

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WATERTOWN, CONNECTICUT

Fiscal Year Ended June 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

**Town of Watertown,
Connecticut**

Fiscal Year Ended June 30, 2013

Prepared by:

Finance Department

Frank J. Nardelli, Jr., Director

TOWN OF WATERTOWN, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section

TOWN OF WATERTOWN, CONNECTICUT

Principal Officials

Town Council

Raymond Primini, Chairman
Mary Ann Rosa, Vice-Chairman
David Demirs
Joseph Polletta
Richard DiFederico, Jr.
Richard Fusco
Thomas L. Winn
Katherine C. Duplissie
Louis Razza

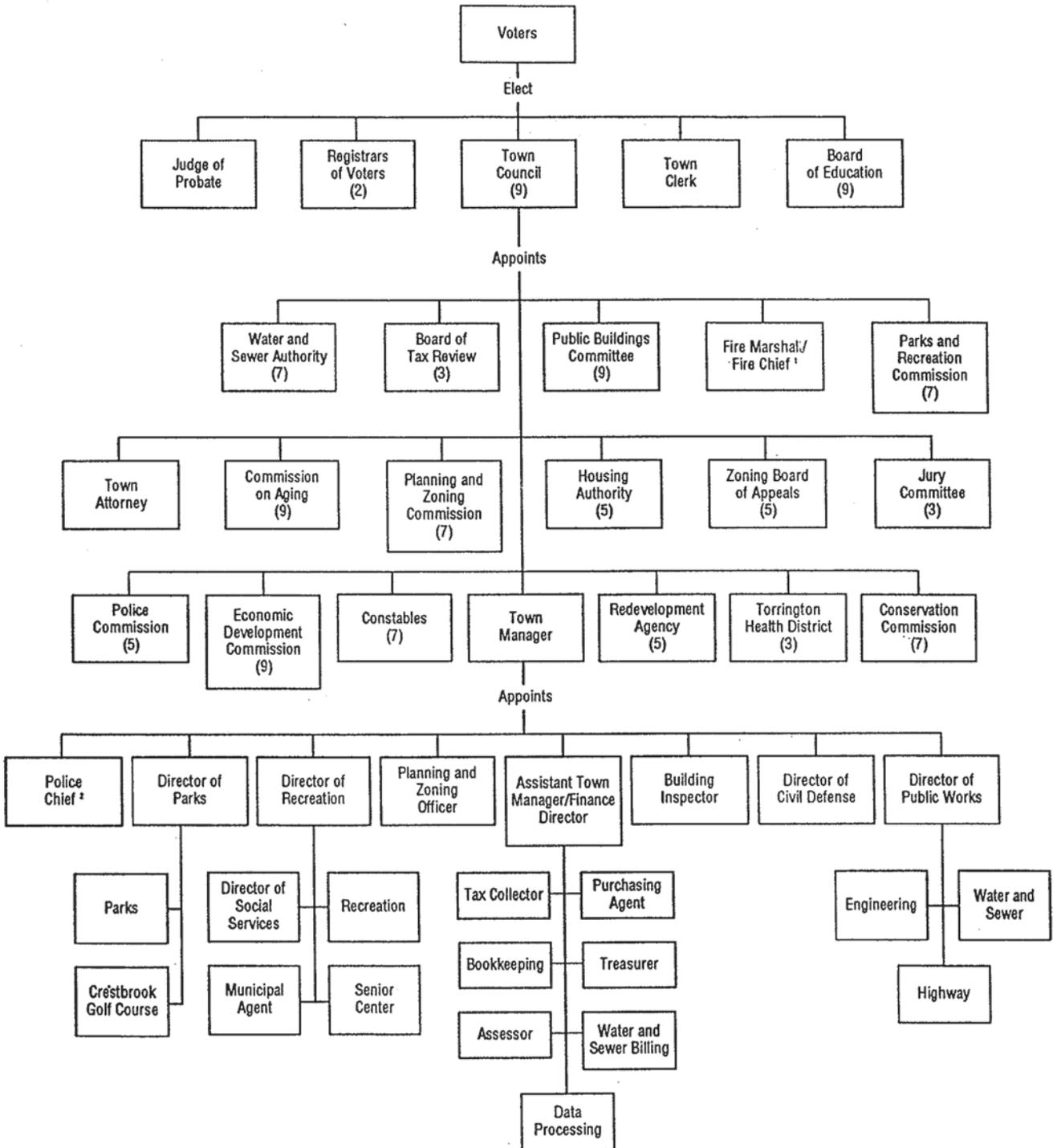
Board of Education

Guy Buzzannco, Chairman
Thomas Lambert, Vice-Chairman
Eric Berthel, Secretary
Richard Beland
Sean Butterly
Mary Colangelo
David Guerrero
Susan McCabe
Raymond Nardella

Appointed Officials

Charles Frigon, Town Manager
Gail Gilmore, Superintendent of Schools
Frank J. Nardelli, Jr., Assistant Town Manager/Finance Director
Susan Zappone, Assistant Finance Director
Joan Mondak, School and Town Treasurer

ORGANIZATIONAL CHART



¹Fire Department volunteers elect their own Chief (same individual as Fire Marshal)

²Police Chief appointment made with concurrence of Town Council.



TOWN OF WATERTOWN CONNECTICUT

Town Hall Annex, 424 Main Street
Watertown, Connecticut 06795-2200

Finance Department, (860)945-5258 FAX (860)945-0393

December 11, 2013

Charles Frigon, Town Manager
Members of the Watertown Town Council
Watertown, Connecticut

The comprehensive annual financial report of the Town of Watertown, Connecticut, for the fiscal year ended June 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit is issued as a separate report.

The State of Connecticut has enacted legislation referred to as the *State Single Audit Act*. The Act requires financial and compliance audits of State assistance received by municipalities. Information related to this single audit is issued as a separate report.

This report includes all funds of the Town. The Town provides a full range of services. These services include education, encompassing grades K-12; police and fire protection; zoning; building inspection; Watertown landfill closure and contractual sanitation landfill disposal; construction and maintenance of highways, streets and infrastructure; and parks and recreational activities. In addition to general government services, the Town provides water and sewer utilities to a portion of Watertown and provides an eighteen-hole community golf course at Crestbrook Park.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE TOWN

The Town is located in the west central part of the State, bordered by Plymouth and Thomaston to the north, Bethlehem and Woodbury to the west and Middlebury and Waterbury to the south and southeast.

Watertown is primarily a residential community which enjoys a diversified commercial and industrial economic base. Principal industries include eyelet manufacturers, metal finishing companies, nylon, plastic, rayon, synthetic thread instrumentation, regional distribution warehousing, and electronic component and paint manufacturers.

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.

FACTORS AFFECTING FINANCIAL CONDITION

Budget

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 Town Referendum approves the budget and the Town Council lays the tax rate based on the adopted budget.

Public Buildings and Infrastructure

During fiscal year 2013 the Town approved at referendum \$4,000,000 for road, bridge, drainage and culvert improvements. Also approved at referendum was \$1,000,000 for the acquisition of an aerial ladder fire truck for use by the Watertown Volunteer Fire Department. The renovation and expansion of Watertown High School, Judson Elementary School and Polk Elementary School was completed. The Town also received a Small Cities grant to be loaned to residents in economically low areas, to be used to renovate and for code upgrades for their residents.

Economic Activity

A new car dealership is constructing a 45,000 sq ft building that will employ approximately 35 employees. A new 40,000 sq ft commercial debris transfer station will soon start construction. A manufacturer that refines and processes waxes is adding 32,000 sq ft to their present facility. A manufacturer that specializes in drawn metal stamping is adding 15,000 sq ft to their current facility.

Long-Term Financial Planning

The Town has taken a conservative approach in estimating revenues so as not to be severely effected by the economic slowdown. In fiscal year 2013 conveyance fees and building permits exceeded budgetary revenues to help offset some of the increase in medical costs.

In fiscal year 2013 the Town refunded bonds to take advantage of lower interest rates with an approximate savings of \$445,898 over the life of the bonds.

Significant Financial Policies

The Town has adopted a fund balance policy to maintain a minimum of 7% of the fiscal years operating revenue with a target maximum of 12%. The Town with its financial management is well within this goal even under the current economic climate. There were no changes to financial policies that have a significant effect on the current financial operations.

FINANCIAL INFORMATION

Budgetary Controls

The Town of Watertown maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Watertown voters at the Budget Town Meeting. The Town Council is authorized to make additional appropriations of less than \$25,000 during the year. Town Meeting approval is required for additional appropriations over \$25,000. Activities of the General Fund are included in the annual appropriated budget.

Independent Audit

State statutes require an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of OMB Circular A-133 and State of Connecticut Single Audit Act. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audits are issued separately.

Single Audit

As a recipient of federal and state financial assistance, the Town of Watertown also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Watertown for its comprehensive annual financial report for fiscal year ended June 30, 2012.

In order to receive the Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the efficient and dedicated service of school and Town staff.

My appreciation is also expressed to the Town Council, the Board of Education, the Town Manager, and Superintendent of Schools for their cooperation and assistance with issues pertaining to financial matters of the Town.

