	1,446	1,445	1,416
<u>Net OPEB liability - ending</u>	\$ 75,746,176	\$ 93,826,327	\$ 90,925,953	\$ 73,209,291	\$ 94,085,803	\$ 86,314,290	\$ 84,901,296	\$ 72,980,453
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Covered-employee payroll</u>	\$ 43,767,683	\$ 38,861,387	\$ 37,729,502	\$ 29,925,404	\$ 29,053,790	\$ 26,454,361	\$ 25,683,844	\$ 28,286,748
<u>Net OPEB liability as a percentage of covered employee payroll</u>	173.06%	241.44%	240.99%	244.64%	323.83%	326.28%	330.56%	258.00%
<u>Contributions as a % of Covered Payroll</u>	6.68%	7.20%	5.88%	7.09%	7.87%	10.19%	9.90%	6.74%
* Restated for change in the measurement date.								
** This schedule is required to present information for ten years. Additional years information will be displayed as it becomes available								
Notes to Schedule	June 30, 2025							
Measurement Date	Individual Entry Age Normal							
Actuarial cost method	Fair Value							
Asset Valuation Method	2.50%							
Investment Rate of Return	4.81%							
Municipal Bond rate	4.81% net of OPEB plan expenses%							
Single Equivalent Discount Rate	2.50%							
Inflation rate	3.00%							
Salary increases								

TOWN OF WATERTOWN, CONNECTICUT
CONNECTICUT MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

Schedule Of The Town's Proportionate Share Of The Net Pension Liability and related Ratios Last 10 Fiscal Years	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportionate percentage of the collective net pension liability	0.170%	0.244%	0.287%	0.209%	0.263%	0.236%	0.268%	0.268%	0.439%	0.573%
Town's proportionate share of the net pension liability	\$ 713,923	\$ 1,112,702	\$ 1,291,024	\$ 494,829	\$ 1,033,183	\$ 872,062	\$ 1,024,852	\$ 725,068	\$ 860,942	\$ 836,477
Town's actuarial covered-employee payroll	\$ 736,067	\$ 765,530	\$ 808,870	\$ 566,137	\$ 673,792	\$ 607,507	\$ 754,267	\$ 812,706	\$ 1,044,159	\$ 1,355,765
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.99%	145.35%	159.61%	87.40%	153.34%	143.55%	135.87%	89.22%	82.45%	61.70%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	69.54%	68.71%	82.59%	71.18%	72.69%	73.60%	91.68%	88.29%	92.72%
Schedule Of Employer Contributions Last 10 Fiscal Years	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 104,031	\$ 153,891	\$ 146,797	\$ 93,404	\$ 114,641	\$ 93,265	\$ 73,939	\$ 85,164	\$ 95,411	\$ 118,825
Contributions in relation to the contractually required contribution	104.031	153.891	146.797	93.404	114.641	93.265	73.939	85.164	95.411	118.825
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 532,571	\$ 736,067	\$ 765,530	\$ 808,870	\$ 566,137	\$ 673,792	\$ 607,507	\$ 754,267	\$ 812,706	\$ 1,044,159
Contributions as a percentage of covered-employee payroll	19.53%	20.91%	19.18%	11.55%	20.25%	13.84%	12.17%	11.29%	11.74%	11.38%

Notes to the Schedule

The measurement date is one year earlier than the employer's reporting date.
The collective total pension liability as of June 30, 2025 is based upon the June 30, 2024 actuarial valuation.
The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Single Equivalent amortization period	Blended 24.3 to 24.4 years depending on Tier
Asset valuation method	Market Value on the measurement date. Plan's fiduciary net position also included the present value of receivable initial liability payments established by participating employers upon entry into MERS
Inflation	2.50%
Salary increases	3.0% - 9.5%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense

TOWN OF WATERTOWN, CONNECTICUT
CONNECTICUT STATE TEACHERS RETIREMENT SYSTEM
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Towns proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the town	77,271,216	81,270,890	87,492,062	68,263,025	86,189,766	73,943,493	57,014,729	59,204,351	62,461,044	48,464,850
Total	\$ 77,271,216	\$ 81,270,890	\$ 87,492,062	\$ 68,263,025	\$ 86,189,766	\$ 73,943,493	\$ 57,014,729	\$ 59,204,351	\$ 62,461,044	\$ 48,464,850
Town's covered-employee payroll	\$ 24,765,487	\$ 22,440,894	\$ 22,119,686	\$ 21,550,829	\$ 20,565,971	\$ 18,954,157	\$ 18,781,605	\$ 18,559,222	\$ 17,963,928	\$ 17,085,880
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	62.68%	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%

