

New Issue**Ratings: (See "Ratings" herein.)**

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax on corporations; interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B - "Opinion of Bond Counsel and Tax Exemption" herein.

**TOWN OF WATERTOWN, CONNECTICUT**

**\$7,500,000 GENERAL OBLIGATION BONDS, ISSUE OF 2010
BOOK-ENTRY-ONLY**

Dated: March 15, 2010**Due: Serially, March 15, 2011-2030**

Interest on the Bonds will be payable semiannually on the fifteenth day of March and September of each year, commencing September 15, 2010. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-entry-only System" herein.

The Bonds are subject to redemption prior to maturity as more fully described herein.

SEALED BIDS and ELECTRONIC BIDS via PARITY® for the Bonds will be received until 11:30 A.M. (E.D.T.) on Tuesday, March 23, 2010 at Webster Bank, National Association, Treasury Conference Room, 2nd Floor, 145 Bank Street, Waterbury, Connecticut 06702. The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that the delivery of the Bonds in definitive form will be made on or about March 31, 2010 through the facilities of DTC.

**\$15,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
BOOK-ENTRY-ONLY**

Dated: March 31, 2010**Due: March 30, 2011**

SEALED BIDS and ELECTRONIC BIDS via PARITY® for the Notes will be received until 11:00 A.M. (E.D.T.) on Tuesday, March 23, 2010 at Webster Bank, National Association, Treasury Conference Room, 2nd Floor, 145 Bank Street, Waterbury, Connecticut 06702. The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that the delivery of the Notes in book-entry-only form will be made on or about March 31, 2010 through the facilities of DTC.

The Notes are not subject to redemption prior to maturity.

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

The Certifying Agent, Transfer Agent, Registrar and Paying Agent for the Bonds and Notes will be U.S. Bank National Association in Hartford, Connecticut.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without any notice. The securities described herein may not be sold nor any offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which said offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. A definitive Official Statement with respect to these securities will be made available concurrently with their sale.



TOWN OF WATERTOWN, CONNECTICUT

\$7,500,000 GENERAL OBLIGATION BONDS, ISSUE OF 2010 BOOK-ENTRY-ONLY

Dated: March 15, 2010

Due: Serially, March 15, 2011-2030

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2011	\$375,000			941893____	2021	\$375,000			941893____
2012	375,000			941893____	2022	375,000			941893____
2013	375,000			941893____	2023	375,000			941893____
2014	375,000			941893____	2024	375,000			941893____
2015	375,000			941893____	2025	375,000			941893____
2016	375,000			941893____	2026	375,000			941893____
2017	375,000			941893____	2027	375,000			941893____
2018	375,000			941893____	2028	375,000			941893____
2019	375,000			941893____	2029	375,000			941893____
2020	375,000			941893____	2030	375,000			941893____

\$15,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

Dated: March 31, 2010

Due: March 30, 2011

Interest Rate: ____%	Yield: ____%	CUSIP Number: 941893____
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Bond Issue Summary

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

Issuer:	Town of Watertown, Connecticut (the “Town”)
Issue:	\$7,500,000 General Obligation Bonds, Issue of 2010, book-entry only (the “Bonds”)
Financial Advisor:	Webster Bank, National Association, Hartford, Connecticut
Date of Sale:	Sealed bids and electronic bids via PARITY® on Tuesday, March 23, 2010, until 11:30 A.M. (E.D.T.)
Location of Sale:	Webster Bank, National Association, Treasury Conference Room, 2 nd Floor, 145 Bank Street, Waterbury, Connecticut 06702
Dated Date:	March 15, 2010
Interest Date:	Semiannually, each March 15 and September 15, commencing September 15, 2010
Principal Due:	Serially, March 15, 2011 through March 15, 2030 as detailed in this Official Statement
Purpose:	The Bonds are being issued to permanently fund renovations at Watertown High School. See “Authorization and Purpose” herein.
Redemption:	The Bonds are subject to redemption prior to maturity as more fully discussed herein.
Security:	The Bonds will be general obligations of the Town of Watertown, Connecticut, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
Bank Qualification:	The 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, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Credit Rating:	Application has been made to Moody’s Investors Service for a rating on the Bonds. The Town’s most recent credit rating by Moody’s Investors Service was Aa3 on its bonds dated August 27, 2009.
Bond Insurance:	Applications to insurance companies have been made under the optional purchase method.
Tax Matters:	See Appendix B – “Form of Opinion of Bond Counsel and Tax Exemption” herein.
Certifying Agent, Registrar, Transfer Agent, and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103
Legal Opinion:	Day Pitney LLP of Hartford, Connecticut will act as Bond Counsel.

Delivery: It is expected that delivery of the Bonds in book-entry-only form to The Depository Trust Company will be made on or about March 31, 2010.

Final Official Statement: This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1).

Continuing Disclosure: See Appendix C – “Form of Continuing Disclosure Agreement for Bonds” herein.

For additional copies of the Official Statement or requests for additional information, please contact:

Barry J. Bernabe
Vice President
Webster Bank, National Association
CityPlace II
185 Asylum Street
Hartford, CT 06103

Telephone (203) 578-2203

Frank J. Nardelli, Jr.
Assistant Town Manager/Director of Finance
Town of Watertown
Town Hall Annex
424 Main Street
Watertown, CT 06795

Telephone (860) 945-5258

Note Issue Summary

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

Issuer:	Town of Watertown, Connecticut (the “Town”)
Issue:	\$15,500,000 General Obligation Bond Anticipation Notes, book-entry-only (the “Notes”)
Financial Advisor:	Webster Bank, National Association, Hartford, Connecticut
Date of Sale:	Sealed bids and electronic bids via PARITY® on Tuesday, March 23, 2010, until 11:00 A.M. (E.D.T.)
Location of Sale:	Webster Bank, National Association, Treasury Conference Room, 2 nd Floor, 145 Bank Street, Waterbury, Connecticut 06702
Dated Date:	March 31, 2010
Interest Date:	At maturity – March 30, 2011
Principal Due:	At maturity – March 30, 2011
Purpose:	The Notes are being issued to finance construction of the Swift Middle School and renovations at Judson Elementary School and Watertown High School. See “Authorization and Purpose” herein.
Redemption:	The Notes are not subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town of Watertown, Connecticut, and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due.
Bank Qualification:	The Notes shall not be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Notes.
Credit Rating:	Application has been made to Moody’s Investors Service for a rating on the Notes. The Town’s most recent long-term credit rating by Moody’s Investors Service was Aa3 on its bonds dated August 27, 2009.
Basis of Award:	Lowest Net Interest Cost, as of the dated date
Tax Exemption:	See Appendix B – “Form of Opinion of Bond Counsel and Tax Exemption” herein.
Certifying Agent, Registrar, Transfer Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery:	It is expected that delivery of the Bonds in book-entry-only form to The Depository Trust Company will be made on or about March 31, 2010.

**Final Official
Statement:**

This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1).

**Availability of
Continuing
Information:**

See Appendix D – “Form of Continuing Disclosure Agreement for Notes” herein.

For additional copies of the Official Statement or requests for additional information, please contact:

Barry J. Bernabe
Vice President
Webster Bank, National Association
CityPlace II
185 Asylum Street
Hartford, CT 06103

Telephone (203) 578-2203

Frank J. Nardelli, Jr.
Assistant Town Manager/Director of Finance
Town of Watertown
Town Hall Annex
424 Main Street
Watertown, CT 06795

Telephone (860) 945-5258

Introduction

The purpose of this Official Statement is to provide certain financial information and economic and demographic data relevant to the Town of Watertown, Connecticut (the "Town") in connection with the sale of \$7,500,000 General Obligation Bonds, Issue of 2010 (the "Bonds") and \$15,500,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town.

The Bonds and Notes are being offered for sale at public bidding. Notices of Sale dated March 12, 2010 have been furnished to prospective bidders. Reference is made to the Notices of Sale which are included as Appendices E and F for the terms and conditions of the bidding.

The successful bidder(s) for the Bonds and Notes may add a separate page on the front of this Official Statement to indicate their name, the Bond and Note offering prices, the interest rate per annum on the Bonds and Notes, information regarding ratings and insurance (if any), and any other information which the successful bidder(s) deems appropriate.

The Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds or Notes. This Official Statement does not constitute an offer to sell Bonds or Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Bonds or Notes, and if given or made, such information or representation must not be relied upon. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

The information in this Official Statement has been prepared by the Town's financial advisor, Webster Bank, National Association (the "Bank"), from information supplied by the Town's officials and other sources as indicated. The Bank does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. An agreement between the Town and the Bank has been entered into to conform to Municipal Securities Rulemaking Board ("MSRB") Rule G-23. Under the agreement in which the Bank is acting as Financial Advisor, the Bank has reserved the right to bid on the acquisition of or to participate in the Bond or Note issue or other issues covered by the agreement. The Town has consented to the Bank's bidding on these issues in compliance with MSRB Rule G-23(d)(ii). U.S. Bank National Association, of Hartford, Connecticut will act as Certifying Agent, Registrar, Transfer Agent, and Paying Agent for the Bonds and Notes.

Set forth in Appendix A - "Audited Financial Statements" 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 are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion in Appendix B - "Opinion of Bond Counsel and Tax Exemption" herein), and they make no representation that they have independently verified the same.

SECTION I - SECURITIES OFFERED

Description of the Bonds

The Bonds are being offered for sale at public bidding. A Notice of Sale and Proposal for Bonds dated March 12, 2010, a copy of which is included as Appendix E herein, had been furnished to prospective bidders. Reference is made to the Notice of Sale and Proposal for Bonds for the terms and conditions of the bidding.

The Bonds will be dated March 15, 2010 and will mature on March 15 of the years and in the principal amounts as follows:

<u>Due March 15</u>	<u>Principal Amount</u>	<u>Due March 15</u>	<u>Principal Amount</u>
2011	\$375,000	2021	\$375,000
2012	375,000	2022	375,000
2013	375,000	2023	375,000
2014	375,000	2024	375,000
2015	375,000	2025	375,000
2016	375,000	2026	375,000
2017	375,000	2027	375,000
2018	375,000	2028	375,000
2019	375,000	2029	375,000
2020	375,000	2030	375,000

Interest on the Bonds will be payable semiannually on the fifteenth day of March and September of each year, commencing September 15, 2010. Interest will be calculated on the basis of a 30-day month and a 360-day year. Interest is payable to the registered owner as of the close of business on the last business day of February and August in each year by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank National Association.

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

Description of the Notes

The Notes are being offered for sale at public bidding. A Notice of Sale for and Proposal for Notes dated March 12, 2010, a copy of which appears as Appendix F herein, has been furnished to prospective bidders. Reference is made to the Notice of Sale and Proposal for Notes for the terms and conditions of the bidding.

The Notes in the principal amount of \$15,500,000 will be dated March 31, 2010 and will be due and payable as to both principal and interest at maturity, March 30, 2011. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 30-day month and a 360-day year, at such rate or rates per annum as are specified by the successful bidder(s). A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$25,000 or integral multiples thereof (except for any odd amount), with transfers effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-entry-only System" herein.

Authorization and Purpose

\$19,500,000 Watertown High School: By ordinance adopted at a Town Council meeting held April 16, 2007 and approved at a referendum held June 5, 2007, the Town authorized an appropriation and bond authorization in the amount of \$56,157,000 to finance renovations and additions to Watertown High School to provide an approximately 1,023-student capacity school for grades 9 through 12.

\$2,500,000 Judson Elementary School: By ordinance adopted at a Town Council meeting held April 16, 2007 and approved at a referendum held June 5, 2007, the Town authorized an appropriation and bond

authorization in the amount of \$15,859,000 to finance renovations and additions to Judson Elementary School to provide an approximately 450-student capacity school for grades 3 through 5.

\$1,000,000 Swift Middle School Project: By ordinances adopted at Town Council meetings held March 29, 2004 and October 17, 2005 and approved at referenda held May 4, 2004 and November 29, 2005, the Town authorized an aggregate appropriation and bond authorization in the amount of \$33,768,919 to finance costs in connection with the renovation and expansion of the Gordon C. Swift Middle School.

Use of Proceeds

<u>Project</u>	<u>Amount Authorized</u>	<u>Previously Bonded</u>	<u>Notes Maturing</u>	<u>New Money (Paydowns)</u>	<u>Bonds of This Issue</u>	<u>Notes of This Issue</u>
Watertown High School	\$56,157,000	\$17,100,000	\$12,000,000	\$7,500,000	\$7,500,000	\$12,000,000
Judson Elementary School	15,859,000	7,500,000	2,000,000	500,000	-	2,500,000
Swift Middle School ¹	33,768,919	<u>13,900,000</u>	<u>1,200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>1,000,000</u>
Total		\$38,500,000	\$15,200,000	\$7,800,000	\$7,500,000	\$15,500,000

¹ The permanent financing for Swift Middle School has been completed. The \$1,000,000 notes are expected to be repaid with the final State of Connecticut grant reimbursement.

School Construction Grants

Pursuant to Public Act No. 97-11, 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 old program for all projects approved prior to July 1, 1996. Under the old program, the State of Connecticut will reimburse the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds. As of March 31, 2010, the Town expects to receive principal grant reimbursements from the State in an aggregate amount of \$5,296,136 under the old program. The school projects included in this bond issue will be reimbursed under the progress payment program.

Optional Redemption

The Bonds maturing on or before March 15, 2017 are not subject to redemption prior to maturity. The Bonds maturing after March 15, 2017 are subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2017, 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 following redemption price, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
March 15, 2017 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 at least thirty days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. 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 Bonds 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 being called for redemption, will send any notice of redemption only to DTC (or a 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 content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amounts 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 DTC 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 interests 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 the Town, the Registrar or Paying Agent.

Ratings

Application has been made to Moody's Investors Service for ratings on the Bonds and Notes. The Town furnished to the rating agency certain information and materials, some of which may not have been included in this Official Statement. Ratings, if obtained, will reflect only the view of the rating agency and will be subject to revision or withdrawal, which could affect the market price of the Bonds or Notes. The rating agency should be contacted directly for its ratings on the Bonds and Notes and the explanation of such ratings.

Security and Remedies

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

Unless paid from other sources, the Bonds and Notes are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. There were, however, no acres of such certified forest land on the last completed grand list of the Town. 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 upon its power to tax such dwelling houses or the Town may place a lien on the property for the amount of tax relief granted plus interest.

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

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

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

Enforcement of a claim for payment of principal of or interest on the Bonds or Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency,

reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

Qualification for Financial Institutions

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

Book-entry-only System

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

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

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

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds and Notes with DTC and their registration in

the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds or Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds or Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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 or Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds and Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds and Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or 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 nor its nominee, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

DTC Practices

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

SECTION II - THE ISSUER

Description of the Town

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.

Government Organization

Watertown utilizes the Council/Manager form of government under a Town Charter first adopted in 1961 and last revised in November 1987. 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 Budget Town Meeting approves the budget and the Town Council lays the tax rate based on the adopted budget.

Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Term Expires</u>	<u>Length of Service</u>
Chairman, Town Council	Raymond Primini	Elected/2 years	11/11	10 years ¹
Town Manager	Charles Frigon	Appointed/indefinite	N/A	25 years ¹
Finance Director and Assistant Town Manager	Frank J. Nardelli, Jr.	Appointed/indefinite	N/A	20 years
Assistant Finance Director	Susan Zappone	Appointed/indefinite	N/A	16 years
Treasurer	Joan Mondak	Appointed/indefinite	N/A	20 years ¹
Tax Collector	Mary L. DiSisto	Appointed/indefinite	N/A	29 years
Assessor	Carolyn Nadeau	Appointed/indefinite	N/A	7 years
Town Clerk	Lisa Dalton	Elected/4 years	1/14	1 year
Interim Superintendent of Schools	Karen Baldwin	Appointed	6/12	2 years

¹ In various Town positions.

Summary of 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 Watertown. The Department operates from two stations, and equipment includes eight engines and two ladder trucks. Training drills are conducted throughout the year, and over 50% of the department has advanced training in areas such as hazardous materials. The Department has two emergency vehicles for first response use in emergencies. Ambulance service is provided by private carriers.

Public Works: The Department of Public Works consists of Engineering and Operations and Maintenance Divisions. Engineering is responsible for design and construction inspection of Town-owned sewer and water mains, roads and storm drains. Operations and Maintenance is responsible for maintenance of Town

facilities including 130 miles of road, 45 miles of storm drains, 52 miles of water mains, 62 miles of sewer mains, three water pumping stations, five sewer pumping stations and Town equipment.

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

Each municipality signing a Service Contract, including the Town, has agreed to cause to be delivered to the System, after the date when the consulting engineer for the System has certified in writing that the Facility is ready for testing, all of the solid waste under the legal control of the municipality. The Authority is required to impose service payments at a uniform rate per ton for all municipalities. If the municipality delivers less than its minimum commitment (as defined in the Service Contract) such rates shall be applied to its minimum commitment amount.

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

The Authority is required to calculate and impose Service Payments for all solid waste accepted at the System, such that the aggregate of all such Service Payments received by the Authority shall be sufficient to pay for the net cost of operation of the System as defined in the Service Contract. Service Payments shall be at a uniform rate per ton for all municipalities. If a municipality delivers less than its Minimum Commitment (as defined in the Service Contract) such rate shall be applied to its Minimum Commitment amount. For fiscal year 2009-10, the Town's Minimum Commitment is 9,000 tons, and its cost is \$62.00 per ton for regular solid waste and \$85.00 per ton for bulky solid waste. The Authority is required to submit bills to the participating municipalities on or before the fifteenth day following the end of a billing period. Municipalities are required to pay Service Payments within 30 days of the date of invoice.

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

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

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

Utilities and Other Services: Watertown is served by Northeast Utilities. 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 and New York.

Parks and Recreation: Watertown provides a variety of recreational facilities and programs. Facilities include two swimming areas, an 18-hole golf course, tennis courts, playgrounds and ball fields. The 34-acre Veteran's Memorial Park is off of Nova Scotia Hill Road. Black Rock State Park is located in Watertown

with additional facilities for swimming, camping and hiking. The Watertown Recreation Department provides year-round athletic and instructional programs for all age groups.