Respectfully submitted,



Frank J. Nardelli, Jr.
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Watertown
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Financial Section



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Watertown, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Watertown, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Watertown, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Watertown, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 51 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of the Town of Watertown, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Watertown, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 11, 2013

**TOWN OF WATERTOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. 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 position increased \$1.2 million as a result of this year's operations. Net position of our governmental activities increased by \$1.7 million.
- During the year, the Town had expenses that were \$1.7 million less than the \$74.7 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, total net position decreased \$504 thousand. Unrestricted net position decreased by \$456 thousand (\$6.8 million in 2013 compared with \$7.3 million in 2012).
- Total cost of all of the Town's programs was \$77.8 million with no new programs added this year.
- The General Fund reported an unassigned fund balance this year of \$5.6 million.
- The resources available for appropriation were \$1.1 million 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 position 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 position 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 position and changes in them. The Town's net position, 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 position 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 position and the statement of activities, we divide the Town into two types of activities:

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

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 position 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 position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Health and Dental Benefits and Workers' Compensation Internal Service Funds.
- *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 position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's combined net position increased from a year ago increasing from \$154.2 million to \$155.4 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

**TABLE 1
NET POSITION
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 27,089	\$ 26,361	\$ 7,840	\$ 8,444	\$ 34,929	\$ 34,805
Capital assets, net of accumulated depreciation	198,228	197,328	15,394	15,907	213,622	213,235
Total assets	<u>225,317</u>	<u>223,688</u>	<u>23,234</u>	<u>24,351</u>	<u>248,551</u>	<u>248,039</u>
Long-term liabilities outstanding	79,719	79,562	3,224	3,673	82,943	83,235
Other liabilities	9,351	9,595	817	980	10,167	10,575
Total liabilities	<u>89,070</u>	<u>89,157</u>	<u>4,041</u>	<u>4,653</u>	<u>93,110</u>	<u>93,810</u>
Net Position:						
Net investment in capital assets	135,727	132,763	12,362	12,410	148,089	145,173
Restricted	292	340			292	340
Unrestricted	<u>228</u>	<u>1,428</u>	<u>6,832</u>	<u>7,288</u>	<u>7,060</u>	<u>8,716</u>
Total Net Position	<u>\$ 136,247</u>	<u>\$ 134,531</u>	<u>\$ 19,194</u>	<u>\$ 19,698</u>	<u>\$ 155,441</u>	<u>\$ 154,229</u>

Net position of the Town's governmental activities increased by \$1.7 million (\$136.2 million in 2013 compared with \$134.5 million in 2012). The Town's unrestricted net position of \$228 thousand decreased \$1.2 million compared with last years' unrestricted net position of \$1.4 million. Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Net investment in capital assets increased \$2.9 million.

During 2013, the net position of the Town's business-type activities decreased by \$504 thousand. Unrestricted net position decreased \$456 thousand (\$6.8 million in 2013 compared with \$7.3 million in 2012). Contributing factors to the change in total net position and unrestricted net position follows Table 2. The Town generally can only use this net position to finance the continuing operations of the Sewer Authority, Water Authority and Crestbrook Golf Enterprise Funds.

TABLE 2
CHANGE IN NET POSITION
(In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,610	\$ 3,917	\$ 3,713	\$ 3,868	\$ 7,323	\$ 7,785
Operating grants and contributions	18,553	20,140		15	18,553	20,155
Capital grants and contributions	3,678	2,739			3,678	2,739
General revenues:						
Property taxes	47,379	45,108			47,379	45,108
Grants and contributions not restricted to specific purposes	1,131	1,083			1,131	1,083
Unrestricted investment earnings	35	41	6	6	41	47
Other general revenues	338	361			338	361
Total revenues	<u>74,724</u>	<u>73,389</u>	<u>3,719</u>	<u>3,889</u>	<u>78,443</u>	<u>77,278</u>
Expenses:						
General government	10,661	10,645			10,661	10,645
Public safety	6,496	6,475			6,496	6,475
Public works	5,273	4,434			5,273	4,434
Parks and recreation	1,208	1,016			1,208	1,016
Health and welfare	116	288			116	288
Education	47,760	46,868			47,760	46,868
Interest on long-term debt	2,188	2,507			2,188	2,507
Sewer			2,081	2,138	2,081	2,138
Water			1,461	1,625	1,461	1,625
Golf			588	582	588	582
Total expenses	<u>73,702</u>	<u>72,233</u>	<u>4,130</u>	<u>4,345</u>	<u>77,832</u>	<u>76,578</u>
Excess (deficiency) before transfers	1,022	1,156	(411)	(456)	611	700
Transfers	693	107	(93)	(107)	600	-
Increase (Decrease) in Net Position	<u>\$ 1,715</u>	<u>\$ 1,263</u>	<u>\$ (504)</u>	<u>\$ (563)</u>	<u>\$ 1,211</u>	<u>\$ 700</u>

The Town's total revenues were \$78.4 million. The total cost of all programs and services was \$77.8 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 \$1.7 million in net position in 2013. The increase was principally driven by the capitalization of school building construction expenditures. The Town's total governmental revenue for the year was \$74.7 million. Total program expenses were \$73.7 million. During 2013, property taxes increased \$2.3 million as the Town's property tax mill rate increased 1.01 mills from 2012 to 2013.

Business-Type Activities

The Town's business-type activities reported a decrease of \$504 thousand in net position in 2013. The cost of water purchases from the Town's business type activity increased by \$164 thousand due to a new water agreement with the City of Waterbury.

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)**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General government	\$ 10,661	\$ 10,645	\$ 8,975	\$ 9,002
Public safety	6,496	6,476	5,687	5,352
Public works	5,273	4,434	1,645	3,666
Parks and recreation	1,208	1,016	919	682
Education	47,760	46,868	28,599	24,221
All others	<u>2,304</u>	<u>2,795</u>	<u>2,036</u>	<u>2,517</u>
Total	\$ <u>73,702</u>	\$ <u>72,234</u>	\$ <u>47,861</u>	\$ <u>45,440</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 \$11.4 million, which is an increase of \$1 million from last year's total of \$10.4 million. During 2013, Capital Improvement fund's capital outlay of \$943 thousand was attributable to school construction expenditures.

During the year, the Town issued refunding bonds with a savings of 446 thousand over the life of the bonds. The Town incurred \$943 thousand of capital expenditures during the year for school renovations at Watertown High School, Judson School and Polk School and other capital related projects.

Proprietary Funds

Net position of the Town's three self-insured internal service funds decreased by \$419 thousand during the year. The Health and Dental Benefits Fund reported an operating loss of \$1.1 million. Net position of the Town's Workers' Compensation Fund increased \$126 thousand as claims experience improved from last year. Net position of the Town's General Liabilities Deductibles Fund decreased by \$23 thousand which was primarily attributable to claim activity.

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

General Fund Budgetary Highlights

The actual revenues exceeded the budgetary revenues estimate of \$63.3 million by \$1.1 million as building permits exceeded budgetary estimates. During the year the Town approved \$1.8 million of additional General Fund appropriations to fund various unanticipated expenditures. The Town expended \$507 thousand less than the amended appropriated budget amount of \$65.1 million.

The Town’s General Fund balance of \$6.4 million reported on Exhibit III differs from the General Fund’s budgetary fund balance of 5.6 million. This is because budgetary fund balance included a reservation of \$798 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, 2013, the Town had \$213.6 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 \$388 thousand, over last year.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,598	\$ 2,598	\$ 1,020	\$ 1,020	\$ 3,618	\$ 3,618
Construction in progress	81,772	81,263		2,557	81,772	83,820
Buildings and improvements	61,308	62,937	988	1,058	62,296	63,995
Vehicles	827	706	33	50	861	756
Machinery and equipment	997	906	34	56	1,031	962
Infrastructure	<u>50,726</u>	<u>48,918</u>	<u>13,320</u>	<u>11,167</u>	<u>64,046</u>	<u>60,085</u>
Total	<u>\$ 198,228</u>	<u>\$ 197,328</u>	<u>\$ 15,394</u>	<u>\$ 15,907</u>	<u>\$ 213,623</u>	<u>\$ 213,235</u>

This year’s major capital outlay additions included:

Sunnyside Ave. Reconstruction	\$ <u>2,870,800</u>
Total	\$ <u>2,870,800</u>

The Town's fiscal year 2012-2013 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 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, 2013, the Town had \$72 million in bonds and serial notes outstanding versus \$75.3 million last year - a decrease of 4.0% - as shown in Table 5.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 62,293	\$ 64,725	\$	\$	\$ 62,293	\$ 64,725
Serial notes payable			3,032	3,497	3,032	3,497
Bond anticipation notes (backed by the Town)	<u>6,700</u>	<u>7,100</u>	<u></u>	<u></u>	<u>6,700</u>	<u>7,100</u>
	<u>\$ 68,993</u>	<u>\$ 71,825</u>	<u>\$ 3,032</u>	<u>\$ 3,497</u>	<u>\$ 72,025</u>	<u>\$ 75,323</u>

The Town's general obligation bond rating is Aa2. 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 \$331.2 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 2013 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 a decrease, averaging annual rate of 7.8%. Unemployment in the Town now stands at 8.2% versus 7.3% a year ago. This compares with the State's unemployment rate of 8.3% and the national rate of 7.7%.

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

The Town required two budget referendums to pass its 2013-2014 budget. The mill rate for fiscal year 2013-2014 is 25.09 mills, which is a 0.86 mill increase from the prior year. The Board of Education budget increased 3.43% and the Town's portion increased 1.53%.

In the Town's 2012-2013 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 2013-14 operating income will increase based on recent decisions. The Water and Sewer Department continues to expand its utilities, which increases users. This expansion program combined with maintaining stable rates and low operating costs should enable an increase in net position. The Water and Sewer Department has completed a Water and Sewer Cost of Services rate study, which will moderately increase rates in fiscal year 2013-2014.