Notes to Schedule

Changes in benefit terms
Changes of assumptions

Actuarial cost method
Amortization method
Single Equivalent amortization period
Asset valuation method
Inflation
Salary increases
Investment rate of return

There were no changes to benefit terms since the prior Measurement Date.

None
Entry
age
Level percent of pay, closed, grading to a level dollar amortization method for the June 30, 2024 valuation
25.9 years
4-year smoothed fair value
2.50%
3.00%-6.50% including inflation
6.90% net of investment related expense

Notes:

The measurement date is one year earlier than the employer's reporting date.

TOWN OF WATERTOWN, CONNECTICUT
CONNECTICUT STATE TEACHERS RETIREMENT SYSTEM
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST EIGHT FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the town	15,850,983	7,613,966	7,662,298	7,437,131	12,855,207	11,531,904	11,397,594	1,523,815
Total	\$ 15,850,983	\$ 7,613,966	\$ 7,662,298	\$ 7,437,131	\$ 12,855,207	\$ 11,531,904	\$ 11,397,594	\$ 1,523,815
Town's covered-employee payroll	\$ 24,765,487	\$ 22,440,894	\$ 22,119,686	\$ 21,550,829	\$ 20,565,971	\$ 18,954,157	\$ 18,781,605	\$ 18,559,222
Town's proportionate share of the net OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	7.40%	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

Notes to Schedule

Changes in benefit terms
There were no changes to benefit terms since the prior Measurement Date.

Changes of assumptions

- Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2024 was updated to equal the SEIR of 3.93% as of June 30, 2024
- Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience
- Assumed election rates for post-65 retirees between the Local School District Coverage Subsidy and CTRB Sponsored Medical Plans were updated to reflect the recent plan experience.
- Spouse coverage election assumptions were also updated with this change
- Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans

Actuarial cost method

Entry Age

Level percent of payroll over an open period

30 years

Amortization method

Remaining amortization period

Asset valuation method

Market value of assets

3.00%, net of OPEB plan investment related expense, including inflation

Investment rate of return

Inflation

Real wage growth

Wage inflation

Salary increases

Health care cost trend rates

Basis for Postretirement Mortality Ra PubT-2010, Amount Weighted

Basis for Postretirement Mortality Im Scale MP-2019, Generational

3.00%-6.50%, including inflation

Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.50% by 2031

TOWN OF WATERTOWN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Special Revenue Funds										
Marion A.										
	Special Welfare	Town Aid Road	Park and Recreation Programs	Memorial Park Fund	Park Development Trust	Oakville Green Development Trust	Field Surcharge	The Staver Fund	Dog Fund	
<u>Assets</u>										
Cash and cash equivalents	\$ 184,119	\$ 340,622	\$ 366,266	\$ 1,249	\$ 64,232	\$ 1,577	\$ 31,922	\$ 309,798	\$	20,277
Investments	-	-	-	-	-	-	-	-	-	-
Receivables, net of allowance	-	-	-	-	-	-	-	-	-	-
Inventory and prepaid expenses	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
<u>Total Assets</u>	<u>\$ 184,119</u>	<u>\$ 340,622</u>	<u>\$ 366,266</u>	<u>\$ 1,249</u>	<u>\$ 64,232</u>	<u>\$ 1,577</u>	<u>\$ 31,922</u>	<u>\$ 309,798</u>	<u>\$</u>	<u>20,277</u>
<u>Liabilities</u>										
Accounts payable and accrued items	\$ 1,390	\$ 883	\$ 8,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$	315
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Due to other Funds	-	-	-	-	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>1,390</u>	<u>883</u>	<u>8,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315</u>
<u>Fund Balances</u>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	339,739	-	-	-	-	-	309,798	-	-
Committed	182,729	-	357,550	1,249	64,232	1,577	31,922	-	-	19,962
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<u>Total Fund Balances</u>	<u>182,729</u>	<u>339,739</u>	<u>357,550</u>	<u>1,249</u>	<u>64,232</u>	<u>1,577</u>	<u>31,922</u>	<u>309,798</u>	<u>-</u>	<u>19,962</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 184,119</u>	<u>\$ 340,622</u>	<u>\$ 366,266</u>	<u>\$ 1,249</u>	<u>\$ 64,232</u>	<u>\$ 1,577</u>	<u>\$ 31,922</u>	<u>\$ 309,798</u>	<u>\$</u>	<u>20,277</u>