Public Library: Watertown is served by the Watertown Public Library, a non-profit organization which receives approximately 90% of its funding from the Town. The Library is open 64 hours per week and has over 60,000 volumes as well as an extensive collection of periodicals, records and cassettes. Through membership in an inter-library loan program, the resources of 36 other libraries are available to members.

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

Municipal Employees¹

	<u>2009-10</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
General Government	133	135	134	131	131
Board of Education	<u>485</u>	<u>464</u>	<u>485</u>	<u>455</u>	<u>482</u>
Total	618	599	619	586	613

¹Full-time equivalent.

Municipal Employees Bargaining Organizations

	<u>Employees</u>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
<i>Board of Education</i>			
Watertown Federation of Para-Professionals, Local 3960 AFT, AFL-CIO	Paraprofessionals	90	08/31/12
Watertown Education Association	Teachers	258	08/31/12
American Federation of State, County and Municipal Employees - Local 1049	Custodians	38	06/30/10
American Federation of State, County and Municipal Employees - Local 1303	Secretaries	37	06/30/11
Watertown Principals Association	Principals	11	08/31/11
American Federation of State, County and Municipal Employees - Local 1049	Cafeteria Workers	33	06/30/11
Watertown School Nurses Association	School Nurses	<u>7</u>	06/30/10
Total Organized		474	
Non-Union		<u>11</u>	
		485	
<i>General Government</i>			
American Federation of State, County and Municipal Employees - Local 1303	Highway	30	06/30/11
American Federation of State, County and Municipal Employees - Local 541	Police	36	03/31/12
Industrial Brotherhood of Electrical Workers Local 42	Communications	11	08/31/11
Civil Service Employees Association, Inc. AFL-CIO, Local 760	White Collar	35	06/30/10
Civil Service Employees Association, Inc. AFL-CIO, Local 760	Supervisors	<u>8</u>	06/30/12
Total Organized		120	
Non-Union		<u>13</u>	
		133	

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative

body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item 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.

School Enrollment and Projections

<u>Year</u>	<u>Grades Pre-K-6</u>	<u>Grades 7-8</u>	<u>Grades 9-12</u>	<u>Total</u>
<i>Historical</i>				
2000-01	2,094	572	919	3,585
2001-02	2,076	619	913	3,608
2002-03	2,044	588	937	3,569
2003-04	2,019	570	947	3,536
2004-05	1,963	591	952	3,506
2005-06	1,934	627	995	3,556
2006-07	1,906	615	983	3,504
2007-08	1,809	602	989	3,400
2008-09	1,758	598	976	3,332
2009-10	1,718	533	982	3,233
<i>Projected</i>				
2010-11	1,679	517	1,023	3,219
2011-12	1,692	495	936	3,123
2012-13	1,646	532	898	3,076

School Facilities

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Type of Construction</u>	<u>Number of Classrooms</u>	<u>Actual Enrollment 10/1/09</u>	<u>Rated Capacity</u>
Watertown High School	9-12	1972	Brick	56	982	900
Swift Junior High School	7-8	1972	Brick	30	533	550
Heminway Park School	6	1929	Brick	16	251	236
Judson Elementary School ...	3-5	1971	Brick	24	345	452
Polk Elementary School	3-5	1990	Brick	28	390	512
John Trumbull Primary School	Pre-K-2	2000	Brick	39	732	900
Total				193	3,233	3,550

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population and Density

<u>Year</u>	<u>Population¹</u>	<u>Percent Change</u>	<u>Density²</u>
2008	22,095	2.0	741
2000	21,661	5.9	727
1990	20,456	5.0	686
1980	19,489	4.2	654
1970	18,704	26.4	628
1960	14,800	-	497

¹Source: U.S. Department of Commerce, Bureau of Census, Census of Population 1960–2000; State of Connecticut Department of Public Health estimate for July 1, 2008.

²Based on 29.8 square miles.

Age Distribution of the Population

<u>Age¹</u>	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	1,257	5.8	223,344	6.5
5 to 9 years	1,542	7.1	244,144	7.2
10 to 14 years	1,644	7.6	241,587	7.1
15 to 19 years	1,356	6.3	216,627	6.4
20 to 24 years	940	4.3	187,571	5.5
25 to 34 years	2,598	12.0	451,640	13.2
35 to 44 years	3,888	17.9	581,049	17.1
45 to 54 years	3,372	15.6	480,807	14.1
55 to 59 years	1,168	5.4	176,961	5.2
60 to 64 years	846	3.9	131,652	3.9
65 to 74 years	1,527	7.1	231,565	6.8
75 to 84 years	1,137	5.2	174,345	5.1
85 years and over	<u>386</u>	<u>1.8</u>	<u>64,273</u>	<u>1.9</u>
Total	21,661	100.0	3,405,565	100.0
2000 median age (years) ¹	39.0	-	37.4	-
1990 median age (years) ²	35.6	-	34.4	-

Sources: ¹U.S. Department of Commerce, Bureau of Census, 2000 Census.

²U.S. Department of Commerce, Bureau of Census, 1990 Census.

Income Distribution

	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 – 9,999	57	0.9	33,423	3.8
10,000 – 14,999	84	1.4	23,593	2.7
15,000 – 24,999	257	4.3	63,262	7.1
25,000 – 34,999	545	9.1	75,413	8.5
35,000 – 49,999	888	14.7	120,134	13.6
50,000 – 74,999	1,589	26.4	198,924	22.5
75,000 – 99,999	1,232	20.5	141,981	16.0
100,000 – 149,999	1,017	16.9	132,177	14.9
150,000 – 199,999	164	2.7	42,472	4.8
200,000 and over	<u>184</u>	<u>3.1</u>	<u>54,368</u>	<u>6.1</u>
Total	6,017	100.0	885,747	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Comparative Income Measures

	<u>Town of Watertown</u>	<u>State of Connecticut</u>
Per capita income, 1999	\$26,044	\$28,766
Median family income, 1999	\$68,761	\$65,521
Median household income, 1999	\$59,420	\$53,935

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Educational Attainment (Years of School Completed – Age 25 and Over)

	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th grade	966	6.5	132,917	5.8
9 th to 12 th grade, no diploma	1,456	9.8	234,739	10.2
High school graduate	4,708	31.5	653,300	28.5
Some college, no degree	2,658	17.8	402,741	17.5
Associate's degree	1,407	9.4	150,926	6.6
Bachelor's degree	2,224	14.9	416,751	18.2
Graduate or professional degree	<u>1,503</u>	<u>10.1</u>	<u>304,243</u>	<u>13.2</u>
Total	14,922	100.0	2,295,617	100.0
 Total high school graduate or higher	-	83.8	-	84.0
Total bachelor's degree or higher	-	25.0	-	31.4

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Labor Force Data

<u>Reporting Period Average</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>		
				<u>Town of Watertown</u>	<u>Waterbury Labor Market</u>	<u>State of Connecticut</u>
January 2010	12,196	10,968	1,228	10.1	13.3	9.8
2009	12,207	11,159	1,048	8.6	11.1	8.2
2008	12,291	11,580	711	5.8	7.6	5.7
2007	12,459	11,914	545	4.4	5.9	4.6
2006	12,392	11,878	514	4.1	5.5	4.3
2005	12,265	11,681	584	4.8	6.3	4.9
2004	12,208	11,623	585	4.8	6.3	4.9
2003	12,223	11,566	657	5.4	7.2	5.5
2002	12,128	11,586	542	4.5	6.0	4.4
2001	11,955	11,533	422	3.5	4.6	4.7
2000	12,541	12,303	238	1.9	2.8	4.0
1999	12,230	11,883	347	2.8	3.8	3.2

Source: State of Connecticut, Labor Department, Office of Research.

Industry Classification

<u>Sector</u>	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining	53	0.5	7,445	0.4
Construction	726	6.4	99,913	6.0
Manufacturing	2,506	22.1	246,607	14.8
Wholesale trade	443	3.9	53,231	3.2
Retail trade	1,211	10.7	185,633	11.2
Transportation, warehousing and utilities	398	3.5	64,662	3.9
Information	311	2.7	55,202	3.3
Finance, insurance, real estate and leasing	516	4.5	163,568	9.8
Professional, scientific, management, administrative and waste management	823	7.3	168,334	10.1
Educational, health and social services	2,792	24.6	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	630	5.6	111,424	6.7
Other services	407	3.6	74,499	4.5
Public administration	522	4.6	67,354	4.1
Total	11,338	100.0	1,664,440	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

**Major Employers
As of February 2010**

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees¹</u>
Eyelematic Manufacturing Co.	Metal stamping manufacturer	370
The Siemon Company	Manufacturer	350
The Taft School	Private school	250
Bristol Inc.	Instrumentation devices	267
Super Stop & Shop	Supermarket	200
Braxton Manufacturing	Manufacturer	175
Global Steering System	Manufacturer	137
Waterbury Extended Care	Health care	130
LaBonne's	Specialty supermarket	121
Adams Supermarket	Supermarket	100
Engineered Sinterings & Plastics	Thermosetting materials	90
Kmart	Retail store	82
VNA	Health care	80
Truelove & Maclean	Manufacturer	70
OC Eyelet	Electronic components	55

¹Full-time equivalent.

**Commute to Work
(16 years of age and over)**

	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone	9,709	87.3	1,312,700	80.0
Car pools	923	8.3	154,400	9.4
Using public transportation	83	0.8	65,827	4.0
Using other means	15	0.1	12,130	0.7
Walked or worked at home	390	3.5	95,766	5.9
Total	11,120	100.0	1,640,823	100.0
Mean travel to work (minutes)	24.5	-	24.4	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Number and Value of Building Permits

Fiscal Year Ended 6/30	Residential		Commercial/ Industrial		Other		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
2009 ¹	186	\$ 4,732,707	31	\$31,451,893	1,138	\$37,580,508	1,355	\$73,765,108
2008	256	8,326,361	21	2,182,646	1,162	6,704,412	1,439	17,213,419
2007	302	12,112,722	24	947,810	1,422	6,995,150	1,748	20,055,682
2006	400	16,916,223	21	24,351,076	1,719	19,873,158	2,140	61,140,457
2005	582	20,791,492	49	3,432,160	1,623	8,547,864	2,254	32,771,516
2004	424	12,070,696	33	2,581,847	1,594	5,604,750	2,051	20,257,293
2003	220	8,821,036	25	762,495	1,454	5,993,737	1,699	15,577,268
2002	229	9,493,000	40	7,890,575	1,525	11,024,947	1,794	28,408,522
2001	227	9,955,755	60	9,731,864	1,422	11,167,685	1,709	30,855,304
2000	217	9,919,115	47	7,431,503	1,439	8,450,551	1,703	25,801,169
1999	239	11,509,786	35	6,226,121	1,363	8,197,643	1,637	25,933,550

¹ The 2009 building permits include building permits for the three school renovations and the Taft School dining room addition.

Age Distribution of Housing

Year Structure Built	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Built in 1939 or earlier	1,689	20.4	308,896	22.3
Built in 1940-1969	3,452	41.6	571,218	41.2
Built in 1970-1979	1,144	13.8	203,377	14.7
Built in 1980-1989	1,136	13.7	183,405	13.2
Built in 1990-1994	509	6.1	56,058	4.0
Built in 1995-March 2000	368	4.4	63,021	4.6
Total	8,298	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Housing Units by Type of Structure

Type	Town of Watertown		State of Connecticut	
	Number	Percent	Number	Percent
Single-family detached	6,301	75.9	816,706	58.9
Single-family attached	284	3.4	71,185	5.1
Multifamily	1,700	20.5	485,890	35.1
Mobile home, trailer, or other	13	0.2	12,194	0.9
Total	8,298	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Owner-occupied Housing Units

	<u>Town of Watertown</u>	<u>State of Connecticut</u>
Total owner-occupied units	6,385	869,729
Persons per unit	2.83	2.67
Mean number of rooms	6.0	5.6

<u>Specified Owner-occupied Units</u>	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000	34	0.6	5,996	0.8
\$ 50,000 to \$ 99,999	662	11.8	85,221	11.7
\$100,000 to \$149,999	2,201	39.1	212,010	29.1
\$150,000 to \$199,999	1,465	26.1	156,397	21.5
\$200,000 to \$299,999	941	16.7	137,499	18.9
\$300,000 to \$499,999	287	5.1	79,047	10.9
\$500,000 or more	<u>34</u>	<u>0.6</u>	<u>52,074</u>	<u>7.1</u>
Total	5,624	100.0	728,244	100.0
Median value	\$148,300	-	\$166,900	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Number and Size of Households

<u>Household Characteristics</u>	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households.....	21,502	-	3,297,626	-
Persons per household (average).....	2.67	-	2.53	-
Persons per family	3.13	-	3.08	-
Family households.....	5,996	74.5	881,170	67.7
Non-family households	<u>2,050</u>	<u>25.5</u>	<u>420,500</u>	<u>32.3</u>
All households.....	8,046	100.0	1,301,670	100.0
Family households by type				
Married couple	4,964	82.8	676,467	76.8
Female householders, no spouse.....	758	12.6	157,411	17.8
Other.....	<u>274</u>	<u>4.6</u>	<u>47,292</u>	<u>5.4</u>
Total family households	5,996	100.0	881,170	100.0
Non-family households by type				
Householders living alone	1,746	85.2	344,224	81.9
Other.....	<u>304</u>	<u>14.8</u>	<u>76,276</u>	<u>18.1</u>
Total non-family households	2,050	100.0	420,500	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Housing Unit Vacancy Rates

<u>Housing Units</u>	<u>Town of Watertown</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied housing units.....	8,046	97.0	1,301,670	93.9
Vacant housing units.....	<u>252</u>	<u>3.0</u>	<u>84,305</u>	<u>6.1</u>
Total units.....	8,298	100.0	1,385,975	100.0
Homeowner vacancy rate.....	-	0.5	-	1.1
Rental vacancy rate.....	-	2.9	-	5.6

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

SECTION IV - DEBT SECTION

Debt Summary As of March 31, 2010 (Pro Forma)

Outstanding Short-term Debt

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Notes Maturing</u>	<u>This Issue</u>	<u>Maturity Date</u>	<u>Legal Renewable Limit</u>
Swift Middle School	\$33,768,919	\$ 1,200,000	\$ 1,000,000	03/30/11	04/01/17
Judson Elementary School	15,859,000	2,000,000	2,500,000	03/30/11	
Watertown High School	56,157,000	<u>12,000,000</u>	<u>12,000,000</u>	03/30/11	
Total		<u>\$15,200,000</u>	<u>\$15,500,000</u>		

Outstanding Bonded Debt¹

<u>Dated Date</u>	<u>Final Maturity</u>	<u>Purpose</u>	<u>Interest Rate %</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
08/01/03	08/01/23	School	3.25-4.625	\$ 1,800,000	\$ 540,000
08/01/03	08/01/23	Public improvement	3.25-4.625	738,000	222,000
08/01/03	08/01/23	Sewers	3.25-4.625	738,000	222,000
08/01/03	08/01/23	Water	3.25-4.625	2,109,000	636,000
04/01/04	04/01/24	School	3.00-5.00	315,000	30,000
04/01/04	04/01/24	Public improvement	3.00-5.00	5,185,000	520,000
08/01/04	08/01/24	School	3.25-5.00	2,000,000	500,000
08/01/04	08/01/24	Public improvement	3.25-5.00	4,000,000	1,000,000
02/01/05	08/01/19	School	3.00-5.00	15,521,000	10,015,000
02/01/05	08/01/10	Sewer	3.00-4.00	461,100	75,000
02/01/05	08/01/10	Water	3.00-4.00	392,900	65,000
08/01/05	08/01/25	School	4.00-5.00	9,605,000	3,844,000
08/01/05	08/01/25	Public improvement	4.00-5.00	935,000	371,000
02/01/07	02/01/27	School	4.00-4.75	2,900,000	1,695,000
02/01/07	02/01/27	Public improvement	4.00-4.75	1,600,000	930,000
09/15/07	09/15/27	School	3.75-4.00	4,100,000	2,870,000
09/15/07	09/15/27	Sewer	3.75-4.00	800,000	560,000
09/15/07	09/15/27	Sewer (taxable)	5.50-5.75	1,000,000	900,000
01/15/08	01/15/33	School	3.00-5.00	10,000,000	8,000,000
04/01/09	04/01/29	Schools	2.50-4.50	16,000,000	12,800,000
04/01/09	04/01/29	Sewers	2.50-4.50	200,000	160,000
08/27/09	07/01/22	Series B schools	3.00-5.00	11,160,000	11,160,000
08/27/09	07/01/22	Series B public improvement	3.00-5.00	7,130,000	7,130,000
08/27/09	07/01/21	Series B sewers	3.00-5.00	470,000	470,000
03/15/10	03/15/30	This issue	-	7,500,000	<u>7,500,000</u>
Total					<u>\$72,215,000</u>

Other Commitments

In addition to bonded debt, the Town has entered into an agreement, approved by the Town Council and the Watertown Water and Sewer Authority, to pay a portion of the debt of the City of Waterbury incurred through the issuance of obligations under the State of Connecticut's Clean Water Fund Program for costs of various upgrades and expansions to the City of Waterbury's sewage treatment facilities, as follows:

<u>Dated Date</u>	<u>Final Maturity</u>	<u>Interest Rate %</u>	<u>Town's Share of Original Issue</u>	<u>Town's Share of Amount Outstanding</u>
08/30/95	08/31/14	2.00%	\$ 325,084	\$ 71,790
07/31/97	07/31/16	2.00	616,134	220,255
12/31/00	06/03/20	2.00	<u>8,085,318</u>	<u>4,249,975</u>
Total			\$9,026,536	\$4,542,020

Pursuant to an agreement between the Town and the Watertown Fire District, the District reimburses the Town for 32.72% of the Town's payments to the City of Waterbury pursuant to this agreement. The balance of the Town's payment obligations under the agreement are anticipated to be paid from assessments and other charges upon the Town's sewer users. See "Sewage Disposal" above regarding the Town's use of the City's sewage treatment facilities.