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 POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 12,180,153	\$ 4,070,597	\$ 16,250,750
Receivables, net	14,371,123	901,484	15,272,607
Internal balances	163,816	(163,816)	-
Inventories	21,738		21,738
Deferred charges and other	351,827	3,032,100	3,383,927
Capital assets:			
Assets not being depreciated	84,369,847	1,019,600	85,389,447
Assets being depreciated, net	<u>113,858,250</u>	<u>14,374,856</u>	<u>128,233,106</u>
Total assets	<u>225,316,754</u>	<u>23,234,821</u>	<u>248,551,575</u>
Liabilities:			
Accounts and other payables	1,680,437	816,864	2,497,301
Bond anticipation notes payable	6,700,000		6,700,000
Unearned revenue	970,100		970,100
Noncurrent liabilities:			
Due within one year	7,397,688	552,371	7,950,059
Due in more than one year	<u>72,321,505</u>	<u>2,671,375</u>	<u>74,992,880</u>
Total liabilities	<u>89,069,730</u>	<u>4,040,610</u>	<u>93,110,340</u>
Net Position:			
Net investment in capital assets	135,726,900	12,362,356	148,089,256
Restricted for trust purposes:			
Expendable	128,986		128,986
Nonexpendable	163,254		163,254
Unrestricted	<u>227,884</u>	<u>6,831,855</u>	<u>7,059,739</u>
Total Net Position	<u>\$ 136,247,024</u>	<u>\$ 19,194,211</u>	<u>\$ 155,441,235</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, 2013

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 10,660,604	\$ 1,354,593	\$ 330,787	\$	\$ (8,975,224)	\$	\$ (8,975,224)
Public safety	6,495,809	744,841	64,108		(5,686,860)		(5,686,860)
Public works	5,273,316	120,147	150,067	3,357,886	(1,645,216)		(1,645,216)
Parks and recreation	1,208,453	289,902			(918,551)		(918,551)
Health and welfare	116,003		96,741		(19,262)		(19,262)
Education	47,759,993	1,100,860	17,740,256	320,202	(28,598,675)		(28,598,675)
Interest on long-term debt	2,187,600		171,235		(2,016,365)		(2,016,365)
Total governmental activities	<u>73,701,778</u>	<u>3,610,343</u>	<u>18,553,194</u>	<u>3,678,088</u>	<u>(47,860,153)</u>	<u>-</u>	<u>(47,860,153)</u>
Business-type activities:							
Sewer	2,080,549	1,971,475				(109,074)	(109,074)
Water	1,461,250	1,216,655				(244,595)	(244,595)
Golf	587,850	524,716				(63,134)	(63,134)
Total business-type activities	<u>4,129,649</u>	<u>3,712,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(416,803)</u>	<u>(416,803)</u>
Total	<u>\$ 77,831,427</u>	<u>\$ 7,323,189</u>	<u>\$ 18,553,194</u>	<u>\$ 3,678,088</u>	<u>(47,860,153)</u>	<u>(416,803)</u>	<u>(48,276,956)</u>
		General revenues:					
		Property taxes			47,378,859		47,378,859
		Grants and contributions not restricted to specific programs			1,131,237		1,131,237
		Unrestricted investment earnings			34,747	6,357	41,104
		Gain on sale of capital assets			81,600		81,600
		Miscellaneous			256,830		256,830
		Transfers			692,957	(92,957)	600,000
		Total general revenues and transfers			<u>49,576,230</u>	<u>(86,600)</u>	<u>49,489,630</u>
		Change in net position			1,716,077	(503,403)	1,212,674
		Net Position at Beginning of Year			<u>134,530,947</u>	<u>19,697,614</u>	<u>154,228,561</u>
		Net Position at End of Year			<u>\$ 136,247,024</u>	<u>\$ 19,194,211</u>	<u>\$ 155,441,235</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,490,797	\$ 3,071,792	\$ 1,829,577	\$ 11,392,166
Accounts receivable, net	5,995,187	7,205,377	1,170,559	14,371,123
Due from other funds	358,464			358,464
Inventories			21,738	21,738
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 12,844,448</u>	<u>\$ 10,277,169</u>	<u>\$ 3,021,874</u>	<u>\$ 26,143,491</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 703,230	\$	\$ 73,318	\$ 776,548
Bond anticipation notes payable		6,700,000		6,700,000
Due to other funds			194,648	194,648
Deferred revenue	5,768,935	92,980	1,146,063	7,007,978
Total liabilities	<u>6,472,165</u>	<u>6,792,980</u>	<u>1,414,029</u>	<u>14,679,174</u>
Fund balances:				
Nonspendable			184,992	184,992
Restricted		3,484,189	206,594	3,690,783
Committed			1,224,717	1,224,717
Assigned	797,675			797,675
Unassigned	5,574,608		(8,458)	5,566,150
Total fund balances	<u>6,372,283</u>	<u>3,484,189</u>	<u>1,607,845</u>	<u>11,464,317</u>
Total Liabilities and Fund Balances	<u>\$ 12,844,448</u>	<u>\$ 10,277,169</u>	<u>\$ 3,021,874</u>	<u>\$ 26,143,491</u>

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

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

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

Fund balances - total governmental funds	\$	11,464,317
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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	\$	257,174,533	
Less accumulated depreciation		<u>(58,946,436)</u>	
Net capital assets			198,228,097

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	882,336
Interest receivable on property taxes	298,000
Receivable from the State for school construction projects	2,944,036
Housing rehabilitation loans receivable	903,192
Assessment receivables	901,743
Other accounts receivable	108,571

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

(709,013)

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	(61,945,000)
Deferred debits on refunding	1,290,801
Deferred bond issuance costs	351,827
Unamortized premiums	(1,638,668)
Interest payable on bonds	(903,889)
Capital leases	(912,593)
Compensated absences	(3,655,685)
Retirement obligations	(676,359)
Net OPEB obligation	(10,162,101)
Landfill closure monitoring obligation	<u>(522,588)</u>

Net Position of Governmental Activities (Exhibit I)

\$ 136,247,024

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, 2013

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 47,229,837	\$	\$	\$ 47,229,837
Intergovernmental revenues	18,523,914	404,142	1,852,729	20,780,785
Licenses, permits and charges for services	2,097,152		1,501,045	3,598,197
Investment income	28,295	4,021	1,908	34,224
Other revenue	381,181	88,769	254,051	724,001
Total revenues	<u>68,260,379</u>	<u>496,932</u>	<u>3,609,733</u>	<u>72,367,044</u>
Expenditures:				
Current:				
General government	2,506,428		192,384	2,698,812
Public safety	5,020,250		57,649	5,077,899
Public works	3,353,241		453,507	3,806,748
Parks and recreation	757,828		314,638	1,072,466
Health and welfare	132,255		295,749	428,004
Education	42,983,391		2,485,170	45,468,561
Other	7,026,858			7,026,858
Capital outlay	630,313	942,650	89,000	1,661,963
Debt service	6,811,471			6,811,471
Total expenditures	<u>69,222,035</u>	<u>942,650</u>	<u>3,888,097</u>	<u>74,052,782</u>
Deficiency of Revenues over Expenditures	<u>(961,656)</u>	<u>(445,718)</u>	<u>(278,364)</u>	<u>(1,685,738)</u>
Other Financing Sources (Uses):				
Transfers in	187,386		195,000	382,386
Transfers out	(284,300)		(5,129)	(289,429)
Issuance of refunding bonds	8,600,000			8,600,000
Payment to refunded bond escrow agent	(9,446,776)			(9,446,776)
Bond premium	892,729			892,729
Issuance of bonds		2,000,000		2,000,000
Issuance of capital leases	630,313			630,313
Total other financing sources	<u>579,352</u>	<u>2,000,000</u>	<u>189,871</u>	<u>2,769,223</u>
Net Change in Fund Balances	(382,304)	1,554,282	(88,493)	1,083,485
Fund Balances at Beginning of Year	<u>6,754,587</u>	<u>1,929,907</u>	<u>1,696,338</u>	<u>10,380,832</u>
Fund Balances at End of Year	<u>\$ 6,372,283</u>	<u>\$ 3,484,189</u>	<u>\$ 1,607,845</u>	<u>\$ 11,464,317</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, 2013

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) \$ 1,083,485

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 4,744,291
Depreciation expense (3,810,682)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the assets sold. (33,111)

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 (556,755)
Property tax receivable - accrual basis change 66,022
Property tax interest and lien revenue - accrual basis change 83,000
Assessment receivables (107,979)
Other accounts receivable - accrual basis change 263,950

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 position. 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:

Issuance of bonds (2,000,000)
Bond principal payments 4,425,000
Issuance of refunding bonds (8,600,000)
Bonds refunded 8,605,000
Deferred debit on refunding 841,776
Premium on refunded bonds (892,729)
Issuance costs on refunding 129,871
Amortization of deferred bond issuance costs (18,311)
Amortization of premiums 69,079
Amortization of deferred debit on refunding (15,846)
Accrued interest on bonds 34,078
Capital lease payments 506,654
Capital lease financing (630,313)

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 (94,997)
Change in long-term retirement obligations 105,792
Change in landfill post closure care 24,166
Change in net OPEB obligation (2,085,985)

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. (419,379)