Appendix B-1

Form of Opinion of Bond Counsel – Series A Bonds

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

October __, 2026

Town of Watertown
61 Echo Lake Road
Watertown, CT 06795

We have acted as Bond Counsel to the Town of Watertown, Connecticut (the “Town”) in connection with the issuance by the Town of its \$ _____ General Obligation Bonds, Issue of 2026, Series A (the “Bonds”) dated October __, 2026. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents (including, but not limited to, a Tax Regulatory Agreement of the Town dated the date hereof (the “Agreement”)) as we have deemed necessary to give the opinions below.

Regarding questions of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the Town and certifications of others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that when the Bonds are duly certified by U.S. Bank Trust Company, National Association, the Bonds will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

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

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

Based on the foregoing, we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

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

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances or changes in law that may come later to our attention or occur.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix B-2

Form of Opinion of Bond Counsel – Series B Bonds

APPENDIX B-2– FORM OF OPINION OF BOND COUNSEL – SERIES B BONDS

October __, 2026

Town of Watertown
61 Echo Lake Road
Watertown, CT 06795

We have acted as Bond Counsel to the Town of Watertown, Connecticut (the “Town”) in connection with the issuance by the Town of its \$ _____ General Obligation Bonds, Issue of 2026, Series B (the “Bonds”) dated October __, 2026. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents (including, but not limited to, a Tax Regulatory Agreement of the Town dated the date hereof (the “Agreement”)) as we have deemed necessary to give the opinions below.

Regarding questions of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the Town and certifications of others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that when the Bonds are duly certified by U.S. Bank Trust Company, National Association, the Bonds will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

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

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

Based on the foregoing, we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

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

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances or changes in law that may come later to our attention or occur.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix C-1

Form of Continuing Disclosure Agreement – Series A Bonds

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

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Issuer will agree, pursuant to a Continuing Disclosure Agreement to be executed by the Issuer 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 Issuer to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of October __, 2026 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$_____ General Obligation Bonds, Issue of 2026, Series A, dated as of October __, 2026 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

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

"Final Official Statement" means the official statement of the Issuer dated October __, 2026 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, 2026) as follows:

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

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

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

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

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

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

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

Section 3. Notice of Certain Events.

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

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

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

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

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

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

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

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

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

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

Section 8. Miscellaneous.

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

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

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

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

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

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

TOWN OF WATERTOWN, CONNECTICUT

By _____
MARK A. RAIMO
Town Manager

By _____
MARIA GUERRERA
Finance Director

Appendix C-2

Form of Continuing Disclosure Agreement – Series B Bonds

APPENDIX C-2: FORM OF CONTINUING DISCLOSURE AGREEMENT – SERIES B BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Issuer will agree, pursuant to a Continuing Disclosure Agreement to be executed by the Issuer 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 Issuer to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of October __, 2026 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$ _____ General Obligation Bonds, Issue of 2026, Series B, dated as of October __, 2026 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

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

"Final Official Statement" means the official statement of the Issuer dated October __, 2026 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, 2026) as follows:

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

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

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

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

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

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

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

Section 3. Notice of Certain Events.

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

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

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

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

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

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

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

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

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

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

Section 8. Miscellaneous.