Overlapping/Underlying Debt As of March 31, 2010 (Pro Forma)

The Town of Watertown has no overlapping debt. The debt, if any, of the Watertown Fire District and the Lake Winnemauug Association represents underlying debt for the Town of Watertown. The Watertown Fire District has the authority to issue tax-exempt debt, and its outstanding indebtedness as of March 31, 2010 is shown below.

<u>Date of Issue</u>	<u>Bonds Outstanding</u>
03/30/95	\$490,139
09/30/03	175,525
06/30/04	<u>324,846</u>
Total	\$990,510

**Bonded Debt Maturity Schedule
As of March 31, 2010
(Pro Forma)**

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments¹</u>	<u>Total Payments</u>	<u>This Issue</u>	<u>Cumulative Principal Retired</u>
2010 ²	\$ 810,000	\$ 253,219	\$ 1,063,219	\$ -	1.12
2011	4,315,000	2,624,767	6,939,767	375,000	7.62
2012	4,125,000	2,458,644	6,583,644	375,000	13.85
2013	4,110,000	2,287,162	6,397,162	375,000	20.06
2014	4,090,000	2,144,444	6,234,444	375,000	26.24
2015	4,070,000	1,986,781	6,056,781	375,000	32.40
2016	4,090,000	1,806,806	5,896,806	375,000	38.58
2017	4,115,000	1,619,856	5,734,856	375,000	44.80
2018	4,120,000	1,436,206	5,556,206	375,000	51.02
2019	4,145,000	1,239,300	5,384,300	375,000	57.28
2020	3,460,000	1,063,525	4,523,525	375,000	62.59
2021	3,105,000	935,288	4,040,288	375,000	67.41
2022	3,105,000	808,244	3,913,244	375,000	72.23
2023	3,100,000	681,988	3,781,988	375,000	77.04
2024	3,100,000	559,238	3,659,238	375,000	81.85
2025	2,555,000	434,844	2,989,844	375,000	85.91
2026	2,255,000	333,806	2,588,806	375,000	89.55
2027	1,730,000	250,675	1,980,675	375,000	92.47
2028	1,505,000	176,675	1,681,675	375,000	95.07
2029	1,210,000	117,950	1,327,950	375,000	97.27
2030	400,000	65,500	465,500	375,000	98.34
2031	400,000	49,500	449,500	-	98.89
2032	400,000	33,000	433,000	-	99.45
2033	400,000	16,500	416,500	-	100.00
Total	<u>\$64,715,000</u>	<u>\$23,383,918</u>	<u>\$88,098,918</u>	<u>\$7,500,000</u>	

¹Does not include interest on this issue.

²Excludes \$3,090,000 of principal payments and \$1,974,951 of interest payments made from July 1, 2009 through March 31, 2010.

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

Current Debt Statement¹
As of March 31, 2010
(Pro Forma)

Bonded debt	
General purpose	\$ 9,333,000
Schools (including this issue)	58,954,000
Sewers	2,387,000
Water	<u>1,541,000</u>
Bonded debt	72,215,000
Short-term debt (this issue)	<u>15,500,000</u>
Direct debt	87,715,000
Less:	
School construction grants receivable	5,296,136
Self-supporting sewer debt	1,757,000
Self-supporting water debt	<u>1,541,000</u>
	8,594,136
Net direct debt	79,120,864
Underlying debt (Watertown Fire District)	<u>990,510</u>
Overall net debt	\$80,111,374

¹ Excludes the Town's obligations described in "Other Commitments" herein.

Current Debt Ratios¹
As of March 31, 2010
(Pro Forma)

Population 2008 ²	22,095
Net taxable grand list, 10/1/08	\$1,912,745,000
Estimated full value	\$2,732,492,857
Equalized net taxable grand list (2007) ³	\$2,970,805,402
Income per capita (1999) ⁴	\$26,044

	Direct Debt	Net Direct Debt	Overall Net Debt
	<u>\$87,715,000</u>	<u>\$79,120,864</u>	<u>\$80,111,374</u>
Debt per capita	\$3,969.90	\$3,580.94	\$3,625.77
Percent of net taxable grand list	4.59%	4.14%	4.19%
Percent of estimated full value	3.21%	2.90%	2.93%
Percent of equalized net taxable grand list	2.95%	2.66%	2.70%
Debt per capita to income per capita	15.24%	13.75%	13.92%

¹ Excludes the Town's obligations described in "Other Commitments" herein.

² State of Connecticut Department of Public Health estimate.

³ State of Connecticut, Office of Policy and Management.

⁴ U.S. Department of Commerce, Bureau of Census, 2000 Census.

Statement of Statutory Debt Limitation
As of March 31, 2010
(Pro Forma)

Debt Limitation Base

Total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2009	\$41,371,566
Reimbursement for revenue loss on Elderly Tax Relief	3,736
Debt Limitation Base	\$41,375,302

	<u>General Purpose¹</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>
Debt Limitation by Purpose					
2.25 x base	\$93,094,430				
4.50 x base	-	\$186,188,859			
3.75 x base	-	-	\$155,157,383		
3.25 x base	-	-	-	\$134,469,732	
3.00 x base	-	-	-	-	\$124,125,906
Total debt limitation	93,094,430	186,188,859	155,157,383	134,469,732	124,125,906
Less indebtedness					
Notes of this issue	-	15,500,000	-	-	-
Bonds of this issue	-	7,500,000	-	-	-
Bonds payable	9,333,000	51,454,000	2,387,000	-	-
Underlying debt	-	-	990,510	-	-
Authorized but unissued	56,672	8,159,628	36,650	-	-
Total indebtedness	9,389,672	82,613,628	3,414,160	-	-
Less:					
School construction grants	-	5,296,136	-	-	-
Self-supporting debt	-	-	1,757,000	-	-
Net total indebtedness	9,389,672	77,317,492	1,657,160	-	-
Debt limitation in excess of outstanding and authorized debt	\$83,704,758	\$108,871,367	\$153,500,223	\$134,469,732	\$124,125,906

¹ Water bonds outstanding in the amount of \$1,541,000 excluded by State statute.

Note: Excludes the Town's obligations described in "Other Commitments" herein.

In accordance with Connecticut General Statutes municipalities may not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness to be exceeded by class as outlined above and in no case shall total indebtedness exceed seven times the base, or in the Town's case, \$289,627,114.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas and electricity; for the construction of subways for cables, wire or pipes; and for the construction of underground conduits for cables, wires or pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement, for indebtedness issued in anticipation of receipt of proceeds from State or Federal grants evidenced by a written commitment or by contract only to the extent such indebtedness can be paid from such proceeds and for debt to be paid from a funded sinking fund.

**Authorized but Unissued Debt
As of March 31, 2010
(Pro Forma)**

<u>Project</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Bonds and Notes Issued</u>	<u>Grants/ Paydowns</u>	<u>Authorized but Unissued</u>
Roadway and Drainage Improvements ¹	11/25/03	\$ 1,730,000	\$1,700,000	\$ -	\$ 30,000
Fire House Renovation and Expansion ¹	11/25/03 & 11/29/05	6,046,672	6,020,000	-	26,672
Swift Middle School Project ²	05/04/04 & 11/29/05	33,768,919	14,900,000	18,328,315	540,604
Wattles Brook Interceptor	2/21/06	2,036,650	2,000,000	-	36,650
Watertown High School Renovations and Additions ¹	04/16/07 & 06/05/07	56,157,000	36,600,000	16,548,949	3,008,051
Judson Elementary School Renovations and Additions ¹	04/16/07 & 06/05/07	15,859,000	10,000,000	5,989,327	-
Polk Elementary School Renovations and Additions ³	04/16/07 & 06/05/07	<u>12,517,000</u>	<u>5,500,000</u>	<u>2,406,027</u>	<u>4,610,973</u>
Total		\$128,115,241	\$54,920,000	\$43,272,618	\$8,252,950

¹ These projects are complete, and the Town does not expect to use any remaining authorizations.

² The balance of these projects is expected to be completely funded with State school construction grants.

³ The Town's share of this school project is estimated at 47.5% and the State's share is estimated at 52.5%.

Authority to Incur Debt

The Town of Watertown has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

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

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

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

<u>Fiscal Year Ended 6/30</u>	<u>Total Debt Service</u>	<u>General Fund Expenditures and Transfers</u>	<u>Ratio of Debt Service to Expenditures and Transfers</u>
2009	\$5,559,514	\$62,239,479	8.93
2008	4,481,356	69,056,494	6.49
2007	4,452,035	55,692,142	7.99
2006	3,059,630	51,835,684	5.90
2005	3,097,369	49,405,365	6.27

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

<u>Fiscal Year Ended 6/30</u>	<u>Net Taxable Grand List (000s)</u>	<u>Estimated Full Value (000s)¹</u>	<u>Net Long-term Debt (000s)</u>	<u>Ratio of Net Long-term Debt to Net Taxable Grand List (%)</u>	<u>Ratio of Net Long-term Debt to Estimated Full Value (%)</u>	<u>Population²</u>	<u>Net Long-term Debt Per Capita</u>	<u>Ratio of Net Long-term Debt per Capita to Per Capita Income (%)³</u>
2009	\$1,683,563	\$2,405,090	\$58,891	3.50	2.45	22,095	\$2,665	10.23
2008	1,668,339	2,383,341	45,635	2.74	1.91	22,128	2,062	7.92
2007	1,630,286	2,628,980	33,615	2.06	1.28	22,347	1,504	5.77
2006	1,584,045	2,262,921	30,985	1.96	1.37	22,330	1,388	5.33
2005	1,562,270	2,231,814	20,778	1.33	0.93	22,268	933	3.58

¹ Assessment Ratio 70%.

² State of Connecticut Department of Public Health estimates.

³ U.S. Department of Commerce, Bureau of Census, 2000 Census per capita income \$26,044.

SECTION V - FINANCIAL SECTION

Comparative Assessed Valuations (\$ in thousands)

<u>Fiscal Year Ended 6/30</u>	<u>Grand List of 10/1</u>	<u>Residential Real Property Percent</u>	<u>Commercial and Industrial Real Property Percent</u>	<u>Other Land Percent</u>	<u>Personal Property Percent</u>	<u>Motor Vehicle Percent</u>	<u>Gross Taxable Grand List (000s)</u>	<u>(000s) Less Exemptions</u>	<u>Net Taxable Grand List</u>	<u>Percent Change</u>
2011	2009	73.7	12.0	0.1	6.3	7.9	\$1,963,356	\$50,495	\$1,912,861	0.01
2010	2008 ¹	73.3	12.1	0.1	6.7	7.8	1,967,095	54,350	1,912,745	13.61
2009	2007	71.5	11.4	0.1	7.7	9.3	1,723,065	39,502	1,683,563	0.91
2008	2006	71.2	11.4	0.1	7.8	9.5	1,711,948	43,609	1,668,339	2.33
2007	2005	71.4	11.6	0.1	7.9	9.0	1,675,520	45,234	1,630,286	2.92
2006	2004	70.7	12.4	0.1	8.2	8.6	1,635,014	50,969	1,584,045	1.39
2005	2003 ¹	70.8	11.8	0.1	9.0	8.3	1,616,988	54,718	1,562,270	29.00
2004	2002	61.1	12.4	3.8	11.4	11.3	1,269,610	58,566	1,211,044	2.06
2003	2001	60.9	13.0	3.3	11.5	11.3	1,253,960	67,402	1,186,558	-

¹ Revaluation.

Principal Taxpayers (\$ in thousands))

<u>Name</u>	<u>Nature of Business</u>	<u>Taxable Valuation As of 10/1/09¹</u>	<u>Percent of Net Taxable Grand List¹</u>
Connecticut Light & Power	Utility	\$ 23,772	1.24
Siemon Company	Manufacturer	19,347	1.01
Siemon Realty Company	Real estate	8,137	0.43
JSD Partners LLC	Manufacturer	7,836	0.41
Straits Commercial Assoc LTD PTN	Supermarket	6,930	0.36
Echo Manufacturing Co.	Manufacturer	6,772	0.35
Greenbriar Associates Inc.	Real estate	6,430	0.34
PM Engineered Solutions Inc	Manufacturer	5,928	0.31
DP 38 LLC & FP 3 LLC	Real Estate	4,962	0.26
Guernseytown Farms LLC	Real Estate	4,811	0.25
Total		<u>\$94,925</u>	<u>4.96</u>

¹ Based on 10/1/09 Net Taxable Grand List of \$1,912,801.

Property Tax Levies and Collections

<u>Fiscal Year Ended 6/30</u>	<u>Net Taxable Grand List (000s)</u>	<u>Mill Rate</u>	<u>Total Adjusted Tax Levy (000s)</u>	<u>Percent of Annual Levy Collected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected At End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected as of 1/31/10</u>
2010	\$1,912,745	22.38	\$42,807	-----In collection-----		
2009	1,683,563	24.35	41,233	98.56	1.44	0.8
2008	1,668,339	22.72	37,970	99.16	0.84	-
2007	1,630,286	22.72	37,427	99.09	0.91	-
2006	1,584,045	21.35	34,088	99.08	0.92	-
2005	1,562,270	20.37	31,659	98.91	1.09	-
2004	1,211,044	25.91	31,513	98.79	1.21	-

Property Taxes Receivable

<u>Fiscal Year Ended 6/30</u>	<u>Current Year</u>	<u>Total</u>
2009	\$593,836	\$827,344
2008	353,198	563,537
2007	339,644	578,227
2006	314,098	562,585
2005	344,920	549,104
2004	382,264	613,259

Intergovernmental Revenues as a Percent of General Fund Revenues

<u>Fiscal Year Ended 6/30</u>	<u>Intergovernmental Revenues</u>	<u>General Fund Revenues</u>	<u>Percent</u>
2009	\$17,032,238	\$61,046,769	27.90
2008	26,886,008	69,013,984	38.96
2007	15,054,605	55,714,962	27.02
2006	14,670,502	52,023,178	28.20
2005	13,773,734	49,290,016	27.94

Comparative Balance Sheets – General Fund

	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/05</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 5,898,594	\$ 6,087,941	\$ 5,490,313	\$ 5,003,895	\$ 3,976,972
Receivables:					
Taxes	896,344	666,387	704,227	679,585	647,979
Other	444,507	406,770	100,586	72,260	260,925
Intergovernmental	5,341,331	5,971,517	6,740,683	7,634,238	9,028,764
Due from other funds	97,399	250,892	131,689	274,084	331,469
Total assets	\$12,678,175	\$13,383,507	\$13,167,498	\$13,664,062	\$14,246,109
<i>Liabilities and fund equity</i>					
<i>Liabilities</i>					
Accounts payable	\$ 779,275	\$ 742,579	\$ 414,839	\$ 438,403	\$ 576,740
Deferred revenues	6,193,541	6,702,453	7,317,008	8,110,134	9,619,950
Total liabilities	6,972,816	7,445,032	7,731,847	8,548,537	10,196,690
<i>Fund equity</i>					
Reserved	305,098	916,410	890,284	930,145	1,006,484
Unreserved – designated for subsequent year's expenditures ..	-	97,065	128,000	-	122,428
Undesignated	5,400,261	4,925,000	4,417,367	4,185,380	2,920,507
Total fund equity	5,705,359	5,938,475	5,435,651	5,115,525	4,049,419
Total liabilities and fund equity	\$12,678,175	\$13,383,507	\$13,167,498	\$13,664,062	\$14,246,109
<i>Analysis of General Fund equity</i>					
Operating revenues	\$61,046,769	\$58,413,984 ¹	\$55,714,962	\$52,023,178	\$49,290,016
Fund equity as a percent of operating revenues	9.35	10.17	9.76	9.83	8.22
Undesignated fund equity as a percent of operating revenues ..	8.85	8.43	7.93	8.04	5.93

¹Excludes the State of Connecticut's \$10.6 million incremental contribution to the teachers' pension plan on behalf of the Town. Such contribution was \$1,927,504 and \$2,016,937 for fiscal years ended June 30, 2006 and 2007, respectively.

General Fund Revenues, Expenditures and Changes in Fund Balance

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2005 through 2009 have been derived from audited financial statements. The budget for the fiscal year ending June 30, 2010 has been provided on a budgetary basis by the Town. The financial information presented herein is the responsibility of the Town of Watertown's management (other than Appendix A – "Audited Financial Statements" which was taken from the Annual Financial Report of the Town of Watertown for the fiscal year ended June 30, 2009).

	Adopted Budget 2009-10¹	2008-09²	2007-08²	2006-07²	2005-06²	2004-05²
Revenues						
Property taxes	\$43,311,586	\$41,428,222	\$38,248,288	\$37,862,867	\$34,328,688	\$32,053,385
Intergovernmental revenues ³	14,123,186	17,032,238	26,886,008	15,054,605	14,670,502	13,773,734
Departmental revenues	1,583,308	2,001,022	1,788,351	1,929,029	2,113,565	2,566,328
Investment income	243,000	179,968	521,080	628,475	397,707	210,366
Other revenue	<u>755,320</u>	<u>405,319</u>	<u>1,570,257</u>	<u>239,986</u>	<u>512,716</u>	<u>686,203</u>
Total revenues	60,016,400	61,046,769	69,013,984	55,714,962	52,023,178	49,290,016
Expenditures						
General government	2,318,952	2,381,697	2,375,219	2,347,859	2,111,922	2,190,327
Public safety	4,565,265	4,382,794	4,467,391	4,185,193	4,047,671	3,955,733
Public works	3,144,053	3,297,676	3,503,706	3,188,542	3,322,637	4,552,319
Parks & recreation	660,471	716,319	722,291	663,832	637,324	624,589
Health and welfare	127,060	130,342	120,197	109,878	98,940	93,146
Education	35,205,816	38,620,195	46,938,079	34,388,243	32,377,713	30,635,694
Debt service	7,068,096	5,559,514	4,481,356	4,452,035	3,059,630	3,097,369
Other	<u>6,926,687</u>	<u>6,465,866</u>	<u>5,987,686</u>	<u>5,916,945</u>	<u>5,728,787</u>	<u>4,987,608</u>
Total expenditures	60,016,400	61,554,403	68,595,925	55,252,527	51,384,624	50,136,785
Excess (deficiency) of revenues over (under) expenditures	-	(507,634)	418,059	462,435	638,554	(846,769)
Other financing sources (uses):						
Operating transfers in		959,594	545,334	297,306	878,612	1,097,588
Bond proceeds		-	-	-	-	16,348,369
Deposit to escrow and costs of debt issuance		-	-	-	-	(16,348,369)
Operating transfers out		<u>(685,076)</u>	<u>(460,569)</u>	<u>(439,615)</u>	<u>(451,060)</u>	<u>(731,420)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		(233,116)	502,824	320,126	1,066,106	(480,601)
Fund balance, beginning of year		<u>5,938,475</u>	<u>5,435,651</u>	<u>5,115,525</u>	<u>4,049,419</u>	<u>4,530,020</u>
Fund balance, end of year		\$5,705,359	\$5,938,475	\$5,435,651	\$5,115,525	\$4,049,419

¹ Budgetary basis; does not include payments made on behalf of the Town by the State of Connecticut for Teachers' Retirement System.