Change in Net Position of Governmental Activities (Exhibit II) \$ 1,716,077

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities				Governmental
	Sewer Authority	Water Authority	Nonmajor	Total	Internal Service
			Crestbrook Golf Operation		
Assets:					
Current:					
Cash and cash equivalents	\$ 2,342,073	\$ 1,728,524	\$	\$ 4,070,597	\$ 787,987
Receivables, net:					
User charges	570,565	330,919		901,484	
Total current assets	<u>2,912,638</u>	<u>2,059,443</u>	<u>-</u>	<u>4,972,081</u>	<u>787,987</u>
Noncurrent:					
Deferred charges	3,032,100			3,032,100	
Capital assets:					
Assets not being depreciated		84,600	935,000	1,019,600	
Assets being depreciated, net	7,385,105	6,690,925	298,826	14,374,856	
Total noncurrent assets	<u>10,417,205</u>	<u>6,775,525</u>	<u>1,233,826</u>	<u>18,426,556</u>	<u>-</u>
Total assets	<u>13,329,843</u>	<u>8,834,968</u>	<u>1,233,826</u>	<u>23,398,637</u>	<u>787,987</u>
Liabilities:					
Current liabilities:					
Accounts and other payables	736,242	80,622		816,864	
Due to other funds	9,946		153,870	163,816	
Bond and notes payable	466,048			466,048	
Compensated absences	30,304	30,304	25,715	86,323	
Risk management claims				-	859,000
Total current liabilities	<u>1,242,540</u>	<u>110,926</u>	<u>179,585</u>	<u>1,533,051</u>	<u>859,000</u>
Noncurrent liabilities:					
Bond and notes payable	2,566,052			2,566,052	
Compensated absences	26,628	26,628	52,067	105,323	
Risk management claims				-	638,000
Total noncurrent liabilities	<u>2,592,680</u>	<u>26,628</u>	<u>52,067</u>	<u>2,671,375</u>	<u>638,000</u>
Total liabilities	<u>3,835,220</u>	<u>137,554</u>	<u>231,652</u>	<u>4,204,426</u>	<u>1,497,000</u>
Net Position:					
Net investment in capital assets	4,353,005	6,775,525	1,233,826	12,362,356	
Unrestricted	<u>5,141,618</u>	<u>1,921,889</u>	<u>(231,652)</u>	<u>6,831,855</u>	<u>(709,013)</u>
Total Net Position	<u>\$ 9,494,623</u>	<u>\$ 8,697,414</u>	<u>\$ 1,002,174</u>	<u>\$ 19,194,211</u>	<u>\$ (709,013)</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 POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities				Governmental
	Sewer Authority	Water Authority	Nonmajor Crestbrook Golf Operation	Total	Internal Service
Operating Revenues:					
Charges for services	\$ 1,926,701	\$ 1,163,325	\$ 470,587	\$ 3,560,613	\$ 12,257,202
Permits and fees	44,774	9,875		54,649	
Other		43,455	54,129	97,584	
Total operating revenues	<u>1,971,475</u>	<u>1,216,655</u>	<u>524,716</u>	<u>3,712,846</u>	<u>12,257,202</u>
Operating Expenses:					
Salaries	250,421	249,605	251,829	751,855	
Benefits	135,196	135,134	108,448	378,778	
Purchased services	937,869	826,197	176,133	1,940,199	
Depreciation	222,351	250,314	51,440	524,105	
Amortization of deferred charge	465,352			465,352	
Claims				-	12,379,365
Premiums and administrative charges				-	897,740
Total operating expenses	<u>2,011,189</u>	<u>1,461,250</u>	<u>587,850</u>	<u>4,060,289</u>	<u>13,277,105</u>
Operating Loss	<u>(39,714)</u>	<u>(244,595)</u>	<u>(63,134)</u>	<u>(347,443)</u>	<u>(1,019,903)</u>
Nonoperating Revenues (Expenses):					
Investment earnings	3,707	2,650		6,357	524
Interest expense	(69,360)			(69,360)	
Net nonoperating revenues (expenses)	<u>(65,653)</u>	<u>2,650</u>	<u>-</u>	<u>(63,003)</u>	<u>524</u>
Loss Before Transfers	(105,367)	(241,945)	(63,134)	(410,446)	(1,019,379)
Transfers in		89,300		89,300	600,000
Transfers out	<u>(63,567)</u>	<u>(72,158)</u>	<u>(46,532)</u>	<u>(182,257)</u>	
Change in Net Position	(168,934)	(224,803)	(109,666)	(503,403)	(419,379)
Net Position at Beginning of Year	<u>9,663,557</u>	<u>8,922,217</u>	<u>1,111,840</u>	<u>19,697,614</u>	<u>(289,634)</u>
Net Position at End of Year	<u>\$ 9,494,623</u>	<u>\$ 8,697,414</u>	<u>\$ 1,002,174</u>	<u>\$ 19,194,211</u>	<u>\$ (709,013)</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, 2013

	Business-Type Activities				Governmental
	Sewer Authority	Water Authority	Nonmajor Crestbrook	Total	Internal Service
			Golf Operation		
Cash Flows from Operating Activities:					
Cash received from charges for services	\$ 1,921,227	\$ 1,197,041	\$ 524,716	\$ 3,642,984	\$ 1,578,778
Cash receipts from interfund services provided				-	10,678,424
Cash paid to vendors	(898,477)	(1,026,984)	(178,266)	(2,103,727)	(12,862,581)
Cash paid to employees for services	(380,767)	(379,889)	(353,918)	(1,114,574)	
Net cash provided by (used in) operating activities	<u>641,983</u>	<u>(209,832)</u>	<u>(7,468)</u>	<u>424,683</u>	<u>(605,379)</u>
Cash Flows from Noncapital and Related Financing Activities:					
Cash received from other funds		89,300	54,000	143,300	600,000
Cash paid to other funds	(63,567)	(72,158)	(46,532)	(182,257)	
Net cash provided by (used in) noncapital and related financing activities	<u>(63,567)</u>	<u>17,142</u>	<u>7,468</u>	<u>(38,957)</u>	<u>600,000</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(5,722)	(5,722)		(11,444)	
Principal payment on bonds and notes	(465,350)			(465,350)	
Interest payment on bonds and notes	(69,360)			(69,360)	
Net cash used in capital and related financing activities	<u>(540,432)</u>	<u>(5,722)</u>	<u>-</u>	<u>(546,154)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Income on investments	<u>3,707</u>	<u>2,650</u>	<u>-</u>	<u>6,357</u>	<u>524</u>
Net Increase (Decrease) in Cash and Cash Equivalents	41,691	(195,762)	-	(154,071)	(4,855)
Cash and Cash Equivalents at Beginning of Year	<u>2,300,382</u>	<u>1,924,286</u>	<u>-</u>	<u>4,224,668</u>	<u>792,842</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,342,073</u>	<u>\$ 1,728,524</u>	<u>\$ -</u>	<u>\$ 4,070,597</u>	<u>\$ 787,987</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:					
Operating loss	\$ (39,714)	\$ (244,595)	\$ (63,134)	\$ (347,443)	\$ (1,019,903)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	687,703	250,314	51,440	989,457	
Increase in receivables	(50,248)	(19,614)		(69,862)	
Increase (decrease) in accounts payable and accrued liabilities	39,392	(200,787)	(2,133)	(163,528)	414,524
Increase in compensated absences	4,850	4,850	6,359	16,059	
Total adjustments	<u>681,697</u>	<u>34,763</u>	<u>55,666</u>	<u>772,126</u>	<u>414,524</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 641,983</u>	<u>\$ (209,832)</u>	<u>\$ (7,468)</u>	<u>\$ 424,683</u>	<u>\$ (605,379)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 1,402	\$ 798,483
Investments - mutual funds	<u>33,077,341</u>		
Total Assets	<u>33,077,341</u>	<u>1,402</u>	<u>\$ 798,483</u>
Liabilities:			
Due to student groups and agencies			<u>\$ 798,483</u>
Net Position:			
Held in trust for pension benefits	<u>\$ 33,077,341</u>	<u>\$ 1,402</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF WATERTOWN, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 1,104,303	\$
Plan members	494,603	
Total contributions	<u>1,598,906</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	3,070,052	
Interest and dividends	761,730	789
Total investment gain	3,831,782	789
Less investment expense	(78,618)	
Net investment gain	<u>3,753,164</u>	<u>789</u>
Total additions	<u>5,352,070</u>	<u>789</u>
Deductions:		
Benefits	1,967,636	
Administration	72,726	
Withdrawals	41,968	
Total deductions	<u>2,082,330</u>	<u>-</u>
Transfers out	<u>-</u>	<u>(600,000)</u>
Net Increase (Decrease) in Net Position	3,269,740	(599,211)
Net Position - Beginning of Year	<u>29,807,601</u>	<u>600,613</u>
Net Position - End of Year	<u>\$ 33,077,341</u>	<u>\$ 1,402</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 referendum. The Town provides the following services as authorized by its Charter: public safety (police and fire), public works (streets and highway), public health and social services, sewers and water, a free public library and education encompassing grades K-12.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 OPEB Trust Funds account for the activities of the Town's postemployment benefits system, which accumulates resources for health benefit payments to qualified Town retirees and their spouses.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between 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. Unrestricted resources are used in the following order: committed, assigned then unassigned.

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.

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 have been established at \$25,000 for road overlays and \$100,000 for new construction.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. General Fund resources have been used in prior years to liquidate this liability.

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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of 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. Equity

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

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

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

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the Town Council or Town department heads who have been delegated authority to assign amounts by the Town Charter.

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

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 referendum in May.

Budget control is established at the department level. Under the Town Charter, no officer of the Town may involve the Town in any obligation to spend money for any purpose in excess of the amount appropriated for the department until such matter has been approved and voted by the Council. Management may make changes to line items within a department without the approval of the Town Council. Town Meeting approval is required for additional appropriations over \$25,000. Additional appropriations of \$1,814,464 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 either reserved, committed or assigned fund balance, depending on the level of restriction. These reservations 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 position deficits at June 30, 2013 as follows:

Nonmajor Governmental Funds:	
Parks and Recreation	\$ 4,842
Internal Service Funds:	
Health and Dental Benefits	253,110
Workers' Compensation	493,002

Deficits will be reduced in future years when additional revenues are recognized by the funds 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*, \$13,170,206 of the Town’s bank balance of \$13,982,860 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 11,804,712
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,365,494</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 13,170,206</u>

Cash Equivalents

At June 30, 2013 the Town’s cash equivalents amounted to \$758,603. 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 & Poor’s</u>	<u>Fitch Ratings</u>
State Short-Term Investment Fund (STIF)	AAA/m	