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

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

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

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

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

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

TOWN OF WATERTOWN, CONNECTICUT

By _____
MARK A. RAIMO
Town Manager

By _____
MARIA GUERRERA
Finance Director

Appendix D-1

Notice of Sale – Series A Bonds

APPENDIX D-1 – NOTICE OF SALE - SERIES A BONDS

NOTICE OF SALE

TOWN OF WATERTOWN, CONNECTICUT \$30,600,000 GENERAL OBLIGATION BONDS, ISSUE OF 2026, SERIES A BOOK-ENTRY-ONLY

NOTICE IS GIVEN that ELECTRONIC BIDS solely via **PARITY**® will be received by the TOWN OF WATERTOWN, CONNECTICUT (the “Issuer”), until 11:00 A.M. (E.T.) on TUESDAY,

OCTOBER 13, 2026

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$30,600,000 General Obligation Bonds, Issue of 2026, Series A, dated October 28, 2026 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on October 15 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)</u>	<u>Maturity</u>	<u>Amount (\$)</u>
2027	1,050,000	2037	1,575,000
2028	1,300,000	2038	1,575,000
2029	1,500,000	2039	1,575,000
2030	1,550,000	2040	1,575,000
2031	1,575,000	2041	1,575,000
2032	1,575,000	2042	1,575,000
2033	1,575,000	2043	1,575,000
2034	1,575,000	2044	1,575,000
2035	1,575,000	2045	1,575,000
2036	1,575,000	2046	1,575,000

The Bonds will bear interest commencing April 15, 2027 and semiannually thereafter on October 15 and April 15 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

Optional Redemption

The Bonds maturing on or before October 15, 2031 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2032 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on or after October 15, 2031 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 Issuer 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, together with interest accrued and unpaid to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
October 15, 2031 and thereafter	100.0%

Nature of Obligation

The Bonds will constitute general obligations of the Issuer, and the Issuer will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount, except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes, as amended.

Bank Qualification

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

Registration

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

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

registration books of the Issuer as of the close of business on the record date preceding each interest payment date.

Record Date

The record dates for the Bonds will be the last business day of March and September in each year.

Proposals

Each bid must be for the entire \$30,600,000 of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than three (3) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on **PARITY**[®] shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost (“TIC”) to the Issuer, as described under “Basis of Award; Right to Reject Proposals; Waiver; Right to Cancel; Postponement; Change of Terms” below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

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

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

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

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

CUSIP Numbers

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

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**[®]. Any prospective bidder must be a subscriber of the BiDCOMP competitive bidding system. Further information about **PARITY**[®], including any fee charged, may be obtained from **PARITY**[®], c/o S&P Global, 55 Water Street, New York, New York 10041, Attention: Customer Support (telephone: (212) 849-5021; email notice: munis@spglobal.com or parity@spglobal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

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

Certifying Agent, Registrar, Paying Agent and Transfer Agent

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

Delivery, Payment and Closing Requirements

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

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC or its agent via Fast Automated Securities Transfer ("FAST") on or about October 28, 2026 (the "Closing Date").

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

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B-1 to the Official Statement. The opinion will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986 (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: grybacki@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder's bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this "Establishment of Issue Price" section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "Competitive Sale Rule") because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost ("TIC"), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed "ISSUE PRICE CERTIFICATE" in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (E.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (iii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so

long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated October 5, 2026 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with

Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser a reasonable number of copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C-1. The purchaser’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

TOWN OF WATERTOWN, CONNECTICUT

MARK A. RAIMO
Town Manager

MARIA GUERRERA
Finance Director

October 5, 2026

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(If Competitive Sale Rule Met)

TOWN OF WATERTOWN, CONNECTICUT
\$ _____ GENERAL OBLIGATION BONDS, ISSUE OF 2026, SERIES A
DATED OCTOBER 28, 2026

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF WATERTOWN, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about October 28, 2026, the Bonds at a price of par (\$ _____), plus an aggregate net premium of \$ _____ and less an underwriter’s discount of \$ _____, resulting in an aggregate net purchase price of \$ _____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of October 13, 2026 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

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

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

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

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Pullman & Comley, LLC, bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 2026.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

<u>Maturity, October 15</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2027	1,050,000		
2028	1,300,000		
2029	1,500,000		
2030	1,550,000		
2031	1,575,000		
2032	1,575,000		
2033	1,575,000		
2034	1,575,000		
2035	1,575,000		
2036	1,575,000		
2037	1,575,000		
2038	1,575,000		
2039	1,575,000		
2040	1,575,000		
2041	1,575,000		
2042	1,575,000		
2043	1,575,000		
2044	1,575,000		
2045	1,575,000		
2046	1,575,000		