² GAAP basis.

³ Includes the State of Connecticut's \$12,554,477 contribution to the teachers' pension plan on behalf of the Town of Watertown. This amount was approximately \$10.6 million higher than previous years due to the State issuing pension obligation bonds to partially fund the teachers' pension plan.

Accounting Policies and Basis of Accounting

The Town's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The Town's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The accounting policies of the Town conform to generally accepted accounting principles as applied to governmental units. (See Appendix A - "Audited Financial Statements, Notes to Financial Statements, Note 1" herein.)

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.

Certificate of Achievement

The Town of Watertown's Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2008 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the 14th consecutive year. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Budget Adoption Procedure

At least 120 days before
close of fiscal year

The head of each department, office, agency, board, including the Board of Education, commission, and authority files estimates of non-tax revenues and expenditures with the Town Manager.

At least 75 days before close
of fiscal year

Town Manager submits proposed Annual Budget to the Council which contains: 1) a budget message, 2) revenue estimates, 3) expenditure estimates and recommendations, 4) a five-year Capital Improvement Program.

At least 4 weeks before the
start of fiscal year

The Town Council holds a public hearing on proposed Annual Budget. Town Council adopts budget giving effect to citizen input from public hearing.

Not less than 20 days before
the start of fiscal year

Budget Town Meeting votes on Council budget. Council lays tax.

Pension Programs

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

Other Post-employment Benefits

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's OPEB valuation as of July 1, 2008 lists an unfunded liability totaling \$31,307,168. The Town is in the process of setting up a trust fund to start funding the OPEB liability. For the fiscal year ending June 30, 2009 the Town's annual required contribution totaled \$2,968,986.

See Appendix A - "Audited Financial Statements, Notes to Financial Statements, Note 10" herein for more information.

Insurance

See Appendix A - "Audited Financial Statements, Notes to Financial Statements, Note 9" herein.

Investment Practices

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.

The Town's investment practices have been to invest only in certificates of deposit, repurchase agreements (collateralized by U.S. Government securities), the State of Connecticut Short Term Investment Fund, MBIA Class Investment Fund and the State of Connecticut Tax Exempt Proceeds Fund. The Town Treasurer has followed these investment practices, and the Town's operating funds and capital funds are currently invested in the following short-term investments: (1) various certificates of deposit with Connecticut banks, (2) the State of Connecticut Short Term Investment Fund, (3) the State of Connecticut Tax Exempt Proceeds Fund, and (4) MBIA Cooperative Liquid Assets Security System, an investment fund managed by MBIA Municipal Service Corporation, which, according to MBIA, invests only in i) high-grade short-term federal securities and variable-rate obligations backed by Federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and ii) very short-term (usually overnight) repurchase agreements secured by high-quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefit of the pool's participants.

Assessment Practices

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 and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Since the Town completed its last physical revaluation effective as of October 1, 2003, a statistical revaluation was required for the assessment year commencing October 1, 2008. Public Act 09-60 permits any municipality required to effect a revaluation of real property under Section 12-62 of the Connecticut General Statutes for the 2008, 2009 or 2010 assessment years, upon approval of its legislative body, to delay such revaluation until the 2011 assessment year. Any required revaluation subsequent to such a delayed revaluation shall recommence at the point in the schedule required pursuant to Section 12-62 that the municipality was following prior to such delay. Prior to the completion of each revaluation, the Assessor shall conduct a field review. The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current

fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

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

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

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

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

SECTION VI - ADDITIONAL 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.

Availability of Continuing Information

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

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, annual financial information and operating data and notices of material events with respect to the Bonds and Notes, substantially in the form attached as Appendices C and D to this Official Statement. The winning bidders' obligation to purchase the Bonds and Notes shall be conditioned upon their receiving, at or prior to the delivery of the Bonds and Notes, an executed copy of the respective Continuing Disclosure Agreement.

For the past five years, The Town has complied in all material respects with any previous undertaking made by the Town under the Rule.

Documents to Be Furnished at Closing

The following documents will be furnished when the Bonds and Notes 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 and Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Town Manager and the Finance Director, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds and Notes.
4. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C.
5. An executed Continuing Disclosure Agreement for the Notes in substantially the form attached hereto as Appendix D.
6. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut.
7. Within seven business days after the bid opening, the Town will furnish the original purchaser of the Bonds 75 copies and each original purchaser of the Notes 25 copies of the Official Statement as

prepared by the Town. Additional copies may be obtained by the original purchasers at their own expense by arrangement with the printer. If the Town's financial advisor is provided with the necessary information from the winning bidder 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 underwriters, and the name of the insurer, if any, of the Bonds.

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds and Notes by the Town of Watertown, Connecticut and may not be reproduced or used in whole or in part for any other purpose.

The following officials in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Town of Watertown, Connecticut

By _____
Charles Frigon
Town Manager

By _____
Frank J. Nardelli, Jr.
Assistant Town Manager/Finance Director

Dated March 12, 2010

Appendix A - Audited Financial Statements



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Watertown
Watertown, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Watertown, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Watertown, Connecticut, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 10 and budgetary comparison information on pages 49 through 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the

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United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 19, 2009

**TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

Financial Highlights

- The Town's total net assets increased \$13.4 million as a result of this year's operations. Net assets of our governmental activities increased by \$14.4 million, or nearly 15.8%. Included in the \$14.4 million increase was the receipt of \$14.6 million in school building construction grants from the State during the year, primarily related to the Judson School and High School addition and renovation projects.
- During the year, the Town had expenses that were \$14.4 million less than the \$79.0 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, total net assets decreased \$928 thousand. Unrestricted net assets decreased 2.3 million (\$5.4 million in 2009 compared with \$7.7 million in 2008).
- Total cost of all of the Town's programs was \$69.7 million with no new programs added this year.
- The General Fund reported an unreserved fund balance this year of \$5.4 million.
- The resources available for appropriation were \$642 thousand more than budgeted for the General Fund. Expenditures were kept within spending limits.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. 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 analysis of the Town as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets 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.

Fund Financial Statements

The fund financial statements begin with Exhibit III and 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 the 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 the state and federal governments). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Health and Dental Benefits and Workers' Compensation Internal Service Funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's combined net assets increased from a year ago increasing from \$109.6 million to \$123.0 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

TABLE 1
NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 35,473	\$ 32,434	\$ 12,803	\$ 14,430	\$ 48,276	\$ 46,864
Capital assets, net of accumulated depreciation	<u>146,695</u>	<u>121,399</u>	<u>16,854</u>	<u>15,583</u>	<u>163,549</u>	<u>136,982</u>
Total assets	<u>182,168</u>	<u>153,833</u>	<u>29,657</u>	<u>30,013</u>	<u>211,825</u>	<u>183,846</u>
Long-term liabilities outstanding	73,228	59,083	9,707	10,249	82,934	69,332
Other liabilities	<u>3,584</u>	<u>3,752</u>	<u>2,324</u>	<u>1,210</u>	<u>5,909</u>	<u>4,962</u>
Total liabilities	<u>76,812</u>	<u>62,835</u>	<u>12,031</u>	<u>11,459</u>	<u>88,843</u>	<u>74,294</u>
Net Assets:						
Invested in capital assets, net of related debt	100,078	86,502	12,211	10,840	112,289	97,342
Restricted	325	316			325	316
Unrestricted	<u>4,953</u>	<u>4,180</u>	<u>5,415</u>	<u>7,714</u>	<u>10,368</u>	<u>11,894</u>
Total Net Assets	<u>\$ 105,356</u>	<u>\$ 90,998</u>	<u>\$ 17,626</u>	<u>\$ 18,554</u>	<u>\$ 122,982</u>	<u>\$ 109,552</u>

Net assets of the Town's governmental activities increased by \$14.4 million (\$105.4 million in 2009 compared with \$91.0 million in 2008). The Town's unrestricted net assets of \$5.0 million increased \$800 thousand or 19.0% compared with last years' unrestricted net assets of \$4.2 million. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Net assets invested in capital assets, net of debt increased \$13.6 million. The Town realized a capital grant contribution under the State's school building construction grant program which funded \$14.6 million of school building capitalized additions during the year encompassing the majority of the increase in net assets invested in capital assets.

During 2009, the net assets of the Town's business-type activities decreased by \$928 thousand. Unrestricted net assets decreased \$2.3 million (\$5.4 million in 2009 compared with \$7.7 million in 2008). Contributing factors to the change in total net assets and unrestricted net assets follows Table 2. The Town generally can only use these net assets to finance the continuing operations of the Sewer Authority, Water Authority and Crestbrook Golf Enterprise Funds.

TABLE 2
CHANGE IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 3,592	\$ 3,440	\$ 3,504	\$ 3,538	\$ 7,096	\$ 6,978
Operating grants and contributions	17,062	26,838	18	980	17,080	27,818
Capital grants and contributions	15,032	12,721	454	41	15,486	12,762
General revenues:						
Property taxes	41,531	38,206			41,531	38,206
Grants and contributions not restricted to specific purposes	1,226	1,336			1,226	1,336
Unrestricted investment earnings	370	914	80	300	450	1,214
Other general revenues	246	907			246	907
Total revenues	<u>79,059</u>	<u>84,362</u>	<u>4,056</u>	<u>4,859</u>	<u>83,115</u>	<u>89,221</u>
Expenses:						
General government	8,472	8,347			8,472	8,347
Public safety	5,808	5,093			5,808	5,093
Public works	3,680	4,843			3,680	4,843
Parks and recreation	1,130	1,224			1,130	1,224
Health and welfare	255	160			255	160
Education	42,822	50,151			42,822	50,151
Interest on long-term debt	2,223	1,893			2,223	1,893
Sewer			3,018	3,110	3,018	3,110
Water			1,546	1,522	1,546	1,522
Golf			731	780	731	780
Total expenses	<u>64,390</u>	<u>71,711</u>	<u>5,295</u>	<u>5,412</u>	<u>69,685</u>	<u>77,123</u>
Excess (deficiency) before transfers	14,669	12,651	(1,239)	(553)	13,430	12,098
Transfers	<u>(311)</u>	<u>(140)</u>	<u>311</u>	<u>140</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	<u>\$ 14,358</u>	<u>\$ 12,511</u>	<u>\$ (928)</u>	<u>\$ (413)</u>	<u>\$ 13,430</u>	<u>\$ 12,098</u>

The Town's total revenues were \$83.1 million. The total cost of all programs and services was \$69.7 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The Town's governmental activities reported an increase of \$14.4 million in net assets in 2009. The increase was principally driven by the receipt of capital grants and contributions of \$15.0 million used to fund increases in the Town's capital assets. The Town's total governmental revenue for the year was \$79.0 million. Total program expenses were \$64.4 million. During 2009 operating grants and contributions decreased by 9.8 million from 26.8 million in 2008 to 17.0 million in 2009 due to the states contributions in 2008 for issuance of pension obligation bonds and transferring those proceeds into the STRP plan. An amount equal to the State Teachers Retirement Board on behalf contributions is reflected as a decrease in 2009 education expenses as this on behalf contribution was made in 2008. Capital grants and contributions increased \$2.3 million as the Town realized \$14.6 million in

grant contributions associated mostly related to the Judson School and High School addition and renovation projects. Property taxes increased \$3.3 million as the Town's property tax mill rate increased 1.63 mills from 2008 to 2009.

Business-Type Activities

The Town's business-type activities reported a decrease of \$929 thousand in net assets in 2009. Charges for services revenue from the Town's business-type activities was consistent with last year decreasing by \$34 thousand. Operating grants and contributions was \$18 thousand this year as compared with \$980 thousand last year. Last year's contribution revenue includes the Sewer Authority's accrual of \$906 thousand from a private entity in accordance with a sewer connection and service agreement to share a percentage of the Authority's cost incurred during 2008 to install a sanitary sewer interceptor.

Table 3 presents the cost of each of the Town's five largest programs - general government, public safety, public works, education and parks and recreation - 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.

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General government	\$ 8,472	\$ 8,347	\$ 7,318	\$ 7,126
Public safety	5,809	5,093	5,244	4,655
Public works	3,680	4,843	3,047	2,732
Parks and recreation	1,130	1,224	772	869
Education	42,822	50,151	10,291	11,625
All others	2,478	2,053	2,032	1,705
Total	<u>\$ 64,390</u>	<u>\$ 71,711</u>	<u>\$ 28,704</u>	<u>\$ 28,712</u>

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$25.7 million, which is an increase of 3.6 million from last year's total of \$22.1 million. During 2009, the Town realized \$16.0 million in bond proceeds derived from the issuance of general obligation bonds to fund the Town's local share of three school renovation projects. A significant portion of those bond proceeds had not been expended as of year end and are, therefore, reflected in the Capital Improvement Fund's total fund balance of \$18.3 million as of June 30, 2009. Also, included in this year's governmental funds total change in fund balance is a decrease of \$233 thousand in the Town's General Fund. The primary reasons for the General Fund's decrease mirror activities reporting in RSI-1 and RSI-2. The Town budgeted for the use of \$578 thousand of fund balance, of which none of the appropriation from fund balance was used, as the Town exceeded its budgetary revenue estimates by \$642 thousand in addition to spending \$322 thousand less than anticipated on budgeted expenditures.

The Town's Capital Improvement Fund reported a fund balance increase of \$3.8 million during the year as discussed above. During the year, the Town realized \$14.6 million in intergovernmental grants from the State towards the costs of the Town's ongoing school renovation projects, along with \$16.0 million of bond issuance proceeds. The Town incurred \$26.4 million of capital expenditures during the year for school renovations at Watertown High School, Judson School and Polk School.

Proprietary Funds

Net assets of the Town's three self-insured internal service funds decreased by \$20 thousand resulting in a combined net asset deficit of \$20 thousand as of June 30, 2009. The Health and Dental Benefits Fund reported an operating gain of \$262 thousand as claims paid decreased significantly during the year. Net assets of the Town's Workers' Compensation Fund increased \$89 thousand as claims experience improved over last year.

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

During the year, the Town approved \$481 thousand of additional General Fund appropriations to fund various unanticipated expenditures in addition to \$97 thousand appropriated to balance the original adopted budget for 2009. The budgetary revenue estimate of \$58.5 million was exceeded by \$642 thousand as the Town realized a budgetary based revenue of \$385 thousand resulting from the underliquidation of prior year encumbrance commitments. As evidence of the economic downturn, conveyance tax and investment income revenues were below budgetary estimates. The Town's expended \$322 thousand less than the amended appropriated budget amount of \$59.1 million.

The Town's General Fund balance of \$5.7 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$5.4 million. This is because budgetary fund balance includes a reservation of \$300 thousand of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the Town had \$164 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase of \$26.6 million, or 19.4%, over last year.

TABLE 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,598	\$ 2,598	\$ 1,020	\$ 1,020	\$ 3,618	\$ 3,618
Construction in progress	56,758	35,725	2,555	1,954	59,313	37,679
Buildings and improvements	40,906	37,408	896	870	41,802	38,278
Vehicles	222	395	19	19	241	414
Machinery and equipment	1,093	1,251	333	305	1,426	1,556
Infrastructure	45,118	44,022	12,031	11,415	57,149	55,437
Total	<u>\$ 146,695</u>	<u>\$ 121,399</u>	<u>\$ 16,854</u>	<u>\$ 15,583</u>	<u>\$ 163,549</u>	<u>\$ 136,982</u>

This year's major capital outlay additions included:

Swift School Reconstruction	\$	412
Watertown High School Renovation		15,668
Judson School Renovation		<u>9,676</u>
Total	\$	<u><u>25,756</u></u>

The Town's fiscal year 2008-2009 capital budget calls for the continued capital outlay on the \$84.5 million of approved project authorizations for renovations and additions to the Watertown High School, Judson Elementary School and Polk Elementary School. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, the Town had \$74.9 million in bonds and serial notes outstanding versus \$61.7 million last year - an increase of 21.4% - as shown in Table 5.

TABLE 5
OUTSTANDING DEBT, AT YEAR-END
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 64,187	\$ 51,607	\$ 4,643	\$ 4,743	\$ 68,830	\$ 56,350
Serial notes payable			4,889	5,352	4,889	5,352
Bond anticipation notes (backed by the Town)	<u>1,200</u>	<u></u>	<u></u>	<u></u>	<u>1,200</u>	<u></u>
	<u><u>\$ 65,387</u></u>	<u><u>\$ 51,607</u></u>	<u><u>\$ 9,532</u></u>	<u><u>\$ 10,095</u></u>	<u><u>\$ 74,919</u></u>	<u><u>\$ 61,702</u></u>

The Town issued \$16 million in general obligation bonds to provide funding towards the \$84.5 million of approved renovations and additions to the Watertown High School, Judson Elementary School and Polk Elementary School.

The Town's general obligation bond rating continues to carry an Aa3 rating, a rating that has been assigned by national rating agencies to the Town's debt since 1999. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$289.6 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The Town's unemployment had an increase, averaging annual rate of 8.10%. Unemployment in the Town now stands at 8.6% versus 4.9% a year ago. This compares with the State's unemployment rate of 8.1% and the national rate of 9.7%.

Inflation in the Northeast area continues to be less than the national Consumer Price Index (CPI) increase.

The Town required three budget referendums to pass its 2009-2010 budget. Revaluation was completed as of October 1, 2008. The mill rate for fiscal year 2009-2010 is 22.38 mills, which is a 1.97 mill decrease from the prior year, because of revaluation. The Board of Education budget increased 0% and the Town's portion increased 6.1% because of increase in debt services for bonding the three school projects.