Investments

As of June 30, 2013, 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>33,077,341</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 that 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, 2013, 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 Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 1,301,837					\$ 1,301,837
Accrued interest on taxes	331,000					331,000
Intergovernmental	3,309,347	7,205,377			267,367	10,782,091
User charges			570,565	330,919		901,484
Assessments	901,743					901,743
Accounts	484,260					484,260
Housing loans					903,192	903,192
Gross receivables	<u>6,328,187</u>	<u>7,205,377</u>	<u>570,565</u>	<u>330,919</u>	<u>1,170,559</u>	<u>15,605,607</u>
Less allowance for uncollectibles:						
Taxes	(114,000)					(114,000)
Accrued interest on taxes	(33,000)					(33,000)
Accounts	(186,000)					(186,000)
Total allowance	<u>(333,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,000)</u>
Net Total Receivables	<u>\$ 5,995,187</u>	<u>\$ 7,205,377</u>	<u>\$ 570,565</u>	<u>\$ 330,919</u>	<u>\$ 1,170,559</u>	<u>\$ 15,272,607</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	\$ 882,336		\$ 882,336
Accrued interest on delinquent property taxes	298,000		298,000
School building construction grant receivables	2,944,036		2,944,036
Assessments	901,743		901,743
Other deferred receivables	108,571		108,571
Grant drawdowns prior to meeting all eligibility requirements		634,249	634,249
Capital Improvement Fund:			
Grant drawdowns prior to meeting all eligibility requirements		92,980	92,980
Nonmajor funds and other funds:			
Housing loans	903,192		903,192
Grant drawdowns prior to meeting all eligibility requirements		195,745	195,745
Advance program fee collections		47,126	47,126
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,037,878</u>	<u>\$ 970,100</u>	<u>\$ 7,007,978</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 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	81,262,983	542,099	33,111	81,771,971
Total capital assets not being depreciated	<u>83,860,859</u>	<u>542,099</u>	<u>33,111</u>	<u>84,369,847</u>
Capital assets being depreciated:				
Buildings and improvements	82,672,364	298,158		82,970,522
Vehicles	7,589,267	444,220		8,033,487
Machinery and equipment	5,075,444	384,693		5,460,137
Infrastructure	73,265,419	3,075,121		76,340,540
Total capital assets being depreciated	<u>168,602,494</u>	<u>4,202,192</u>	<u>-</u>	<u>172,804,686</u>
Less accumulated depreciation for:				
Buildings and improvements	19,735,247	1,927,315		21,662,562
Vehicles	6,883,630	323,110		7,206,740
Machinery and equipment	4,169,722	293,351		4,463,073
Infrastructure	24,347,155	1,266,906		25,614,061
Total accumulated depreciation	<u>55,135,754</u>	<u>3,810,682</u>	<u>-</u>	<u>58,946,436</u>
Total capital assets being depreciated, net	<u>113,466,740</u>	<u>391,510</u>	<u>-</u>	<u>113,858,250</u>
Governmental Activities Capital Assets, Net	<u>\$ 197,327,599</u>	<u>\$ 933,609</u>	<u>\$ 33,111</u>	<u>\$ 198,228,097</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,019,600	\$	\$	\$ 1,019,600
Construction in progress	2,556,602		2,556,602	-
Total capital assets not being depreciated	<u>3,576,202</u>	<u>-</u>	<u>2,556,602</u>	<u>1,019,600</u>
Capital assets being depreciated:				
Buildings and improvements	2,655,825	11,444		2,667,269
Vehicles	264,222			264,222
Machinery and equipment	953,799			953,799
System infrastructure	20,683,649	2,556,602		23,240,251
Total capital assets being depreciated	<u>24,557,495</u>	<u>2,568,046</u>	<u>-</u>	<u>27,125,541</u>
Less accumulated depreciation for:				
Buildings and improvements	1,598,291	80,764		1,679,055
Vehicles	214,180	16,919		231,099
Machinery and equipment	897,391	22,426		919,817
System infrastructure	9,516,718	403,996		9,920,714
Total accumulated depreciation	<u>12,226,580</u>	<u>524,105</u>	<u>-</u>	<u>12,750,685</u>
Total capital assets being depreciated, net	<u>12,330,915</u>	<u>2,043,941</u>	<u>-</u>	<u>14,374,856</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,907,117</u>	<u>\$ 2,043,941</u>	<u>\$ 2,556,602</u>	<u>\$ 15,394,456</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 11,311
Public safety	582,239
Public works	1,566,224
Parks and recreation	181,380
Education	<u>1,469,528</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,810,682</u>
Business-type activities:	
Sewer	\$ 222,351
Water	250,314
Golf	<u>51,440</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 524,105</u>

Construction Commitments

The Town has the following active construction/renovation projects as of June 30, 2013. 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	\$ 518,197	\$ 56,052,053	\$ 34,648	\$ 70,299
Judson School Renovation	15,859,000	21,010	15,837,162		21,838
Polk School Renovation	12,517,000	2,893	9,842,352	21,573	2,653,075
Swift School Reconstruction	34,368,919	23,599	33,948,735	2,514	417,670
Roadway and Drainage Improvements	2,034,704	170,540	1,776,994	52,237	205,473
Road, Bridge, & Drainage Improvements	<u>4,000,000</u>	<u>56,115</u>	<u>56,115</u>	<u>109,835</u>	<u>3,834,050</u>
Total	<u>\$ 124,936,623</u>	<u>\$ 792,354</u>	<u>\$ 117,513,411</u>	<u>\$ 220,807</u>	<u>\$ 7,202,405</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, 2013 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	194,648
	Sewer Authority	\$ 9,946
	Crestbrook Golf Operation	<u>153,870</u>
		<u>\$ 358,464</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Water Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Health and Dental Benefits</u>	
Transfers:					
General Fund	\$	\$ 89,300	\$ 195,000	\$	\$ 284,300
Sewer Authority	63,567				63,567
Water Authority	72,158				72,158
Crestbrook Golf	46,532				46,532
Nonmajor Governmental	5,129				5,129
OPEB Trust Fund				600,000	<u>600,000</u>
Total Transfers In	<u>\$ 187,386</u>	<u>89,300</u>	<u>\$ 195,000</u>	<u>\$ 600,000</u>	<u>\$ 1,071,686</u>

The Town pays the debt service of the water and sewer funds. The Town's cost is partially offset by transfer of the homeowner assessment payments collected by the Water and Sewer Authority to the Town's General Fund. 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. The OPEB Trust Fund also made a transfer to the Health and Dental Benefits Fund to fund increased claim activity in the current fiscal year.

7. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 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	\$ 64,375,000	\$ 10,600,000	\$ 13,030,000	\$ 61,945,000	\$ 4,610,000
Add unamortized premiums	815,018	892,729	69,079	1,638,668	
Less deferred amount in refunding	(464,871)	(841,776)	(15,846)	(1,290,801)	
Total bonds payable	<u>64,725,147</u>	<u>10,650,953</u>	<u>13,083,233</u>	<u>62,292,867</u>	<u>4,610,000</u>
Capital leases	788,934	630,313	506,654	912,593	398,482
Compensated absences	3,560,688	1,219,116	1,124,119	3,655,685	1,159,404
Retirement obligations	782,151	158,489	264,281	676,359	330,802
Landfill closure	546,754		24,166	522,588	40,000
Net OPEB obligation	8,076,116	3,424,645	1,338,660	10,162,101	
Risk management claims	<u>1,082,476</u>	<u>12,770,433</u>	<u>12,355,909</u>	<u>1,497,000</u>	<u>859,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 79,562,266</u>	<u>\$ 28,853,949</u>	<u>\$ 28,697,022</u>	<u>\$ 79,719,193</u>	<u>\$ 7,397,688</u>

Typically, the General Fund liquidates the liabilities for the retirement obligation, the OPEB obligation and compensated absences.

Bonds and serial notes payable at June 30, 2013 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, 2013</u>
Governmental:					
General purpose and schools	2004	8/1/2013	3.25-4.63	\$ 5,385,000	\$ 270,000
General purpose and schools	2007	2/1/2014	4.00-4.75	4,500,000	225,000
General purpose and schools	2008	9/15/2027	3.75-4.00	5,900,000	1,240,000
General purpose and schools	2009	4/1/2016	2.50-4.50	16,200,000	2,350,000
General purpose and schools	2013	3/15/2028	2.00-3.00	2,000,000	2,000,000
Schools	2010	3/15/2030	2.00-4.00	7,500,000	6,375,000
Schools	2008	1/15/2015	3.00-5.00	10,000,000	725,000
Refunding bonds (1996, 1999 and 2000)	2005	8/1/2019	3.00-5.00	15,535,000	6,710,000
Refunding bonds (2003-2009)	2010	6/30/2023	3.00-5.00	20,070,000	18,045,000
Refunding bonds (2003, 2004, 2005)	2012	8/2/2025	2.00-4.00	6,110,000	5,900,000
Refunding bonds (2007, 2008, 2009)	2012	5/29/2029	2.00-3.00	9,505,000	9,505,000
Refunding bonds (2008, 2009)	2013	1/15/2033	2.50-4.00	<u>8,600,000</u>	<u>8,600,000</u>
Total General Town Bonds				<u>\$ 111,305,000</u>	<u>\$ 61,945,000</u>

The annual requirements to amortize bonds payable as of June 30, 2013 are as follows:

Due During Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 4,610,000	\$ 2,277,871	\$ 6,887,871
2015	4,745,000	2,135,069	6,880,069
2016	4,765,000	1,938,069	6,703,069
2017	4,790,000	1,732,744	6,522,744
2018	4,870,000	1,530,194	6,400,194
2019-2023	20,575,000	4,921,751	25,496,751
2024-2028	13,965,000	1,720,222	15,685,222
2029-2033	<u>3,625,000</u>	<u>247,575</u>	<u>3,872,575</u>
Total	<u>\$ 61,945,000</u>	<u>\$ 16,503,495</u>	<u>\$ 78,448,495</u>

General Obligation Bonds - Advance Refundings

On February 15, 2013, the Town issued \$8,600,000 of general obligation refunding bonds with interest rates ranging from 2.5% to 4%. The proceeds were used to advance refund the outstanding principal amount, or portions thereof, of \$4,475,000 of general obligation bonds, Series 2008, dated January 15, 2008 and \$4,130,000 of Series 2009A, dated April 1, 2009. The net proceeds of \$9,576,647 (including a premium of \$892,729, equity contributions of \$83,919 and issuance costs of \$129,871 including underwriter's fees) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment of the refunded bonds. As a result, the Series 2008 and Series 2009A General Obligation Bonds, or a portion thereof, are considered defeased and the liability for those bonds has been removed from the statement of net position. The refunding will reduce total debt service payments over the next 20 years by approximately \$445,898 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$375,671. At June 30, 2013, the balance in escrow was \$9,263,205 and the balance of the refunded bonds was \$8,605,000.