Schedule B to Issue Price Certificate

Appendix D-2

Notice of Sale – Series B Bonds

APPENDIX D-2 – NOTICE OF SALE - SERIES B BONDS

NOTICE OF SALE

TOWN OF WATERTOWN, CONNECTICUT \$10,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2026, SERIES B BOOK-ENTRY-ONLY

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

OCTOBER 13, 2026

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$10,000,000 General Obligation Bonds, Issue of 2026, Series B, dated October 28, 2026 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on October 15 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)</u>	<u>Maturity</u>	<u>Amount (\$)</u>
2027	500,000	2037	500,000
2028	500,000	2038	500,000
2029	500,000	2039	500,000
2030	500,000	2040	500,000
2031	500,000	2041	500,000
2032	500,000	2042	500,000
2033	500,000	2043	500,000
2034	500,000	2044	500,000
2035	500,000	2045	500,000
2036	500,000	2046	500,000

The Bonds will bear interest commencing April 15, 2027 and semiannually thereafter on October 15 and April 15 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

Optional Redemption

The Bonds maturing on or before October 15, 2033 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2034 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on or after October 15, 2033 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 Issuer 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, together with interest accrued and unpaid to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
October 15, 2033 and thereafter	100.0%

Nature of Obligation

The Bonds will constitute general obligations of the Issuer, and the Issuer will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount, except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes, as amended.

Bank Qualification

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

Registration

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

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

registration books of the Issuer as of the close of business on the record date preceding each interest payment date.

Record Date

The record dates for the Bonds will be the last business day of March and September in each year.

Proposals

Each bid must be for the entire \$10,000,000 of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than three (3) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on **PARITY**[®] shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost (“TIC”) to the Issuer, as described under “Basis of Award; Right to Reject Proposals; Waiver; Right to Cancel; Postponement; Change of Terms” below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

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

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

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

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

CUSIP Numbers

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

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**[®]. Any prospective bidder must be a subscriber of the BiDCOMP competitive bidding system. Further information about **PARITY**[®], including any fee charged, may be obtained from **PARITY**[®], c/o S&P Global, 55 Water Street, New York, New York 10041, Attention: Customer Support (telephone: (212) 849-5021; email notice: munis@spglobal.com or parity@spglobal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

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

Certifying Agent, Registrar, Paying Agent and Transfer Agent

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

Delivery, Payment and Closing Requirements

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

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC or its agent via Fast Automated Securities Transfer ("FAST") on or about October 28, 2026 (the "Closing Date").

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

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B-2 to the Official Statement. The opinion will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986 (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: grybacki@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder's bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this "Establishment of Issue Price" section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "Competitive Sale Rule") because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost ("TIC"), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed "ISSUE PRICE CERTIFICATE" in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the "Actual Sales Rule") is sold to the Public as the issue price of that

Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (E.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (iii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of

the Bonds to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated October 5, 2026 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser a reasonable number of copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the

delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer's Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o'clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the "Agreement"), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C-2. The purchaser's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

TOWN OF WATERTOWN, CONNECTICUT

MARK A. RAIMO
Town Manager

MARIA GUERRERA
Finance Director

October 5, 2026

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(If Competitive Sale Rule Met)

TOWN OF WATERTOWN, CONNECTICUT
\$ _____ GENERAL OBLIGATION BONDS, ISSUE OF 2026, SERIES B
DATED OCTOBER 28, 2026

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF WATERTOWN, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about October 28, 2026, the Bonds at a price of par (\$ _____), plus an aggregate net premium of \$ _____ and less an underwriter’s discount of \$ _____, resulting in an aggregate net purchase price of \$ _____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of October 13, 2026 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

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

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

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

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Pullman & Comley, LLC, bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 2026.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

<u>Maturity, October 15</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2027	500,000		
2028	500,000		
2029	500,000		
2030	500,000		
2031	500,000		
2032	500,000		
2033	500,000		
2034	500,000		
2035	500,000		
2036	500,000		
2037	500,000		
2038	500,000		
2039	500,000		
2040	500,000		
2041	500,000		
2042	500,000		
2043	500,000		
2044	500,000		
2045	500,000		
2046	500,000		

Schedule B to Issue Price Certificate

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