In the Town's 2009-2010 budget, the Town did not use any of the fund balance to balance the budget.

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

As for the Town's business-type activities, we expect that the 2009-10 operating income will increase based on recent decisions. The Water and Sewer Department continues to expand its utilities, which increases users. This expansion program combined with maintaining stable rates and low operating costs should enable an increase in net assets. The Water and Sewer Department is in the process of a Water and Sewer Cost of Services rate study, which will be completed in FY 2009-2010.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Watertown, 424 Main Street, Watertown, Connecticut 06795.

Basic Financial Statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 22,328,377	\$ 6,002,396	\$ 28,330,773
Receivables, net	13,021,804	1,975,200	14,997,004
Internal balances	64,791	(64,791)	-
Inventories	18,723		18,723
Deferred charges and other	40,000	4,889,471	4,929,471
Capital assets:			
Assets not being depreciated	59,356,078	3,574,742	62,930,820
Assets being depreciated, net	87,338,500	13,279,428	100,617,928
Total assets	<u>182,168,273</u>	<u>29,656,446</u>	<u>211,824,719</u>
Liabilities:			
Accounts and other payables	2,102,419	2,324,234	4,426,653
Bond anticipation notes payable	1,200,000		1,200,000
Unearned revenue	282,073		282,073
Noncurrent liabilities:			
Due within one year	6,206,356	866,635	7,072,991
Due in more than one year	67,021,155	8,839,914	75,861,069
Total liabilities	<u>76,812,003</u>	<u>12,030,783</u>	<u>88,842,786</u>
Net Assets:			
Invested in capital assets, net of related debt	100,078,111	12,211,170	112,289,281
Restricted for trust purposes:			
Expendable	119,588		119,588
Nonexpendable	205,935		205,935
Unrestricted	4,952,636	5,414,493	10,367,129
Total Net Assets	<u>\$ 105,356,270</u>	<u>\$ 17,625,663</u>	<u>\$ 122,981,933</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,471,740	\$ 1,136,805	\$ 17,250	\$	\$ (7,317,685)	\$	\$ (7,317,685)
Public safety	5,808,433	564,378	10		(5,244,045)		(5,244,045)
Public works	3,680,442	204,824	1,985	426,485	(3,047,148)		(3,047,148)
Parks and recreation	1,130,178	320,615	4,270	33,111	(772,182)		(772,182)
Health and welfare	255,107		184,884		(70,223)		(70,223)
Education	42,822,088	1,365,557	16,592,953	14,572,118	(10,291,460)		(10,291,460)
Interest on long-term debt	2,222,436		260,659		(1,961,777)		(1,961,777)
Total governmental activities	<u>64,390,424</u>	<u>3,592,179</u>	<u>17,062,011</u>	<u>15,031,714</u>	<u>(28,704,520)</u>	<u>-</u>	<u>(28,704,520)</u>
Business-type activities:							
Sewer	3,018,119	1,689,525				(1,328,594)	(1,328,594)
Water	1,546,437	1,143,510	18,266	453,987		69,326	69,326
Golf	730,840	670,471				(60,369)	(60,369)
Total business-type activities	<u>5,295,396</u>	<u>3,503,506</u>	<u>18,266</u>	<u>453,987</u>	<u>-</u>	<u>(1,319,637)</u>	<u>(1,319,637)</u>
Total	<u>\$ 69,685,820</u>	<u>\$ 7,095,685</u>	<u>\$ 17,080,277</u>	<u>\$ 15,485,701</u>	<u>(28,704,520)</u>	<u>(1,319,637)</u>	<u>(30,024,157)</u>
General revenues:							
Property taxes					41,530,674		41,530,674
Grants and contributions not restricted to specific programs					1,225,990		1,225,990
Unrestricted investment earnings					370,165	80,412	450,577
Miscellaneous					246,045		246,045
Transfers					(310,575)	310,575	-
Total general revenues and transfers					<u>43,062,299</u>	<u>390,987</u>	<u>43,453,286</u>
Change in net assets					14,357,779	(928,650)	13,429,129
Net Assets at Beginning of Year					<u>90,998,491</u>	<u>18,554,313</u>	<u>109,552,804</u>
Net Assets at End of Year					<u>\$ 105,356,270</u>	<u>\$ 17,625,663</u>	<u>\$ 122,981,933</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,898,594	\$ 13,569,487	\$ 2,072,069	\$ 21,540,150
Accounts receivable, net	6,682,182	5,983,675	355,947	13,021,804
Due from other funds	97,399			97,399
Inventories			18,723	18,723
Total Assets	<u>\$ 12,678,175</u>	<u>\$ 19,553,162</u>	<u>\$ 2,446,739</u>	<u>\$ 34,678,076</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 779,275	\$ 36,806	\$ 210,773	\$ 1,026,854
Bond anticipation notes payable		1,200,000		1,200,000
Due to other funds			32,608	32,608
Deferred revenue	6,193,541		513,417	6,706,958
Total liabilities	<u>6,972,816</u>	<u>1,236,806</u>	<u>756,798</u>	<u>8,966,420</u>
Fund balances:				
Reserved	305,098	39,887,799	492,482	40,685,379
Unreserved, reported in:				
General Fund	5,400,261			5,400,261
Special Revenue Funds			1,197,459	1,197,459
Capital Project Funds		(21,571,443)		(21,571,443)
Total fund balances	<u>5,705,359</u>	<u>18,316,356</u>	<u>1,689,941</u>	<u>25,711,656</u>
Total Liabilities and Fund Balances	<u>\$ 12,678,175</u>	<u>\$ 19,553,162</u>	<u>\$ 2,446,739</u>	<u>\$ 34,678,076</u>

(Continued to next page)

TOWN OF WATERTOWN, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because of the following:

Fund balances - total governmental funds	\$ 25,711,656
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 193,559,685	
Less accumulated depreciation	<u>(46,865,107)</u>	
Net capital assets		146,694,578

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	562,292
Interest receivable on property taxes	154,000
Receivable from the State for school construction projects	5,296,136
Housing rehabilitation loans receivable	231,344
Other accounts receivables	181,113

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 assets.

(20,299)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(64,187,000)
Interest payable on bonds	(942,039)
Capital leases	(543,122)
Compensated absences	(4,337,974)
Retirement obligations	(582,756)
Net OPEB obligation	(2,181,291)
Landfill closure monitoring obligation	<u>(680,368)</u>

Net Assets of Governmental Activities (Exhibit I)	<u><u>\$ 105,356,270</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	General	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 41,428,222	\$	\$	\$ 41,428,222
Intergovernmental revenues	17,032,238	14,596,204	1,681,188	33,309,630
Licenses, permits and charges for services	2,001,022		1,713,525	3,714,547
Investment income	179,968	163,340	20,471	363,779
Other revenue	405,319	233,653	176,561	815,533
Total revenues	<u>61,046,769</u>	<u>14,993,197</u>	<u>3,591,745</u>	<u>79,631,711</u>
Expenditures:				
Current:				
General government	2,381,697		115,136	2,496,833
Public safety	4,382,794		6,723	4,389,517
Public works	3,297,676		592,392	3,890,068
Parks and recreation	716,319		373,237	1,089,556
Health and welfare	130,342		276,436	406,778
Education	38,620,195		2,533,818	41,154,013
Other	6,465,866			6,465,866
Capital outlay		26,436,339		26,436,339
Debt service	5,559,514			5,559,514
Total expenditures	<u>61,554,403</u>	<u>26,436,339</u>	<u>3,897,742</u>	<u>91,888,484</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(507,634)</u>	<u>(11,443,142)</u>	<u>(305,997)</u>	<u>(12,256,773)</u>
Other Financing Sources (Uses):				
Transfers in	959,594		125,000	1,084,594
Transfers out	(685,076)	(710,000)	(93)	(1,395,169)
Issuance of bonds		16,000,000		16,000,000
Issuance of capital leases			159,163	159,163
Total other financing sources (uses)	<u>274,518</u>	<u>15,290,000</u>	<u>284,070</u>	<u>15,848,588</u>
Net Change in Fund Balances	(233,116)	3,846,858	(21,927)	3,591,815
Fund Balance at Beginning of Year	<u>5,938,475</u>	<u>14,469,498</u>	<u>1,711,868</u>	<u>22,119,841</u>
Fund Balance at End of Year	<u>\$ 5,705,359</u>	<u>\$ 18,316,356</u>	<u>\$ 1,689,941</u>	<u>\$ 25,711,656</u>

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$	3,591,815
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	28,344,402
Depreciation expense	(3,048,925)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

School building grant receipts	(675,381)
Property tax receivable - accrual basis change	162,301
Property tax interest and lien revenue - accrual basis change	11,000
Other accounts receivable - accrual basis change	(6,832)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	3,420,000
Issuance of bonds	(16,000,000)
Accrued interest on bonds	(22,975)
Capital lease payments	339,903
Capital lease financing	(159,163)

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:

Change in long-term compensated absences	(54,322)
Change in long-term retirement obligations	382,281
Change in landfill post closure care	(49,889)
Change in net OPEB obligation	(2,181,291)

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

304,855

Change in Net Assets of Governmental Activities (Exhibit II)	\$	<u>14,357,779</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2009

	Business-Type Activities				Governmental Activities
	Nonmajor				
	Sewer Authority	Water Authority	Crestbrook Golf Operation	Total	Internal Service
Assets:					
Current:					
Cash and cash equivalents	\$ 3,427,404	\$ 2,574,992	\$	\$ 6,002,396	\$ 788,227
Receivables, net:					
User charges	432,564	288,210		720,774	
Assessments	1,055,070	199,356		1,254,426	
Other asset				-	40,000
Total current assets	<u>4,915,038</u>	<u>3,062,558</u>	<u>-</u>	<u>7,977,596</u>	<u>828,227</u>
Noncurrent:					
Deferred charges	4,889,471			4,889,471	
Capital assets:					
Assets not being depreciated	2,065,780	573,962	935,000	3,574,742	
Assets being depreciated, net	6,183,195	6,546,181	550,052	13,279,428	
Total noncurrent assets	<u>13,138,446</u>	<u>7,120,143</u>	<u>1,485,052</u>	<u>21,743,641</u>	<u>-</u>
Total assets	<u>18,053,484</u>	<u>10,182,701</u>	<u>1,485,052</u>	<u>29,721,237</u>	<u>828,227</u>
Liabilities:					
Current liabilities:					
Accounts and other payables	2,080,515	162,029	10,555	2,253,099	133,526
Accrued interest payable	39,215	31,920		71,135	
Due to other funds	9,946		54,845	64,791	
Bond and notes payable	636,347	137,000		773,347	
Compensated absences	34,437	34,437	24,414	93,288	
Risk management claims				-	365,000
Total current liabilities	<u>2,800,460</u>	<u>365,386</u>	<u>89,814</u>	<u>3,255,660</u>	<u>498,526</u>
Noncurrent liabilities:					
Bond and notes payable	7,036,124	1,723,000		8,759,124	
Compensated absences	20,078	20,078	40,634	80,790	
Risk management claims				-	350,000
Total noncurrent liabilities	<u>7,056,202</u>	<u>1,743,078</u>	<u>40,634</u>	<u>8,839,914</u>	<u>350,000</u>
Total liabilities	<u>9,856,662</u>	<u>2,108,464</u>	<u>130,448</u>	<u>12,095,574</u>	<u>848,526</u>
Net Assets:					
Invested in capital assets, net of related debt	5,465,975	5,260,143	1,485,052	12,211,170	
Unrestricted	<u>2,730,847</u>	<u>2,814,094</u>	<u>(130,448)</u>	<u>5,414,493</u>	<u>(20,299)</u>
Total Net Assets	<u>\$ 8,196,822</u>	<u>\$ 8,074,237</u>	<u>\$ 1,354,604</u>	<u>\$ 17,625,663</u>	<u>\$ (20,299)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities				Governmental Activities
	Nonmajor				
	Sewer Authority	Water Authority	Crestbrook Golf Operation	Total	Internal Service
Operating Revenues:					
Charges for services	\$ 1,667,536	\$ 1,113,812	\$ 631,280	\$ 3,412,628	\$ 9,357,012
Permits and fees	21,989	16,232		38,221	
Other		13,466	39,191	52,657	42,159
Total operating revenues	<u>1,689,525</u>	<u>1,143,510</u>	<u>670,471</u>	<u>3,503,506</u>	<u>9,399,171</u>
Operating Expenses:					
Salaries	293,278	306,433	292,368	892,079	
Benefits	118,543	119,802	107,337	345,682	
Purchased services	1,699,762	844,889	224,944	2,769,595	
Depreciation	216,613	197,900	106,191	520,704	
Amortization of deferred charge	462,705			462,705	
Claims				-	8,251,825
Premiums and administrative charges				-	848,877
Total operating expenses	<u>2,790,901</u>	<u>1,469,024</u>	<u>730,840</u>	<u>4,990,765</u>	<u>9,100,702</u>
Operating Loss	<u>(1,101,376)</u>	<u>(325,514)</u>	<u>(60,369)</u>	<u>(1,487,259)</u>	<u>298,469</u>
Nonoperating Revenues (Expenses):					
Investment earnings	41,718	38,694		80,412	6,386
Assessments	(40,596)	18,266		(22,330)	
Interest expense	(186,622)	(77,413)		(264,035)	
Total nonoperating revenue (expenses)	<u>(185,500)</u>	<u>(20,453)</u>	<u>-</u>	<u>(205,953)</u>	<u>6,386</u>
Loss Before Transfers and Contributions	<u>(1,286,876)</u>	<u>(345,967)</u>	<u>(60,369)</u>	<u>(1,693,212)</u>	<u>304,855</u>
Transfers in	246,819	313,257		560,076	
Transfers out	(41,832)	(159,802)	(47,867)	(249,501)	
Capital contributions		453,987		453,987	
Change in Net Assets	<u>(1,081,889)</u>	<u>261,475</u>	<u>(108,236)</u>	<u>(928,650)</u>	<u>304,855</u>
Net Assets at Beginning of Year	<u>9,278,711</u>	<u>7,812,762</u>	<u>1,462,840</u>	<u>18,554,313</u>	<u>(325,154)</u>
Net Assets at End of Year	<u>\$ 8,196,822</u>	<u>\$ 8,074,237</u>	<u>\$ 1,354,604</u>	<u>\$ 17,625,663</u>	<u>\$ (20,299)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities				Governmental Activities
	Nonmajor				
	Sewer Authority	Water Authority	Crestbrook Golf Operation	Total	Internal Service
Cash Flows from Operating Activities:					
Cash received from charges for services	\$ 1,886,130	\$ 1,224,086	\$ 655,255	\$ 3,765,471	\$ 1,422,175
Cash receipts from interfund services provided				-	7,976,996
Cash paid to vendors	(520,503)	(837,729)	(234,943)	(1,593,175)	(9,264,876)
Cash paid to employees for services	(402,774)	(417,188)	(397,184)	(1,217,146)	
Net cash provided by (used in) operating activities	<u>962,853</u>	<u>(30,831)</u>	<u>23,128</u>	<u>955,150</u>	<u>134,295</u>
Cash Flows from Noncapital and Related Financing Activities:					
Principal payment on serial notes	(462,705)			(462,705)	
Interest payment on serial notes	(102,803)			(102,803)	
Cash received from other funds	246,819	313,257	24,739	584,815	
Cash paid to other funds	(41,886)	(159,802)	(47,867)	(249,555)	
Net cash provided by (used in) noncapital and related financing activities	<u>(360,575)</u>	<u>153,455</u>	<u>(23,128)</u>	<u>(230,248)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Assessments	(40,596)	18,266		(22,330)	
Capital grant contributions		453,987		453,987	
Purchase of capital assets	(243,085)	(1,549,115)		(1,792,200)	
Bonds issued	200,000			200,000	
Principal payment on bonds and notes	(163,000)	(137,000)		(300,000)	
Interest payment on bonds and notes	(129,274)	(79,192)		(208,466)	
Net cash used in capital and related financing activities	<u>(375,955)</u>	<u>(1,293,054)</u>	<u>-</u>	<u>(1,669,009)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Income on investments	41,718	38,694	-	80,412	6,386
Net Increase (Decrease) in Cash and Cash Equivalents	268,041	(1,131,736)	-	(863,695)	140,681
Cash and Cash Equivalents at Beginning of Year	3,159,363	3,706,728	-	6,866,091	647,546
Cash and Cash Equivalents at End of Year	<u>\$ 3,427,404</u>	<u>\$ 2,574,992</u>	<u>\$ -</u>	<u>\$ 6,002,396</u>	<u>\$ 788,227</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	<u>\$ (1,101,376)</u>	<u>\$ (325,514)</u>	<u>\$ (60,369)</u>	<u>\$ (1,487,259)</u>	<u>\$ 298,469</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	679,318	197,900	106,191	983,409	
Rent reduction for leasehold improvements			(15,216)	(15,216)	
(Increase) decrease in receivables	196,605	80,576		277,181	
(Increase) decrease in other assets					(20,000)
Increase (decrease) in accounts payable and accrued liabilities	1,179,259	7,160	(9,999)	1,176,420	(144,174)
Increase (decrease) in compensated absences	9,047	9,047	2,521	20,615	
Total adjustments	<u>2,064,229</u>	<u>294,683</u>	<u>83,497</u>	<u>2,442,409</u>	<u>(164,174)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 962,853</u>	<u>\$ (30,831)</u>	<u>\$ 23,128</u>	<u>\$ 955,150</u>	<u>\$ 134,295</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2009

	Pension Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$	\$ 706,078
Investments - mutual funds	<u>22,306,438</u>	<u></u>
Total Assets	22,306,438	<u>\$ 706,078</u>
Liabilities:		
Due to student groups and agencies	<u></u>	<u>\$ 706,078</u>
Net Assets:		
Held in trust for pension benefits	<u>\$ 22,306,438</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 656,410
Plan members	466,237
Total contributions	<u>1,122,647</u>
Investment income (loss):	
Net depreciation in fair value of investments	(4,108,857)
Interest and dividends	804,314
Total investment loss	<u>(3,304,543)</u>
Less investment expense	(45,538)
Net investment loss	<u>(3,350,081)</u>
Total reductions	<u>(2,227,434)</u>
Deductions:	
Benefits	1,695,138
Administration	50,284
Total deductions	<u>1,745,422</u>
Net Decrease in Net Assets	(3,972,856)
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>26,279,294</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u><u>\$ 22,306,438</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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 its recommendation prior to presentation to the Town Meeting for approval. 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.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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.