Prior Years Defeasance of Debt

In prior years, the Town advance refunded certain bond issuances to reduce its total debt service payments. As a result, the refunded bonds are considered defeased and have been removed from the Town's financial statements. At June 30, 2013, the amount of defeased bonds outstanding is \$18,090,000. The amount held in escrow related to these bonds is \$19,228,809 at June 30, 2013.

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	\$ 2,992,930
Machinery and equipment	<u>838,036</u>
Total gross value	3,830,966
Less accumulated depreciation	<u>2,906,575</u>
Net Undepreciated Value	<u>\$ 924,391</u>

The net undepreciated value approximates the capital lease principal balance payable at June 30, 2013.

The following is a summary of capital lease commitments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 431,023
2015	314,469
2016	154,895
2017	<u>74,988</u>
Total lease payments	975,375
Less amount representing interest	<u>62,782</u>
Present Value of Minimum Lease Payments	<u>\$ 912,593</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 are \$522,588. The cost estimate is subject to change due to inflation or changes in cost estimate components. Current year costs amounted to \$24,166.

Retirement Obligations

The liability for retirement obligations to retired employees of the Board of Education as of June 30, 2013 is \$676,359. 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>
2014	\$ 330,802
2015	292,727
2016	<u>52,830</u>
Total	<u>\$ 676,359</u>

Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project. The Town has issued the following bond anticipation notes during the year ended June 30, 2013:

Outstanding, July 1, 2012	\$ 7,100,000
Repayments	(7,100,000)
New borrowings	<u>6,700,000</u>
Outstanding, June 30, 2013	<u>\$ 6,700,000</u>

The bond anticipation notes outstanding on June 30, 2013 mature on March 27, 2014 and bear interest of 1.5%.

Business-Type Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 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:					
State of Connecticut - serial note	\$ 3,497,450	\$	\$ 465,350	\$ 3,032,100	\$ 466,048
Compensated absences	<u>175,587</u>	<u>96,481</u>	<u>80,422</u>	<u>191,646</u>	<u>86,323</u>
Business-Type Activity:					
Long-Term Liabilities	<u>\$ 3,673,037</u>	<u>\$ 96,481</u>	<u>\$ 545,772</u>	<u>\$ 3,223,746</u>	<u>\$ 552,371</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 \$3,032,100 as of June 30, 2013.

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 \$3,032,100 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.

Serial notes payable at June 30, 2013 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, 2013</u>
State of Connecticut serial note:					
CWF 201-D-1	2001	7/31/2016	2.0	\$ 616,135	\$ 110,714
CWF 201-C-2	2001	6/30/2020	2.0	8,085,318	2,902,422
CWF 201-P	2001	8/31/2014	2.0	<u>325,085</u>	<u>18,964</u>
Total State of Connecticut serial notes				<u>9,026,538</u>	<u>3,032,100</u>
Total Business-Type Activity Bonds and Serial Notes				<u>\$ 9,026,538</u>	<u>\$ 3,032,100</u>

The annual requirements to amortize serial notes payable as of June 30, 2013 are as follows:

Due During Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 466,048	\$ 56,371	\$ 522,419
2015	453,213	47,145	500,358
2016	451,228	38,122	489,350
2017	417,715	29,375	447,090
2018	414,632	21,077	435,709
2019-2020	829,264	17,276	846,540
Total	<u>\$ 3,032,100</u>	<u>\$ 209,366</u>	<u>\$ 3,241,466</u>

Bonds Authorized/Unissued

Bonds authorized/unissued are as follows:

Description	Authorized	Bonds/ Notes	Grants Received	Authorized Unissued
Watertown High School Renovations and Additions	\$ 56,157,000	\$ 24,600,000	\$ 26,262,988	\$ 5,294,012
Judson Elementary School Renovations and Additions	15,859,000	7,500,000	7,389,408	969,592
Polk School Renovation Renovations and Additions	12,517,000	5,500,000	5,030,678	1,986,322
Swift School Reconstruction	33,768,919	13,900,000	18,328,315	1,540,604
Roadway and Drainage Improvements	1,730,000	1,700,000		30,000
Communications System Upgrade Road, Bridge, & Drainage Improvements	1,881,000	1,460,000	300,000	121,000
Fire Truck Aerial Ladder	4,000,000	2,000,000		2,000,000
	<u>1,000,000</u>			<u>1,000,000</u>
Total	<u>\$ 126,912,919</u>	<u>\$ 56,660,000</u>	<u>\$ 57,311,389</u>	<u>\$ 12,941,530</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 Limitation	Net Indebtedness	Balance
General purpose	\$ 106,457	\$ 58,700	\$ 47,757
Schools	212,915	13,947	198,968
Sewers	177,429		177,429
Urban renewal	153,772		153,772
Pension deficit	141,943		141,943

* The indebtedness includes Watertown Fire District underlying debt of approximately \$.7 million.

The total of the Town's net statutory indebtedness of \$72.6 million does not exceed the legal debt limitation of \$331.2 million (seven times the base for debt limitation computation).

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 \$2.9 million are reflected in the computation of net indebtedness.

8. FUND EQUITY

The components of fund balance for the governmental funds at June 30, 2013 are as follows:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$	\$	\$ 21,738	\$ 21,738
Trust			163,254	163,254
Restricted for:				
Bonds		3,484,189		3,484,189
Grants			206,594	206,594
Committed to:				
General government			210,969	210,969
Public safety			6,178	6,178
Public works			528,156	528,156
Parks and recreation			239,169	239,169
Health and welfare			33,675	33,675
Education			206,570	206,570
Assigned to:				
Education - encumbrances	120,413			120,413
General government - encumbrances	70,683			70,683
Public safety - encumbrances	40,152			40,152
Public works - encumbrances	440,935			440,935
Parks and recreation - encumbrances	76,843			76,843
Other - encumbrances	48,649			48,649
Unassigned	<u>5,574,608</u>		<u>(8,458)</u>	<u>5,566,150</u>
Total Fund Balances	<u>\$ 6,372,283</u>	<u>\$ 3,484,189</u>	<u>\$ 1,607,845</u>	<u>\$ 11,464,317</u>

Significant encumbrances at June 30, 2013 are contained in the above table in the assigned category of the General Fund.

The Town has adopted a fund balance policy to maintain a minimum (total fund balance) of 7% of the fiscal years operating revenue with a target maximum of 12%.

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 \$758,000 (Workers' Compensation Fund) reported at June 30, 2013 is based on a summary report of outstanding liabilities on incurred claims. The health, dental and medical claims liability of \$739,000 (Health and Dental Benefits Fund) reported at June 30, 2013 is based on estimated claims incurred but not reported. The changes in the claims liability were as follows:

	Liability July 1,	Current Year Claims and Changes in Estimates	Claim Payment	Liability June 30,
<u>Workers' Compensation Fund</u>				
2012-13	\$ 620,000	\$ 752,240	\$ (614,240)	\$ 758,000
2011-12	306,000	514,800	(200,800)	620,000
<u>Health and Dental Benefits Fund</u>				
2012-13	\$ 462,476	\$ 12,018,193	\$ (11,741,669)	\$ 739,000
2011-12	289,500	8,252,162	(8,079,186)	462,476

10. POSTRETIREMENT 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 BC65 High Option, Century Preferred, Century Preferred HAS, Lumenos HAS, Hospital Plans and more. Also, the Town offers Group Term Life Insurance in varying amounts based on contract and retirement date. All retired program members receiving benefits are required to contribute up to 13% of premiums for medical (teachers & BOE administrators pay 100% of premiums). Life insurance is 100% employer paid. The percentage contribution of the employees and retirees for these benefits vary and are detailed in the Town's various bargaining agreements.

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

At July 1, 2012, plan membership consisted of the following:

	Retiree Welfare Plan
Retired participants and spouses	220
Active plan members	433
Total	<u>653</u>

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The Town expects to contribute \$0 beyond the pay-as-you-go in the future. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. For the 2013 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,338,660.

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

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

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
	<u> </u>
Annual required contribution (ARC)	\$ 3,061,982
Interest on net OPEB obligation	323,046
Adjustment to annual required contribution	(449,080)
Amortization of actuarial losses	<u>488,697</u>
Annual OPEB cost	3,424,645
Contributions made	<u>1,338,660</u>
Increase in net OPEB obligation	2,085,985
Net OPEB obligation - beginning of year	<u>8,076,116</u>
Net OPEB Obligation - End of Year	<u><u>\$ 10,162,101</u></u>

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

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6/30/2011	\$ 3,094,512	\$ 1,155,270	37.33%	\$ 6,134,665
6/30/2012	3,169,267	1,227,816	38.74%	8,076,116
6/30/2013	3,424,645	1,338,660	39.09%	10,162,101

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	(Unfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 31,307,168	\$ (31,307,168)	0.00%	\$ 25,480,137	-122.87%
7/1/2009	-	32,914,496	(32,914,496)	0.00%	25,480,137	-129.18%
7/1/2010	300,000	34,311,401	(34,011,401)	0.87%	25,402,437	-133.89%
7/1/2012	600,613	38,325,972	(37,725,359)	1.57%	26,415,121	-142.82%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2009	\$ 2,968,986	\$ 787,695	26.53%
6/30/2010	2,899,351	837,045	28.87%
6/30/2011	2,953,318	1,155,270	39.12%
6/30/2012	2,950,503	1,227,816	41.61%
6/30/2013	3,061,982	1,338,660	43.72%

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, 2012 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. Healthcare trend rates range from 6% and decrease to 5% for fiscal year 2015. The actuarial value of assets was determined using the market value method. The general inflation assumption is 2.5% per annum. Annual compensation increases are estimated to be 3.0%. The UAAL is being amortized on a level-dollar basis with a 30-year closed amortization period at July 1, 2009. The remaining amortization period was 26 years as of July 1, 2012.