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.

C. 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 funds and pension trust funds 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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. 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 period. All other revenue items are considered to be measurable and available only when cash is received.

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 Town, except those required to be accounted for in another fund.

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds and of the Town's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of 1-1/2% per month. An amount of \$85,000 has been established as an allowance for uncollected taxes. At June 30, 2009, this represents 10.3% of property taxes receivable.

Property tax revenue is recorded when it becomes available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, such time thereafter shall not exceed 60 days.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure asset thresholds for additions has 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Infrastructure	20-100
Vehicles	3
Office equipment	5

H. Compensated Absences

Under the terms of various union contracts, Town and noncertified Board of Education employees may accumulate up to 200 days of sick time which is vested. Upon termination, these employees receive up to 50% of their accumulated sick time. These employees may carryover a limited number of unused vacation days (limited to ten days) to the next year upon approval by the Town Manager. Board of Education teachers can accumulate an unlimited amount of sick time. Upon termination, teachers receive 50% of the value of the first 150 days of sick time and 10% of the value of sick days accumulated in excess of 150 days.

I. 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 assets. 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 any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

In January, department heads, offices or agencies of the Town, including the Board of Education, must file estimates of expenditures for the ensuing fiscal year to the Town Manager.

In April, the Town Manager submits a proposed budget for the General Fund to the Town Council. After various public hearings, the Town Council recommends these budgets, as revised, for adoption at the annual Town Meeting in May.

Budget control is established at the department level. Under the Town Charter, no officer of the Town may involve the Town in any obligation to spend money for any purpose in excess of the amount appropriated for the department until such matter has been approved and voted by the Council. Management may make changes to line items within a department without the approval of the Town Council. Town Meeting approval is required for additional appropriations over \$25,000. Additional appropriations of \$481,380 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.

Except for encumbrance accounting and budgeting for year end accrued payroll, the budget is prepared on the modified accrual basis of accounting. The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level.

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.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity

Certain individual funds had fund balance/net asset deficits at June 30, 2009 as follows:

Internal Service Funds:

Health and Dental Benefits	\$	39,374 *
Workers' Compensation		209,898 *

* Deficit will be reduced in future years when additional revenues are recognized by the fund or the General Fund appropriates and transfers funds.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The 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 does 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.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are 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.

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$20,671,933 of the Town's bank balance of \$21,830,233 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 18,557,978
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,113,955</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 20,671,933</u></u>

Cash Equivalents

At June 30, 2009 the Town's cash equivalents amounted to \$7,934,062. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>	<u>Fitch Ratings</u>
State Short-Term Investment Fund (STIF)	AAAm	

Investments

As of June 30, 2009, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Other Investments:		
Mutual funds	N/A	\$ <u>22,306,438</u>

N/A Not applicable

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. All of the Town's investments are invested in various pooled accounts and mutual funds which have not been rated by nationally recognized statistical rating organizations. The Town's Pension Trust investments are invested in Prudential Financial Pooled Accounts.

Concentration of Credit Risk - The Town does not have a formal investment policy that restricts investments in any one issuer that is in excess of five percent of the Town's total investments. A listing of the Town's pension investments held by individual organizations that represents more than five percent of the Town's total pension investments are identified in Note 11.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2009, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Sewer Authority</u>	<u>Water Authority</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 827,344	\$	\$	\$	\$	\$ 827,344
Accrued interest on taxes	171,000					171,000
Intergovernmental	5,341,331	5,983,675			124,603	11,449,609
User charges			442,564	294,210		736,774
Assessments			1,055,070	199,356		1,254,426
Accounts	591,507					591,507
Housing loans					231,344	231,344
Gross receivables	<u>6,931,182</u>	<u>5,983,675</u>	<u>1,497,634</u>	<u>493,566</u>	<u>355,947</u>	<u>15,262,004</u>
Less allowance for uncollectibles:						
Taxes	(85,000)					(85,000)
Accrued interest on taxes	(17,000)					(17,000)
User charges			(10,000)	(6,000)		(16,000)
Accounts	(147,000)					(147,000)
Total allowance	<u>(249,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(265,000)</u>
Net Total Receivables	<u>\$ 6,682,182</u>	<u>\$ 5,983,675</u>	<u>\$ 1,487,634</u>	<u>\$ 487,566</u>	<u>\$ 355,947</u>	<u>\$ 14,997,004</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 562,292	\$	\$ 562,292
Accrued interest on delinquent property taxes	154,000		154,000
School building construction grant receivables	5,296,136		5,296,136
Other deferred receivables	181,113		181,113
Nonmajor funds and other funds:			
Housing loans	231,344		231,344
Grant drawdowns prior to meeting all eligibility requirements		246,488	246,488
Advance program fee collections		35,585	35,585
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,424,885</u>	<u>\$ 282,073</u>	<u>\$ 6,706,958</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,597,876	\$	\$	\$ 2,597,876
Construction in progress	35,725,029	25,866,915	4,833,742	56,758,202
Total capital assets not being depreciated	<u>38,322,905</u>	<u>25,866,915</u>	<u>4,833,742</u>	<u>59,356,078</u>
Capital assets being depreciated:				
Buildings and improvements	51,969,602	4,856,742		56,826,344
Vehicles	6,850,860	116,738	50,589	6,917,009
Machinery and equipment	4,364,574	193,029		4,557,603
Infrastructure	63,757,931	2,144,720		65,902,651
Total capital assets being depreciated	<u>126,942,967</u>	<u>7,311,229</u>	<u>50,589</u>	<u>134,203,607</u>
Less accumulated depreciation for:				
Buildings and improvements	14,561,344	1,358,647		15,919,991
Vehicles	6,456,075	290,193	50,589	6,695,679
Machinery and equipment	3,113,797	350,383		3,464,180
Infrastructure	19,735,555	1,049,702		20,785,257
Total accumulated depreciation	<u>43,866,771</u>	<u>3,048,925</u>	<u>50,589</u>	<u>46,865,107</u>
Total capital assets being depreciated, net	<u>83,076,196</u>	<u>4,262,304</u>	<u>-</u>	<u>87,338,500</u>
Governmental Activities Capital Assets, Net	<u>\$ 121,399,101</u>	<u>\$ 30,129,219</u>	<u>\$ 4,833,742</u>	<u>\$ 146,694,578</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,019,600	\$	\$	\$ 1,019,600
Construction in progress	1,954,008	601,134		2,555,142
Total capital assets not being depreciated	<u>2,973,608</u>	<u>601,134</u>	<u>-</u>	<u>3,574,742</u>
Capital assets being depreciated:				
Buildings and improvements	2,077,790	125,133		2,202,923
Vehicles	229,205			229,205
Machinery and equipment	1,103,524	54,492		1,158,016
System infrastructure	19,302,834	1,011,441		20,314,275
Total capital assets being depreciated	<u>22,713,353</u>	<u>1,191,066</u>	<u>-</u>	<u>23,904,419</u>
Less accumulated depreciation for:				
Buildings and improvements	1,207,451	99,706		1,307,157
Vehicles	209,722			209,722
Machinery and equipment	798,898	26,409		825,307
System infrastructure	7,888,216	394,589		8,282,805
Total accumulated depreciation	<u>10,104,287</u>	<u>520,704</u>	<u>-</u>	<u>10,624,991</u>
Total capital assets being depreciated, net	<u>12,609,066</u>	<u>1,711,770</u>	<u>-</u>	<u>13,279,428</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,582,674</u>	<u>\$ 2,312,904</u>	<u>\$ -</u>	<u>\$ 16,854,170</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 12,886
Public safety	479,699
Public works	1,336,917
Parks and recreation	134,950
Education	<u>1,084,473</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,048,925</u>
Business-type activities:	
Sewer	\$ 216,613
Water	197,900
Golf	<u>106,191</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 520,704</u>

Construction Commitments

The Town has the following active construction/renovation projects as of June 30, 2009. At year end, the Town's commitments with contractors are as follows:

	<u>Project Authorization</u>	<u>Current Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Project Balance</u>
Watertown High School Renovation	\$ 56,157,000	\$ 15,686,104	\$ 18,640,662	\$ 34,701,595	\$ 2,814,743
Judson School Renovation	15,859,000	9,676,194	10,484,518	5,142,235	232,247
Polk School Renovation	12,517,000	69,793	689,566	40,975	11,786,459
Swift School Reconstruction	34,368,919	412,023	33,854,638		514,281
Wattles Brook Sanitary Sewer Interceptor	2,036,650	67,941	2,036,650		-
Fire House Renovation and Expansion	6,343,872	13,597	6,315,637	2,994	25,241
Roadway and Drainage Improvements	<u>1,730,000</u>	<u>224,927</u>	<u>1,080,242</u>		<u>649,758</u>
Total	<u>\$ 129,012,441</u>	<u>\$ 26,150,579</u>	<u>\$ 73,101,913</u>	<u>\$ 39,887,799</u>	<u>\$ 16,022,729</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2009 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 32,608
General Fund	Sewer Authority	9,946
General Fund	Crestbrook Golf Operation	<u>54,845</u>
		<u>\$ 97,399</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Sewer Authority</u>	<u>Water Authority</u>	<u>Nonmajor and Other Funds</u>	
Transfers:					
General Fund	\$	\$ 246,819	\$ 313,257	\$ 125,000	\$ 685,076
Capital Improvement Fund	710,000				710,000
Sewer Authority	41,832				41,832
Water Authority	159,802				159,802
Crestbrook Golf	47,867				47,867
Nonmajor Governmental	<u>93</u>	<u></u>	<u></u>	<u></u>	<u>93</u>
Total Transfers In	<u>\$ 959,594</u>	<u>\$ 246,819</u>	<u>\$ 313,257</u>	<u>\$ 125,000</u>	<u>\$ 1,644,670</u>

Transfers from the Town's General Fund to the Water and Sewer Authority represent the Town's payment towards debt service on bonds previously issued on water and sewer line extension projects. The Town's cost is partially offset by transfer of the homeowner assessment payments collected by the Water and Sewer Authority to the Town's General Fund. Additionally, the Sewer Authority, Water Authority and Crestbrook Golf enterprise funds transfer funds to the Town's General Fund for reimbursement of indirect administrative costs incurred by the Town.

7. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 51,607,000	\$ 16,000,000	\$ 3,420,000	\$ 64,187,000	\$ 4,090,000
Capital leases	723,862	159,163	339,903	543,122	219,679
Compensated absences	4,283,652	1,083,236	1,028,914	4,337,974	1,057,969
Retirement obligations	965,037	98,734	481,015	582,756	431,185
Landfill closure	630,479	100,296	50,407	680,368	42,523
Net OPEB obligation	-	2,968,986	787,695	2,181,291	
Risk management claims	873,000	8,201,969	8,359,969	715,000	365,000
Governmental Activity Long-Term Liabilities	<u>\$ 59,083,030</u>	<u>\$ 28,612,384</u>	<u>\$ 14,467,903</u>	<u>\$ 73,227,511</u>	<u>\$ 6,206,356</u>

Bonds and serial notes payable at June 30, 2009 comprise the following:

	<u>Year of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Original Amount Issue</u>	<u>Balance June 30, 2009</u>
Governmental:					
General purpose and schools	2004	8/1/2023	3.25-4.63	\$ 2,538,000	\$ 1,905,000
General purpose and schools	2004	4/1/2024	3.00-5.00	5,500,000	4,125,000
General purpose and schools	2005	8/1/2024	3.25-5.00	6,000,000	4,800,000
General purpose and schools	2006	8/1/2025	4.00-5.00	10,540,000	8,950,000
General purpose and schools	2007	2/1/2027	4.00-4.75	4,500,000	4,050,000
Schools	2008	9/15/2027	3.75-4.00	4,100,000	3,895,000
Schools	2008	1/15/2033	3.00-5.00	10,000,000	9,600,000
Schools	2009	4/1/2029	2.50-4.50	16,000,000	16,000,000
Refunding bonds (1996, 1999 and 2000)	2005	8/1/2019	3.00-5.00	15,535,000	10,862,000
Total General Town Bonds				<u>\$ 74,713,000</u>	<u>\$ 64,187,000</u>

The annual requirements to amortize bonds payable as of June 30, 2009 are as follows:

Due During Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 4,090,000	\$ 2,527,724	\$ 6,617,724
2011	4,081,000	2,374,917	6,455,917
2012	3,891,000	2,222,868	6,113,868
2013	3,882,000	2,060,718	5,942,718
2014	3,872,000	1,920,269	5,792,269
2015-2019	19,309,000	7,313,192	26,622,192
2020-2024	14,617,000	3,847,734	18,464,734
2025-2029	8,845,000	1,270,075	10,115,075
2030-2034	<u>1,600,000</u>	<u>164,500</u>	<u>1,764,500</u>
Total	\$ <u>64,187,000</u>	\$ <u>23,701,997</u>	\$ <u>87,888,997</u>

Prior Year Defeasance of Debt

On February 1, 2005, the Town defeased \$16,390,000 in general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2009, \$3,850,000 of bonds outstanding are considered defeased.

Capital Leases

The Town has entered into multi-year capital leases for the purchase of various capital items including public works equipment, vehicles and other office equipment. The assets acquired through capital leases are as follows:

Asset class:	
Vehicles	\$ 1,928,608
Machinery and equipment	<u>600,414</u>
Total gross value	2,529,022
Less accumulated depreciation	<u>1,985,900</u>
Net Undepreciated Value	\$ <u>543,122</u>

The net undepreciated value approximates the capital lease principal balance payable at June 30, 2009.

Principal payments for 2008-09 were \$339,903. The following is a summary of capital lease commitments as of June 30, 2009:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 245,046
2011	191,894
2012	118,912
2013	<u>36,686</u>
Total lease payments	592,538
Less amount representing interest	<u>49,416</u>
Present Value of Minimum Lease Payments	<u>\$ 543,122</u>

Landfill Closure

Solid waste landfill closure and postclosure 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 postclosure period are the responsibility of the Town. The estimated project costs of this postclosure period is \$680,368. The cost estimate is subject to change due to inflation or changes in cost estimate components. Current year costs amounted to \$50,407. The estimated future cost was increased by \$100,296. The future cost increase has been impacted by the reporting of unacceptable levels of MTBE's requiring the Town to install additional monitoring wells and perform more frequent monitoring.

Compensated Absences

Employees can accumulate additional amounts of unused sick leave (as determined by individual union contracts) payable upon termination of their employment. Compensated absences' liabilities are generally liquidated by the General Fund. The following vested and nonvested estimated liabilities at June 30, 2009 are summarized as follows:

Town:	
Vested:	
Sick	\$ 1,621,073
Vacation	388,687
Board of Education:	
Vested:	
Sick	2,099,275
Vacation	14,480
Nonvested:	
Sick	<u>214,459</u> *
Total	<u>\$ 4,337,974</u>

* Based on estimated percentage of total nonvested obligation that potentially will vest in future years.

Retirement Obligations

The liability for retirement obligations to retired employees of the Board of Education as of June 30, 2009 is \$582,756. This amount consists of payments due to retired individuals for compensated absences payments and retirement incentives that have been amortized over the following years:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 431,185
2011	124,570
2012	<u>27,001</u>
Total	\$ <u>582,756</u>

Business-Type Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 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:					
General obligation bonds	\$ 4,743,000	\$ 200,000	\$ 300,000	\$ 4,643,000	\$ 310,000
State of Connecticut - serial note	5,352,176		462,705	4,889,471	463,347
Compensated absences	<u>153,463</u>	<u>101,947</u>	<u>81,332</u>	<u>174,078</u>	<u>93,288</u>
Business-Type Activity:					
Long-Term Liabilities	\$ <u>10,248,639</u>	\$ <u>301,947</u>	\$ <u>844,037</u>	\$ <u>9,706,549</u>	\$ <u>866,635</u>

Bonds and serial notes payable at June 30, 2009 comprise the following:

	<u>Year of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Original Amount Issue</u>	<u>Balance June 30, 2009</u>
Sewer Authority:					
Sewer bonds	2004	8/1/2023	3.25-4.63	\$ 738,000	\$ 555,000
Refunding bonds (1996)	2005	8/1/2019	3.00-5.00	453,500	318,000
Sewer Interceptor	2008	9/15/2027	3.75-5.75	1,800,000	1,710,000
Sewer Interceptor	2009	4/1/2029	2.50-4.50	<u>200,000</u>	<u>200,000</u>
				<u>3,191,500</u>	<u>2,783,000</u>
Water Authority:					
Water bonds	2004	8/1/2023	3.25-4.63	2,109,000	1,590,000
Refunding bonds (1996)	2005	8/1/2019	3.00-5.00	<u>386,500</u>	<u>270,000</u>
				<u>2,495,500</u>	<u>1,860,000</u>
Total Water and Sewer Authority bonds				<u>5,687,000</u>	<u>4,643,000</u>
State of Connecticut serial note:					
CWF 201-D-1	2001	7/31/2016	2.0	616,135	244,541
CWF 201-C-2	2001	6/30/2020	2.0	8,085,318	4,560,949
CWF 201-P	2001	8/31/2014	2.0	<u>325,085</u>	<u>83,981</u>
Total State of Connecticut serial notes				<u>9,026,538</u>	<u>4,889,471</u>
Total Business-Type Activity Bonds and Serial Notes				<u>\$ 14,713,538</u>	<u>\$ 9,532,471</u>

All bonds are secured by general revenues of the Town.