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 plans' 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 that the participant would have received had his date of death been his normal retirement date assuming his earnings remain the same, 2) service connected benefits which include 50% of the annual basic rate of pay at death to spouse or dependent children, and 3) postretirement death benefits that include a refund of employee contributions with interest less benefits paid.

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, 2013, plan memberships consisted of:

	Town of Watertown Retirement System	Police Benefit Fund
	<hr/>	<hr/>
Retirees, disabled and beneficiaries currently receiving benefits	87	29
Terminated employees entitled to benefits but not yet receiving them	19	
Inactive members	5	
Current employees:		
Vested	71	22
Nonvested	67	15
	<hr/>	<hr/>
Total	<u>249</u>	<u>66</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: The projected salary increases were 3.5% for the Town plan and from 2.0% for the police plan.

Plan Expenses: Expenses of administering the plan are paid for by the Town's annual contribution to the plan.

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 5.70% for the Town Retirement System and 25.61% 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:

	<u>Town of Watertown Retirement System</u>	<u>Police Benefit Fund</u>
Annual required contribution/annual pension cost	\$ 367,373	\$ 736,930
Contributions made	<u>367,373</u>	<u>736,930</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:

	<u>Town of Watertown Retirement System</u>	<u>Police Benefit Fund</u>
Actuarial Valuation Date	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Cost	Level Cost
Remaining amortization period (Frozen Actuarial Accrued Liability)	15 years, open	20 years, open
Asset Valuation Method	Smoothed Market	Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.5% per annum	7.5% per annum
Projected Salary Increase	6.0% per annum*	4.5% per annum*

* Inflation rate included 2.5%

E. Trend Information

<u>Town Retirement System</u>				
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 316,948	\$ 316,948	100.00%	\$ -
6/30/2012	360,695	360,695	100.00%	-
6/30/2013	367,373	367,373	100.00%	-

<u>Police Benefit Fund</u>				
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 665,677	\$ 665,677	100.00%	\$ -
6/30/2012	689,641	689,641	100.00%	-
6/30/2013	736,930	736,930	100.00%	-

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.

Schedule of Funding Progress - Town Retirement System						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Unfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2008	\$ 15,739,354	\$ 15,238,116	\$ 501,238	103.3%	\$ 5,779,045	8.7%
1/1/2009	13,617,941	14,488,555	(870,614)	94.0%	6,245,400	-13.9%
1/1/2010	15,888,764	16,624,132	(735,368)	95.6%	6,466,618	-11.4%
1/1/2011	16,402,816	17,102,475	(699,659)	95.9%	6,591,118	-10.6%
1/1/2012	16,935,651	18,004,766	(1,069,115)	94.1%	6,443,786	-16.6%
1/1/2013	17,637,843	18,732,739	(1,094,896)	94.2%	6,409,573	-17.1%

Schedule of Employer Contributions		
Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2008	\$ 161,247	100%
6/30/2009	198,970	100%
6/30/2010	299,018	100%
6/30/2011	316,948	100%
6/30/2012	360,695	100%
6/30/2013	367,373	100%

Police Benefit Fund

Schedule of Funding Progress - Police Benefit Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Unfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2008	\$ 13,856,444	\$ 15,249,691	\$ (1,393,247)	90.9%	\$ 2,524,078	-55.2%
1/1/2009	12,513,012	16,253,686	(3,740,674)	77.0%	2,574,363	-145.3%
1/1/2010	14,238,384	17,976,016	(3,737,632)	79.2%	2,702,918	-138.3%
1/1/2011	14,982,718	18,719,827	(3,737,109)	80.0%	2,953,780	-126.5%
1/1/2012	15,581,062	20,131,988	(4,550,926)	77.4%	2,877,202	-158.2%
1/1/2013	16,381,494	21,296,992	(4,915,498)	76.9%	3,059,132	-160.7%

Schedule of Employer Contributions		
Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2008	\$ 425,017	100%
6/30/2009	457,440	100%
6/30/2010	625,539	100%
6/30/2011	665,677	100%
6/30/2012	689,641	100%
6/30/2013	736,930	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 position held in trust for pension benefits at June 30, 2013 and the changes in net position for the year then ended.

	Combining Schedule of Plan Net Position		
	Employee Retirement Funds		
	Town	Police	Totals
Assets:			
Investments	\$ 17,153,052	\$ 15,924,289	\$ 33,077,341
Net position:			
Held in Trust for Pension Benefits	\$ 17,153,052	\$ 15,924,289	\$ 33,077,341

Combining Schedule of Changes in Plan

Net Position

Employee Retirement Funds

	<u>Town</u>	<u>Police</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 367,373	\$ 736,930	\$ 1,104,303
Plan members	314,201	180,402	494,603
Total contributions	<u>681,574</u>	<u>917,332</u>	<u>1,598,906</u>
Investment income:			
Net appreciation in fair value of investments	1,664,028	1,406,024	3,070,052
Interest and dividends	<u>392,997</u>	<u>368,733</u>	<u>761,730</u>
Total	2,057,025	1,774,757	3,831,782
Investment expense	<u>(41,563)</u>	<u>(37,055)</u>	<u>(78,618)</u>
Net investment income	<u>2,015,462</u>	<u>1,737,702</u>	<u>3,753,164</u>
Total additions	<u>2,697,036</u>	<u>2,655,034</u>	<u>5,352,070</u>
Deductions:			
Benefits	925,039	1,042,597	1,967,636
Administration	46,196	26,530	72,726
Withdrawals	<u>41,968</u>		<u>41,968</u>
Total deductions	<u>1,013,203</u>	<u>1,069,127</u>	<u>2,082,330</u>
Net increase	1,683,833	1,585,907	3,269,740
Net position held in trust for pension benefits, beginning of year	<u>15,469,219</u>	<u>14,338,382</u>	<u>29,807,601</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 17,153,052</u>	<u>\$ 15,924,289</u>	<u>\$ 33,077,341</u>

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 11.79% 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, 2013, 2012 and 2011 were \$160,951, \$153,286, and \$124,883, 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 is 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 \$17,251,970 or 72.4% of the total Board of Education payroll of \$23,807,779. The teachers' contributions totaled \$1,223,918 for the year ended June 30, 2013.

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, 2013, the Town has recorded in the General Fund (Exhibit IV) intergovernmental revenue and education expenditures in the amount of \$3,540,552 as payments made by the State of Connecticut on behalf of the Town. 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 that 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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Property Taxes:				
Current year	\$ 46,470,845	\$ 46,470,845	\$ 46,294,499	\$ (176,346)
Prior year taxes	425,000	425,000	574,862	149,862
Interest and lien fees	247,000	247,000	360,476	113,476
Total property taxes	<u>47,142,845</u>	<u>47,142,845</u>	<u>47,229,837</u>	<u>86,992</u>
Intergovernmental:				
State of Connecticut - Education:				
School construction	554,128	554,128	559,332	5,204
Interest subsidy	160,241	160,241	171,235	10,994
Public transportation	140,876	140,876	158,913	18,037
Nonpublic health and social services	24,285	24,285	33,573	9,288
Equalization (ECS)	11,886,760	11,886,760	11,888,820	2,060
Adult education	4,893	4,893		(4,893)
Total State of Connecticut - Education	<u>12,771,183</u>	<u>12,771,183</u>	<u>12,811,873</u>	<u>40,690</u>
Federal and State of Connecticut - Other:				
PILOT state property	33,753	33,753	32,943	(810)
Elderly tax relief	202,593	202,593	197,925	(4,668)
Reimbursement - new manufacturers	509,716	509,716	563,541	53,825
PILOT - Mashantucket Pequot	70,996	70,996	84,343	13,347
Tax relief - Veterans	23,030	23,030	29,538	6,508
Video grant	50,280	50,280	88,557	38,277
FEMA	6,500	6,500	150,067	143,567
Sales tax surcharge	306,979	306,979	214,246	(92,733)
Skilton Road bridge			53,776	53,776
Total Federal and State of Connecticut - Other	<u>1,203,847</u>	<u>1,203,847</u>	<u>1,414,936</u>	<u>211,089</u>
Total intergovernmental	<u>13,975,030</u>	<u>13,975,030</u>	<u>14,226,809</u>	<u>251,779</u>
Departmental:				
Local revenues:				
Communication tower rental	202,400	202,400	226,325	23,925
Equipment and scrap sales	21,400	21,400	22,894	1,494
Town Clerk fees	35,000	35,000	42,034	7,034
Town Clerk recording	98,000	98,000	120,342	22,342
Town Clerk dog licenses	15,925	15,925	13,387	(2,538)
Town Clerk marriage licenses	1,250	1,250	1,159	(91)
Transfer Station fees	88,520	88,520	55,483	(33,037)
Landfill fees	45,500	45,500	61,226	15,726
Damage claims	11,000	11,000	1,604	(9,396)