The annual requirements to amortize bonds and serial notes payable as of June 30, 2009 are as follows:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 773,347	\$ 290,961	\$ 1,064,308
2011	773,002	270,047	1,043,049
2012	763,670	248,935	1,012,605
2013	763,352	227,504	990,856
2014	764,048	206,097	970,145
2015-2019	3,637,420	700,805	4,338,225
2020-2024	1,647,632	245,057	1,892,689
2025-2029	<u>410,000</u>	<u>41,475</u>	<u>451,475</u>
Total	<u>\$ 9,532,471</u>	<u>\$ 2,230,881</u>	<u>\$ 11,763,352</u>

Serial Notes and Deferred Charges

The State of Connecticut Department of Environmental Protection has provided Clean Water Financing in the form of serial notes to the City of Waterbury for sewage treatment plant upgrades. Pursuant to the provisions of the Waterbury/Watertown Intermunicipal Agreement finalized in January 2001 regarding the Sewer Treatment Plant Upgrade Project CWF-201, the Town is responsible for \$9,026,538 (10.166%) of the capital cost of the project. The Watertown Fire District has been allocated 32.72% of the Town's share of the project cost. The Town receives monthly reimbursements from the Watertown Fire District to offset the cost to the Sewer Authority Enterprise Fund. The Town pays its proportionate share of the project costs through the repayment of 2% serial notes directly to the State of Connecticut. The outstanding principal balance that the Town is responsible for is \$4,889,471 as of June 30, 2009. The current and noncurrent portion of the liability recorded in the Sewer Authority Enterprise Fund is \$463,347 and \$4,426,124 respectively.

The costs incurred and capitalized by the City of Waterbury to improve and upgrade its sewer treatment plant are not considered capital assets of the Town. Therefore, a deferred charge of \$4,889,471 has been recorded to offset the related liability reported in the Sewer Authority Enterprise Fund. The deferred charge will be amortized annually by the amount of principal paid to the State of Connecticut on the serial notes.

Bonds Authorized/Unissued

Bonds authorized/unissued are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Previous Paydowns</u>	<u>Grants Received</u>	<u>Authorized Unissued</u>
Watertown High School Renovations and Additions	\$ 56,157,000	\$ 17,100,000	\$	\$ 7,556,015	\$ 31,500,985
Judson Elementary School Renovations and Additions	15,859,000	7,500,000		3,980,418	4,378,582
Polk School Renovation Renovations and Additions	12,517,000	5,500,000			7,017,000
Swift School Reconstruction	33,768,919	13,900,000		18,328,315	1,540,604
Wattles Brook Sanitary Sewer Interceptor	2,036,650	2,000,000			36,650
Fire House Renovation and Expansion	6,046,672	6,020,000			26,672
Turkey Brook Flood Drainage Roadway and Drainage Improvements	4,805,000	4,000,000	323,000	416,500	65,500
	<u>1,730,000</u>	<u>1,700,000</u>	<u></u>	<u></u>	<u>30,000</u>
Total	\$ <u>132,920,241</u>	\$ <u>57,720,000</u>	\$ <u>323,000</u>	\$ <u>30,281,248</u>	\$ <u>44,595,993</u>

Legal Debt Limit

The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule (in thousands):

Category	Debt Limit	Net Indebtedness*	Balance
General purpose	\$ 93,096	\$ 10,011	\$ 83,085
Schools	186,192	56,728	129,464
Sewers	155,160	7,924	147,236
Urban renewal	134,472		134,472
Pension deficit	124,128		124,128

The total of the Town's net statutory indebtedness of \$74.7 million does not exceed the legal debt limitation of \$289.6 million (seven times the base for debt limitation computation).

* The indebtedness excludes Water Authority bonds of \$1.9 million and includes Watertown Fire District underlying debt of \$215 thousand.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which debt is issued and outstanding. School building grants receivable for bond principal of \$5.3 million are reflected in the computation of net indebtedness. In addition an estimated amount of \$36.7 million will be received from the State in the form of proportional progress payments for eligible project costs.

8. FUND EQUITY

The following is a description of the various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

Fund Balance

Reserved for Inventory - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts which the Town intends to honor.

Reserved for Trusts - represents the amount of funds accumulated in Other Governmental Funds to pay for specific endowment activities.

Fund balance reserves are as follows:

	General	Capital Improvement Fund	Nonmajor Funds	Total
Encumbrances and commitments	\$ 305,098	\$ 39,887,799	\$ 148,236	\$ 40,341,133
Inventories			18,723	18,723
Trusts			325,523	325,523
Total	<u>\$ 305,098</u>	<u>\$ 39,887,799</u>	<u>\$ 492,482</u>	<u>\$ 40,685,379</u>

9. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation (Workers' Compensation Fund) and employee health, dental and medical claims (Health Benefits Fund). These funds are reported as Internal Service Funds. Various Town funds contribute to these funds based on estimates made using historical data. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The Town has contracted with outside organizations to pay claims and provide administrative services for the Workers' Compensation Fund and the Health Benefits Fund. Additionally, stop loss insurance coverage has been purchased to limit the Town's liability for health and medical claims and workers' compensation claims. A workers' compensation claims liability of \$500,000 (Workers' Compensation Fund) reported at June 30, 2009 is based on a summary report of outstanding liabilities on incurred claims. The health, dental and medical claims liability of \$215,000 (Health and Dental Benefits Fund) reported at June 30, 2009 is based on estimated claims incurred but not reported. The changes in the claims liability were as follows:

<u>Workers' Compensation Fund</u>	Current Year Claims				<u>Liability June 30,</u>
	<u>Liability July 1,</u>	<u>and Changes in Estimates</u>	<u>Claim Payment</u>		
2008-09	\$ 510,000	\$ 689,520	\$ (699,520)	\$	500,000
2007-08	577,000	526,180	(593,180)		510,000
<u>Health and Dental Benefits Fund</u>					
2008-09	\$ 363,000	\$ 7,512,449	\$ (7,660,449)	\$	215,000
2007-08	209,000	7,974,296	(7,820,296)		363,000

10. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

A. Plan Description

The Town, in accordance with collective bargaining agreements, is committed to providing medical benefits to eligible retirees and their spouses. The retiree welfare plan (RWP) covers Town and Board of Education retired employees. The plan provides for a self-insured plan administered by Blue Cross including options such as BC High Option, BC Low Option, Century Preferred HSA and Hospital Plans, and Group Term Life Insurance. All retired program members receiving benefits are required to contribute up to 13% of premiums for medical (teachers & BOE administrators pay 100% of premiums). Life insurance is 100% employer paid. The percentage contribution of the employees and retirees for these benefits vary and are detailed in the Town's various bargaining agreements.

At July 1, 2008, plan membership consisted of the following:

	<u>Retiree Welfare Plan</u>
Retired participants and spouses	269
Active plan members	739
Total Participants	<u>1,008</u>

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the Internal Service Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. 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.

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

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

C. Annual OPEB Cost and Net OPEB Obligations

The Town of Watertown's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

	Retiree Welfare Plan
Annual required contribution (ARC)	\$ 2,968,986
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	2,968,986
Contributions made	787,695
Increase in net OPEB obligation	2,181,291
Net OPEB obligation - beginning of year	-
Net OPEB Obligation - End of Year	\$ <u>2,181,291</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2009 is presented below. Data is only presented for the fiscal year ended June 30, 2009, due to this being the year of transition.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/09	\$ 2,968,986	\$ 787,695	26.5%	\$ 2,181,291

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$31,307,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$31,307,000. The UAAL as a percentage of covered payroll (annual payroll of active employees covered by the plan) was 122.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using the market value method. The UAAL is being amortized on a flat dollar basis with a remaining amortization period at July 1, 2008 of 30 years.

11. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Town Employees

A. Plan Description

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

Town of Watertown - General Town Employees
Police Benefit Fund - Police Employees

The pension plans are included in the financial statements as Pension Trust Funds. Individual stand-alone statements are not issued. Prudential Financial is the trustee of the Plan's assets.

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

All policemen who work more than 20 hours per week and 5 months per calendar year are eligible to participate in the plan. All employees are 100% vested after 10 years of continuous service. The retirement benefit is 2.5% of final earnings per year of credited service, less 35% of social security. Final earnings are defined as the average earnings received in the last three full calendar years before retirement date. A temporary retirement annuity equal to 35% of the social security benefit shall be paid from normal retirement date to age 65. The normal retirement age is 55 or 25 years of service. An employee may accumulate up to 30 years of service. For early retirement, age 50 with 10 years of service, the normal benefit accrued is actuarially reduced for the number of months the annuity commencement date precedes the normal retirement date.

Pension provisions include disability and death benefits to all eligible employees. Disabled employees are entitled to 75% of their salary at disability, less workman's compensation and long-term disability payments. Pre-payment death benefits include: 1) nonservice connected death benefits which include a lump-sum payment based on employee contributions with interest. Spouse's benefits include the greater of \$120 or 35% of the ultimate yearly amount of retirement income which 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) post retirement death benefits which include a refund of employee contributions with interest less benefits paid.

Cost of living adjustments to benefits subsequent to retirement are not provided by the Town Retirement System and Police Benefit Fund retirement plans. Benefits of the retirement plans may be amended by Town Council.

At January 1, 2009, plan memberships consisted of:

	<u>Town of Watertown Retirement System</u>	<u>Police Benefit Fund</u>
Retirees, disabled and beneficiaries currently receiving benefits	81	23
Terminated employees entitled to benefits but not yet receiving	19	
Inactive members	5	
Current employees:		
Vested	71	22
Nonvested	72	16
Total	<u>248</u>	<u>61</u>

B. Summary of Significant Accounting Policies, Plan Asset Matters and Plan Changes

Basis of Accounting: The Town's Pension Trust Funds' financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments: All funds are invested through various portfolio management plans of Prudential Financial and are reported at fair value.

Plan Changes: No changes in the plan provisions have been made since the last valuation.

C. Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council, subject to union contract negotiation. Plan members of the Town of Watertown Retirement System are required to contribute 3% of their salary up to \$7,800 plus 4 1/2% of their salary in excess of \$7,800, except for the Highway Division employees who are required to contribute 7.1% of their salary up to \$7,800 plus 8.6% of the salary in excess of \$7,800. Plan members of the Police Benefit Fund are required to contribute 6% of their earnings. The Town is required to contribute the remaining amounts necessary to finance administrative costs and benefits for its employees. The Town's contributions are actuarially determined by the Prudential Retirement on an annual basis. The current rate for the Town's contribution is 3.44% for the Town Retirement System and 18.12% for the Police Benefit Fund.

D. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Watertown's Retirement System and Police Benefit Fund for the current year were as follows:

	Town of Watertown Retirement System	Police Benefit Fund
Annual required contribution/annual pension cost	\$ 198,970	\$ 457,440
Contributions made	<u>198,970</u>	<u>457,440</u>
Net Pension Obligation, End of Year	\$ <u>-</u>	\$ <u>-</u>

The following is a summary of certain significant actuarial assumptions and other plan information:

	Town of Watertown Retirement System	Police Benefit Fund
Actuarial Valuation Date	January 1, 2009	January 1, 2009
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Cost	Level Cost
Remaining amortization period (Frozen Actuarial Accrued Liability)	10 years	20 years
Asset Valuation Method	Smoothed Market	Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8% per annum	8% per annum
Projected Salary Increase	3.5% per annum**	4% per annum*

* Inflation rate included 2.5%

** Inflation rate included 2.0%

E. Trend Information

Town Retirement System			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 215,530	100	-
6/30/08	161,247	100	-
6/30/09	198,970	100	-

Police Benefit Fund			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 419,198	100	-
6/30/08	425,017	100	-
6/30/09	457,440	100	-

F. Pension Plan Required Supplementary Information

Town Retirement System

Schedule of Funding Progress

The aggregate actuarial cost method that is used for calculating the annual required contribution does not separately identify unfunded actuarial accrued liabilities. The schedule of funding progress presented below has been developed using the entry age actuarial cost method for the Town Retirement System. The actuarial accrued liability prior to January 1, 2007 had not been developed using the entry age actuarial cost method.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) - Entry Age (b)	(Unfunded) Overfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
1/1/07	\$ 15,093,275	\$ 14,505,712	\$ 587,563	104.1	\$ 5,381,014	-
1/1/08	15,739,354	15,238,116	501,238	103.3	5,779,045	-
1/1/09	13,617,941	14,488,555	(870,614)	93.9	6,245,400	(13.9)

Schedule of Employer Contributions

		Annual Required Contribution	Percentage Contributed
6/30/04	\$	260,460	100
6/30/05		262,039	100
6/30/06		257,541	100
6/30/07		215,530	100
6/30/08		161,247	100
6/30/09		198,970	100

Police Benefit Fund

Schedule of Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability(AAL) - Entry Age (b)		(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
1/1/04	\$	10,867,589	\$	11,758,609	\$	(891,020)	92.4	\$	2,274,737	(39.2)
1/1/05		11,667,744		12,395,851		(728,107)	94.1		2,300,408	(31.7)
1/1/06		12,329,819		13,682,663		(1,352,844)	90.1		2,017,179	(67.1)
1/1/07		13,145,144		14,477,934		(1,332,790)	90.8		2,453,235	(54.3)
1/1/08		13,856,444		15,249,691		(1,393,247)	90.9		2,524,078	(55.2)
1/1/09		12,513,012		16,253,686		(3,740,674)	76.9		2,574,363	(145.3)

Schedule of Employer Contributions

		Annual Required Contribution	Percentage Contributed
6/30/04	\$	383,298	100
6/30/05		418,697	100
6/30/06		401,147	100
6/30/07		419,198	100
6/30/08		425,017	100
6/30/09		457,440	100

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

Pension Trust Funds

The Town maintains two pension trust funds (Town Retirement System and Police Benefit Fund) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2009 and the changes in net assets for the year then ended.

Combining Schedule of Plan Net Assets			
Employee Retirement Funds			
	Town	Police	Totals
Assets:			
Investments	\$ 11,652,623	\$ 10,653,815	\$ 22,306,438
Net assets:			
Held in trust for pension benefits	\$ 11,652,623	\$ 10,653,815	\$ 22,306,438

Combining Schedule of Changes in Plan			
Net Assets			
Employee Retirement Funds			
	Town	Police	Totals
Additions:			
Contributions:			
Employer	\$ 198,970	\$ 457,440	\$ 656,410
Plan members	316,663	149,574	466,237
Total contributions	515,633	607,014	1,122,647
Investment income:			
Net depreciation in fair value of investments	(2,343,880)	(1,764,977)	(4,108,857)
Interest and dividends	418,206	386,108	804,314
Total	(1,925,674)	(1,378,869)	(3,304,543)
Investment expense	(23,605)	(21,933)	(45,538)
Net investment loss	(1,949,279)	(1,400,802)	(3,350,081)
Total reductions	(1,433,646)	(793,788)	(2,227,434)
Deductions:			
Benefits	809,858	885,280	1,695,138
Administration	50,284		50,284
Total deductions	860,142	885,280	1,745,422
Net decrease	(2,293,788)	(1,679,068)	(3,972,856)
Net assets held in trust for pension benefits, beginning of year	13,946,411	12,332,883	26,279,294
Net assets held in trust for pension benefits, End of Year	\$ 11,652,623	\$ 10,653,815	\$ 22,306,438

Connecticut Municipal Employees' Retirement Fund

All water and sewer authority employees hired prior to 1986 and a majority of department heads of the Town participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

Funding Policy: Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 7% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2009, 2008 and 2007 were \$89,153, \$86,318 and \$75,384, respectively, equal to the required contributions for each year.

Teachers' Retirement System

All Town of Watertown teachers participate in the State of Connecticut Teachers' Retirement System, a cost-sharing multiple-employer public employee retirement system (PERS), established under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 25 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$16,910,953 or 72% of the total Board of Education payroll of \$23,463,063. The teachers' contributions totaled \$1,226,044 for the year ended June 30, 2009.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. For the year ended June 30, 2009, the Town has recorded in the General Fund (Exhibit IV) intergovernmental revenue and education expenditures in the amount of \$2,611,491 as payments made by the State of Connecticut on behalf of the Town. The total State contribution is significantly lower than the previous year due to the fact that the 2008 contribution included an additional contribution towards the unfunded liability resulting from the State's issuance of pension obligation bonds. The Town does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

12. LITIGATION

The Town is a defendant in a number of lawsuits. It is the opinion of management that such pending litigation will not be finally determined so as to result in a judgment or judgments against the Town which would materially affect its financial position.

Required Supplementary Information

TOWN OF WATERTOWN, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Property Taxes:				
Current year	\$ 40,398,043	\$ 40,398,043	\$ 40,729,838	\$ 331,795
Prior year taxes	350,000	350,000	363,276	13,276
Interest and lien fees	225,000	225,000	335,108	110,108
Total property taxes	<u>40,973,043</u>	<u>40,973,043</u>	<u>41,428,222</u>	<u>455,179</u>
Intergovernmental:				
State of Connecticut - Education:				
School construction	673,800	673,800	684,206	10,406
Interest subsidy	250,542	250,542	260,659	10,117
Public transportation	283,276	283,276	273,879	(9,397)
Nonpublic health and social services	35,924	35,924	32,660	(3,264)
Equalization (ECS)	11,749,383	11,749,383	11,517,768	(231,615)
Adult education	4,578	4,578		(4,578)
Total State of Connecticut - Education	<u>12,997,503</u>	<u>12,997,503</u>	<u>12,769,172</u>	<u>(228,331)</u>
Federal and State of Connecticut - Other:				
PILOT state property	23,370	23,370	23,448	78
Elderly tax relief	195,000	195,000	190,737	(4,263)
Boat registration	4,901	4,901	4,900	(1)
Reimbursement - new manufacturers	746,106	746,106	574,979	(171,127)
PILOT - Mashantucket Pequot	141,663	141,663	141,719	56
Tax relief - Veterans	25,500	25,500	23,221	(2,279)
School heating assistance			40,557	40,557
Capital assistance for elderly and disabled persons			40,000	40,000
Services for the blind			5,756	5,756
Hamilton avenue			1,188	1,188
Total Federal and State of Connecticut - Other	<u>1,136,540</u>	<u>1,136,540</u>	<u>1,046,505</u>	<u>(90,035)</u>
Total intergovernmental	<u>14,134,043</u>	<u>14,134,043</u>	<u>13,815,677</u>	<u>(318,366)</u>
Departmental:				
Local revenues:				
Communication tower rental	222,408	222,408	208,011	(14,397)
Equipment and scrap sales	14,200	14,200	12,936	(1,264)
Town Clerk fees	35,000	35,000	35,368	368
Town Clerk recording	135,000	135,000	103,068	(31,932)
Town Clerk dog licenses	14,598	14,598	13,888	(710)
Town Clerk marriage licenses	2,000	2,000	1,444	(556)
Transfer Station fees	65,500	65,500	148,135	82,635
Landfill fees	66,500	66,500	54,364	(12,136)
Damage claims	25,000	25,000	34,392	9,392

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Local revenues (continued):				
Recreation mini-bus	\$ 1,000	\$ 1,000	\$ 870	\$ (130)
Fishing and hunting licenses	40,000	40,000	17,996	(22,004)
Sale conservation regulations	500	500		(500)
Conveyance tax	255,000	255,000	137,567	(117,433)
Assessor - photocopying	2,000	2,000	1,383	(617)
Deposits on plans	500	500		(500)
Town vehicle use	12,400	12,400	8,733	(3,667)
Housing Authority	15,620	15,620	16,549	929
3-LOCIP preservation	13,500	13,500	11,817	(1,683)
Miscellaneous	24,500	24,500	47,535	23,035
Total local revenues	<u>945,226</u>	<u>945,226</u>	<u>854,056</u>	<u>(91,170)</u>
Permits and fees:				
Zoning Board of Appeals	3,500	3,500	5,055	1,555
Planning and Zoning	35,000	35,000	53,101	18,101
Zoning compliance fees	17,500	17,500	22,445	4,945
Subdivision inspection fees	37,500	37,500	28,275	(9,225)
Soil/water State fee	12,100	12,100	8,980	(3,120)
Inland - wetlands	7,700	7,700	2,974	(4,726)
Building permits	250,000	250,000	349,543	99,543
Building Department fines	500	500		(500)
Building inspection	3,500	3,500	15,418	11,918
Blasting permits	500	500	270	(230)
Street opening permits	1,700	1,700	1,875	175
Miscellaneous	150	150	1,149	999
Total permits and fees	<u>369,650</u>	<u>369,650</u>	<u>489,085</u>	<u>119,435</u>
Police:				
Parking tickets	8,000	8,000	5,567	(2,433)
Pistol permits	1,120	1,120	3,605	2,485
Police reports	2,300	2,300	2,500	200
Solicitor permits	100	100	337	237
Bingo and raffle	35	35	20	(15)
Alarm charges	24,000	24,000	21,487	(2,513)
Police service	318,500	318,500	492,294	173,794
Animal control fees	4,150	4,150	4,477	327
Miscellaneous	33,500	33,500	38,427	4,927
Total police	<u>391,705</u>	<u>391,705</u>	<u>568,714</u>	<u>177,009</u>
Board of Education:				
Latchkey Program	8,145	8,145	5,685	(2,460)
Tuition			31,600	31,600
Miscellaneous			14,101	14,101
Total Board of Education	<u>8,145</u>	<u>8,145</u>	<u>51,386</u>	<u>43,241</u>
Total departmental	<u>1,714,726</u>	<u>1,714,726</u>	<u>1,963,241</u>	<u>248,515</u>
Investment income	<u>325,000</u>	<u>325,000</u>	<u>179,968</u>	<u>(145,032)</u>

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other:				
Taft contributions	\$ 100,000	\$ 100,000	\$ 125,000	\$ 25,000
Telephone access	131,855	131,855	125,437	(6,418)
Scholarship fund	2,000	2,000	1,309	(691)
Heritage bond reimbursement	132,000	132,000	119,629	(12,371)
CRRRA Refund			1,985	1,985
Bond premium			31,908	31,908
Cancellation of prior years' encumbrances			384,503	384,503
Total other	<u>365,855</u>	<u>365,855</u>	<u>789,771</u>	<u>423,916</u>
Total revenues	<u>57,512,667</u>	<u>57,512,667</u>	<u>58,176,879</u>	<u>664,212</u>
Other Financing Sources:				
Transfers in:				
Water and Sewer Authority	224,363	224,363	201,634	(22,729)
Crestbrook Golf Operations	47,867	47,867	47,867	-
Board of Education community services			93	93
Residual Equity Transfers - other funds	<u>710,000</u>	<u>710,000</u>	<u>710,000</u>	<u>-</u>
Total other financing sources	<u>982,230</u>	<u>982,230</u>	<u>959,594</u>	<u>(22,636)</u>
Total	\$ <u>58,494,897</u>	\$ <u>58,494,897</u>	59,136,473	\$ <u>641,576</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.

2,611,491

Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for GAAP financial reporting purposes.

(384,503)

The Board of Education does not budget for a combination of intergovernmental grants and charges for services revenue received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

642,902

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 62,006,363

Note: Original budgeted amounts are derived from the Town's legally adopted General Fund budget established on the non-GAAP budgetary basis.

TOWN OF WATERTOWN, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General government:				
Town Council	\$ 1,350	\$ 1,350	\$ 1,030	320
Town Manager	209,530	221,126	220,744	382
Finance Department:				
Administration	400,001	429,301	427,308	1,993
Treasurer	46,119	50,864	50,851	13
Tax Collector	169,421	181,715	177,912	3,803
Assessor	242,185	252,609	251,022	1,587
Board of Tax Review	4,500	4,500	4,500	-
Town Clerk	172,303	177,937	177,096	841
Elections	75,244	67,487	66,872	615
Planning and Zoning	206,593	214,898	210,297	4,601
Board of Appeals	15,873	12,987	10,955	2,032
Conservation Commission	27,291	24,599	20,187	4,412
Public building	592,205	609,968	609,122	846
Building inspections	150,265	161,954	159,039	2,915
Economic development	27,628	27,967	22,377	5,590
Total general government	2,340,508	2,439,262	2,409,312	29,950
Public safety:				
Fire Department:				
Administration	207,947	219,843	218,836	1,007
Suppression and rescue	322,128	304,810	301,893	2,917
Maintenance and support	179,040	179,040	173,035	6,005
Police Department:				
Administration	374,210	400,658	399,260	1,398
Patrol and detectives	2,718,577	2,668,749	2,661,553	7,196
Maintenance and support	99,649	104,174	102,944	1,230
Traffic	11,428	6,500	6,399	101
Animal control	79,915	80,834	79,310	1,524
Communications	407,633	471,116	470,892	224
Total public safety	4,400,527	4,435,724	4,414,122	21,602
Public works:				
Engineering and administration	500,818	568,693	562,917	5,776
Highway	1,693,450	1,814,157	1,771,147	43,010
Snow removal	403,340	384,737	382,916	1,821
Solid waste disposal	286,593	274,469	270,142	4,327
Street lighting	201,592	206,820	202,882	3,938
Tree removal	27,500	30,512	30,105	407
Total public works	3,113,293	3,279,388	3,220,109	59,279
Parks and recreation:				
Parks administration	329,343	329,975	313,598	16,377
Recreation administration	238,934	238,449	231,484	6,965
Senior Center	96,758	104,801	103,075	1,726
Total parks and recreation	665,035	673,225	648,157	25,068
Health and welfare:				
Social services	15,650	18,471	18,236	235
Health services	112,106	112,106	112,106	-
Total health and welfare	127,756	130,577	130,342	235
Board of Education	35,205,816	35,232,842	35,229,351	3,491

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

	Budget Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Miscellaneous:				
Legal	\$ 150,000	\$ 353,400	\$ 353,400	\$ -
Employee benefits	4,005,329	3,954,721	3,826,580	128,141
Centralized services	736,877	767,457	744,873	22,584
Non - Town agencies	1,373,385	1,557,536	1,528,763	28,773
Reserved for contingency	35,000	2,545		2,545
Reserved for wages and benefits	193,171	1,400	1,400	-
Historic district	675	675	143	532
Total miscellaneous	<u>6,494,437</u>	<u>6,637,734</u>	<u>6,455,159</u>	<u>182,575</u>
Debt service	<u>6,022,525</u>	<u>6,022,525</u>	<u>6,022,525</u>	<u>-</u>
Total expenditures	<u>58,369,897</u>	<u>58,851,277</u>	<u>58,529,077</u>	<u>322,200</u>
Other financing uses:				
Transfers out:				
Vehicle Replacement Fund	125,000	125,000	125,000	-
Water Authority	<u>97,065</u>	<u>97,065</u>	<u>97,065</u>	<u>-</u>
Total transfers out	<u>222,065</u>	<u>222,065</u>	<u>222,065</u>	<u>-</u>
Total	\$ <u>58,591,962</u>	\$ <u>59,073,342</u>	58,751,142	\$ <u>322,200</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement

System for Town teachers are not budgeted.

2,611,491

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for GAAP financial reporting purposes.

(253,762)

Encumbrances for purchases and commitments ordered in the previous year that were received and liquidated in the current year are reported for GAAP financial statement reporting purposes.

480,562

The Town and Board of Education do not budget for accrued payroll services earned at year end.

The accrued wages are charged to the subsequent year's budget. These amounts are recorded as a current year expenditure for GAAP financial statement reporting purposes.

356,510

Reversal of prior year accrued payroll services charged to the current budget. These amounts were reported as a prior year expenditure for GAAP financial statement reporting purposes.

(349,366)

The Board of Education does not budget for a combination of intergovernmental grants and charges for services revenues received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

642,902

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 62,239,479

Note: Original budgeted amounts are derived from the Town's legally adopted General Fund budget established on the non-GAAP budgetary basis.

APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

BOND COUNSEL OPINION

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

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

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Watertown
Watertown, Connecticut

We have represented the Town of Watertown, Connecticut as Bond Counsel in connection with the issuance by the Town of \$7,500,000 General Obligation Bonds, Issue of 2010, dated as of March 15, 2010 and \$15,500,000 Bond Anticipation Notes, dated as of March 31, 2010.

We have examined a record of proceedings authorizing the Bonds and Notes, and based on our examination, we are of the opinion that the Town of Watertown is authorized to issue the Bonds and Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds and Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds and Notes; the Bonds and Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds and Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate pursuant to Section 12-97 of the General Statutes of Connecticut, Revision of 1958, as amended, and dwelling houses of qualified elderly people of low income taxable at limited amounts pursuant to Section 12-129b of said General Statutes or Public Act No. 06-176.

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

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

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

agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations.

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

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

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

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

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The Code also provides that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation’s alternative minimum tax. The interest on certain tax-exempt bonds issued in calendar years 2009 and 2010 is excluded from treatment as a preference item for purposes of the Federal alternative minimum tax and from being taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations. The Town’s Tax Compliance Agreement will contain certain representations to ensure that interest on the Bonds and Notes is not treated as a preference item for individuals or corporations or included in the calculation of adjusted current earnings for corporations in calculating alternative minimum taxable income.

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

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds and Notes should be aware that the ownership of tax-exempt obligations, such as the Bonds and Notes, may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of

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

STATE OF CONNECTICUT TAX ON INTEREST.

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

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

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

ORIGINAL ISSUE DISCOUNT.

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

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

ORIGINAL ISSUE PREMIUM.

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

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

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds and Notes may affect the tax status of interest on the Bonds and Notes. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that future Federal legislation enacted or proposed after the date of issuance of the Bonds and Notes will not have an adverse effect on the tax-exempt status or market price of the Bonds and Notes or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Bonds and Notes. No assurance can be given that future legislation, or amendments to the State income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds and Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

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

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of March 31, 2010 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$7,500,000 General Obligation Bonds, Issue of 2010, dated as of March 15, 2010 (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 March 23, 2010 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, 2010) 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 Issuer's fiscal year currently ends on June 30.

(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. Material Events.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;

- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Finance Director is Town Hall Annex, 424 Main Street, Watertown, Connecticut 06795.

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

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time

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

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

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

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

TOWN OF WATERTOWN

By _____
Charles A. Frigon
Town Manager

By _____
Frank J. Nardelli, Jr.
Finance Director

APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

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

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of March 31, 2010 by the Town of Watertown, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$15,500,000 Bond Anticipation Notes, dated as of March 31, 2010 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

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

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

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

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

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

Section 2. Material Events.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Notes;
- (g) modifications to rights of holders of the Notes;
- (h) Note calls;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; and
- (k) rating changes.

Section 3. Use of Agents.

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

Section 4. Termination.

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

Section 5. Enforcement.

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

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

Section 6. Miscellaneous.

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

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

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

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

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

TOWN OF WATERTOWN

By: _____
Charles A. Frigon
Town Manager

By: _____
Frank J. Nardelli, Jr.
Finance Director

Appendix E - Notice of Sale and Proposal for Bonds

NOTICE OF SALE
\$7,500,000
Town of Watertown, Connecticut
General Obligation Bonds
(BOOK-ENTRY)

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Watertown, Connecticut at Webster Bank, National Association, Treasury Conference Room, 2nd Floor, 145 Bank Street, Waterbury, Connecticut, until **11:30 A.M. (Eastern Daylight Time) on TUESDAY,**

MARCH 23, 2010

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

\$7,500,000 General Obligation Bonds, Issue of 2010
Payable annually on March 15 as follows:

\$375,000 in 2011 through 2030

The Bonds will be dated March 15, 2010, with interest payable on September 15, 2010 and thereafter semiannually on each March 15th and September 15th.

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business

on the record date preceding each interest payment date. The record dates will be the last business day of August and February.

Redemption. Bonds maturing after March 15, 2017 are subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2017, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
March 15, 2017 and thereafter	100%

Proposals. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth or one eighth of one percent the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than two (2%) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Sealed Proposals Bidding Procedure. All proposals for the purchase of Bonds shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Watertown Bonds." All proposals should be addressed to Mr. Frank J. Nardelli, Jr., Finance Director, Town of Watertown, Webster Bank, National Association, Treasury Conference Room, 2nd Floor, 145 Bank Street, Waterbury, Connecticut 06702.

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

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

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

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

Basis of Award. As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to March 15, 2010, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

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

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

Delivery. At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of

payment for the Bonds. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations; and (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expense that is allocable to tax-exempt obligations.

Official Statement. The Town of Watertown has prepared a preliminary Official Statement for the Bond issue which is dated March 12, 2010. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 75 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Webster Bank, National Association, Hartford, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

Reoffering Prices. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE BONDS THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF EACH MATURITY OF THE BONDS WERE SOLD.

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about March 31, 2010 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Barry J. Bernabe, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 (telephone: (203) 578-2203) or from Mr. Frank J. Nardelli, Jr., Finance Director, Town of Watertown, Town Hall Annex , 424 Main Street, Watertown, Connecticut 06795 (telephone: (860) 945-5258).

CHARLES A. FRIGON,
Town Manager

FRANK J. NARDELLI, JR.,
Finance Director

March 12, 2010

PROPOSAL FOR BONDS

March 23, 2010

Mr. Frank J. Nardelli, Jr.
Finance Director
Town of Watertown
c/o Webster Bank, National Association
Treasury Conference Room, 2nd Floor
145 Bank Street
Waterbury, Connecticut 06702

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated March 12, 2010 which is hereby made a part of this proposal, we hereby offer to purchase all of the aggregate principal amount of \$7,500,000 General Obligation Bonds, Issue of 2010, of the Town of Watertown described in said Notice of Sale, and to pay therefor the price of par plus a premium of \$_____ plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2011	\$375,000	_____%	2021	\$375,000	_____%
2012	\$375,000	_____%	2022	\$375,000	_____%
2013	\$375,000	_____%	2023	\$375,000	_____%
2014	\$375,000	_____%	2024	\$375,000	_____%
2015	\$375,000	_____%	2025	\$375,000	_____%
2016	\$375,000	_____%	2026	\$375,000	_____%
2017	\$375,000	_____%	2027	\$375,000	_____%
2018	\$375,000	_____%	2028	\$375,000	_____%
2019	\$375,000	_____%	2029	\$375,000	_____%
2020	\$375,000	_____%	2030	\$375,000	_____%

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

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or
Authorized Agent of Bidder: _____

Telephone Number: _____

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

Percent of True Interest Cost _____%
(four decimals)

Gross Interest \$ _____

Accrued Interest from March 15, 2010
to March 31, 2010 \$ _____

Premium \$ _____

Appendix F - Notice of Sale and Proposal for Notes

NOTICE OF SALE
\$15,500,000
Town of Watertown, Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Watertown, Connecticut at Webster Bank, National Association, Treasury Conference Room, 2nd Floor, 145 Bank Street, Waterbury, Connecticut until **11:00 A.M. (Eastern Daylight Time) on TUESDAY,**

MARCH 23, 2010

for the purchase of \$15,500,000 Bond Anticipation Notes of the Town of Watertown, dated March 31, 2010, maturing on March 30, 2011 (the "Notes").

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

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

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$25,000 or any integral multiple thereof (except for any odd amount), with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

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

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each

part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Sealed Proposals Bidding Procedure. All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Watertown Notes." All proposals should be addressed to Mr. Frank J. Nardelli, Jr., Finance Director, Town of Watertown, c/o Webster Bank, National Association, Treasury Conference Room, 2nd Floor, 145 Bank Street, Waterbury, Connecticut 06702.

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

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

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

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

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

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

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

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

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

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, and is not taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

Official Statement. The Town of Watertown has prepared a preliminary Official Statement for the Note issue which is dated March 12, 2010. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 25 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, Webster Bank, National Association, Hartford, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

Reoffering Prices. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on March 31, 2010.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Barry J. Bernabe, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 (telephone: (203) 578-2203) or from Mr. Frank J. Nardelli, Jr., Finance Director, Town of Watertown, Town Hall Annex , 424 Main Street, Watertown, Connecticut 06795 (telephone: (860) 945-5258).

CHARLES A. FRIGON,
Town Manager

FRANK J. NARDELLI, JR.,
Finance Director

March 12, 2010

PROPOSAL FOR NOTES

March 23, 2010

Mr. Frank J. Nardelli, Jr.
Finance Director
Town of Watertown
c/o Webster Bank, National Association
Treasury Conference Room, 2nd Floor
145 Bank Street
Waterbury, Connecticut 06702

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated March 12, 2010 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, (not to exceed false months interest on the principal amount bid for), and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$15,500,000 Bond Anticipation Notes of the Town of Watertown, dated March 31, 2010, maturing March 30, 2011, we bid the following:

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

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or
Authorized Agent of Bidder: _____

Telephone Number: _____