(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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
Local revenues (continued):				
Recreation mini-bus	\$ 1,300	\$ 1,300	\$ 811	\$ (489)
Fishing and hunting licenses	14,000	14,000	14,874	874
Conveyance tax	135,000	135,000	127,150	(7,850)
Assessor - photocopying	750	750	1,078	328
Town vehicle use	10,400	10,400	11,013	613
Housing Authority	17,300	17,300	20,967	3,667
3-LOCIP preservation	11,500	11,500	13,173	1,673
Miscellaneous	47,000	47,000	93,712	46,712
Total local revenues	<u>756,245</u>	<u>756,245</u>	<u>827,232</u>	<u>70,987</u>
Permits and fees:				
Zoning Board of Appeals	2,500	2,500	2,500	-
Planning and Zoning	20,000	20,000	20,893	893
Zoning compliance fees	22,500	22,500	25,395	2,895
Subdivision inspection fees	2,000	2,000		(2,000)
Soil/water State fee	15,500	15,500	18,980	3,480
Inland - wetlands	6,500	6,500	3,381	(3,119)
Building permits	247,281	247,281	431,348	184,067
Building inspection	3,000	3,000	4,671	1,671
Blasting permits	500	500	120	(380)
Street opening permits	2,000	2,000	3,258	1,258
Pool fees	7,500	7,500	4,071	(3,429)
Miscellaneous	1,000	1,000	565	(435)
Total permits and fees	<u>330,281</u>	<u>330,281</u>	<u>515,182</u>	<u>184,901</u>
Police:				
Parking tickets	3,000	3,000	3,218	218
Pistol permits	5,000	5,000	16,520	11,520
Police reports	2,300	2,300	1,873	(427)
Solicitor permits	100	100	1,906	1,806
Bingo and raffle	50	50	65	15
Alarm charges	18,500	18,500	28,450	9,950
Police service	551,500	551,500	622,533	71,033
Animal control fees	6,300	6,300	4,383	(1,917)
Miscellaneous	50,500	50,500	49,127	(1,373)
Total police	<u>637,250</u>	<u>637,250</u>	<u>728,075</u>	<u>90,825</u>
Board of Education:				
Latchkey Program			5,377	5,377
Tuition	9,600	9,600	21,286	11,686
Total Board of Education	<u>9,600</u>	<u>9,600</u>	<u>26,663</u>	<u>17,063</u>
Total departmental	<u>1,733,376</u>	<u>1,733,376</u>	<u>2,097,152</u>	<u>363,776</u>
Investment income	<u>33,125</u>	<u>33,125</u>	<u>28,295</u>	<u>(4,830)</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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other:				
Taft contributions	\$ 125,000	\$ 125,000	\$ 140,000	\$ 15,000
Telephone access	62,000	62,000	61,980	(20)
Scholarship fund	2,000	2,000	1,150	(850)
Heritage bond reimbursement	84,199	84,199	84,199	-
Sale of town property			81,600	81,600
Miscellaneous			12,252	12,252
Cancellation of prior years' encumbrances			311,254	311,254
Total other	273,199	273,199	692,435	419,236
 Total revenues	63,157,575	63,157,575	64,274,528	1,116,953
 Other Financing Sources:				
Transfers in:				
Water and Sewer Authority	132,132	132,132	135,725	3,593
Crestbrook Golf Operations	46,532	46,532	46,532	-
Board of Education community services			5,129	5,129
Total other financing sources	178,664	178,664	187,386	8,722
 Total	\$ 63,336,239	\$ 63,336,239	64,461,914	\$ 1,125,675

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.	3,540,552
Proceeds from sale of refunding bonds are not budgeted.	8,600,000
Bond premium on refunded bonds are not budgeted.	892,729
Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for GAAP financial reporting purposes.	(311,254)
Capital lease issuances are not budgeted.	630,313
The Board of Education does not budget for a combination of intergovernmental grants and charges for services revenue received that are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.	756,553

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV	\$ 78,570,807
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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, 2013

	Budget Amounts		Actual	Variance
	Original	Final		
General government:				
Town Council	\$ 11,050	\$ 10,787	\$ 5,996	\$ 4,791
Town Manager	226,088	226,101	225,287	814
Finance Department:				
Administration	458,145	461,922	457,472	4,450
Treasurer	51,145	53,922	53,920	2
Tax Collector	175,412	179,524	178,841	683
Assessor	330,798	334,044	328,796	5,248
Board of Tax Review	1,500	1,500	1,500	-
Town Clerk	186,141	193,837	193,502	335
Elections	83,386	88,025	75,860	12,165
Planning and Zoning	207,356	210,289	204,893	5,396
Board of Appeals	12,290	13,171	12,983	188
Conservation Commission	12,880	12,880	10,591	2,289
Public building	545,760	733,137	621,405	111,732
Building inspections	163,518	169,465	167,804	1,661
Economic development	38,762	34,342	22,093	12,249
Total general government	2,504,231	2,722,946	2,560,943	162,003
Public safety:				
Fire Department:				
Administration	223,878	225,981	222,996	2,985
Suppression and rescue	368,500	369,558	346,390	23,168
Maintenance and support	180,190	201,919	191,672	10,247
Police Department:				
Administration	403,997	407,063	399,477	7,586
Patrol and detectives	3,000,208	3,064,761	3,063,516	1,245
Maintenance and support	91,496	121,508	119,908	1,600
Traffic	7,928	7,538	4,948	2,590
Animal control	94,222	94,390	93,901	489
Communications	532,670	534,949	534,178	771
Total public safety	4,903,089	5,027,667	4,976,986	50,681
Public works:				
Engineering and administration	500,820	696,437	689,393	7,044
Highway	2,054,574	2,252,383	2,224,385	27,998
Snow removal	413,324	357,871	303,691	54,180
Solid waste disposal	256,786	248,278	232,545	15,733
Street lighting	175,000	175,000	155,698	19,302
Tree removal	26,000	33,110	33,110	-
Total public works	3,426,504	3,763,079	3,638,822	124,257
Parks and recreation:				
Parks administration	355,627	398,385	384,200	14,185
Recreation administration	282,026	287,998	285,095	2,903
Senior Center	85,681	158,044	154,273	3,771
Total parks and recreation	723,334	844,427	823,568	20,859
Health and welfare:				
Social services	15,650	18,556	18,329	227
Health services	113,926	113,926	113,926	-
Total health and welfare	129,576	132,482	132,255	227
Board of Education	37,186,334	38,393,334	38,386,219	7,115

(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, 2013

	Budget Amounts		Actual	Variance
	Original	Final		
Miscellaneous:				
Legal	\$ 154,639	\$ 154,639	\$ 153,214	\$ 1,425
Employee benefits	4,688,475	4,654,489	4,560,922	93,567
Centralized services	759,016	819,160	808,343	10,817
Non - Town agencies	1,493,151	1,509,786	1,501,544	8,242
Reserved for contingency	35,000	17,450	7,500	9,950
Reserved for wages and benefits	150,921	43,283	43,282	1
Historic district	675	910	703	207
Total miscellaneous	<u>7,281,877</u>	<u>7,199,717</u>	<u>7,075,508</u>	<u>124,209</u>
Debt service	<u>6,896,994</u>	<u>6,782,751</u>	<u>6,765,518</u>	<u>17,233</u>
Total expenditures	<u>63,051,939</u>	<u>64,866,403</u>	<u>64,359,819</u>	<u>506,584</u>
Other financing uses:				
Transfers out:				
Vehicle Replacement Fund	125,000	125,000	125,000	-
Public Works Equipment Replacement Fund	70,000	70,000	70,000	-
Water Authority	89,300	89,300	89,300	-
Total other financing uses	<u>284,300</u>	<u>284,300</u>	<u>284,300</u>	<u>-</u>
Total	<u>\$ 63,336,239</u>	<u>\$ 65,150,703</u>	64,644,119	<u>\$ 506,584</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.	3,540,552
Payment to refunded bond escrow agent are not budgeted.	9,446,776
Issuance costs on bond refunding are not budgeted.	45,953
Payments on capital leases are not budgeted.	630,313
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.	(775,820)
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.	648,332
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 purposes.	239,594
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.	(223,261)
The Board of Education does not budget for a combination of intergovernmental grants and charges for services revenues received that are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.	<u>756,553</u>

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 78,953,111

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. It accounts for all activities in relation to the normal recurring operations of the Town (i.e., police, education, recreation, public works, general government, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF WATERTOWN, CONNECTICUT

COMPARATIVE BALANCE SHEET - GENERAL FUND

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 6,490,797	\$ 6,978,471
Receivables:		
Property taxes receivable, (net of allowance of \$114,000 in 2013 and \$106,000 in 2012)	1,187,837	1,011,865
Property taxes accrued interest receivable, (net of allowance of \$33,000 in 2013 and \$24,000 in 2012)	298,000	215,000
Intergovernmental receivable:		
School building grants receivable	2,944,036	3,500,791
Other	365,311	433,177
Accounts receivable, net of allowance of \$186,000 in 2013 and \$165,000 in 2012)	1,200,003	1,420,374
Other assets - prepaid expenditures		10,943
Due from other funds	<u>358,464</u>	<u>109,816</u>
Total Assets	<u>\$ 12,844,448</u>	<u>\$ 13,680,437</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 703,230	\$ 594,835
Deferred revenue	<u>5,768,935</u>	<u>6,331,015</u>
Total liabilities	<u>6,472,165</u>	<u>6,925,850</u>
Fund balance:		
Assigned	797,675	981,642
Unassigned	<u>5,574,608</u>	<u>5,772,945</u>
Total fund balance	<u>6,372,283</u>	<u>6,754,587</u>
Total Liabilities and Fund Balance	<u>\$ 12,844,448</u>	<u>\$ 13,680,437</u>

TOWN OF WATERTOWN, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2013

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Grand List	Uncollected Taxes July 1, 2012	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Overpayments	Uncollected Taxes June 30, 2013
		Additions	Deductions			Taxes	Interest	Lien Fees	Total		
2011	\$ 47,244,220	\$ 97,641	\$ 224,589	\$ 10,255	\$ 47,107,017	\$ 46,377,577	\$ 144,998	\$ 17,631	\$ 46,540,206	\$ 45,781	\$ 775,221
2010	671,301	26,132	5,518	5,218	686,697	403,216	90,609	6,858	500,683	1,382	284,863
2009	253,464	17,908	787	1,609	268,976	158,467	39,033	1,698	199,198	131	110,640
2008	84,341	235		5,143	79,433	22,393	9,973	477	32,843		57,040
2007	46,000			1,624	44,376	11,189	5,851	187	17,227		33,187
2006	23,303	87		4,981	18,409	1,986	1,576	70	3,632		16,423
2005	18,737	272		9,657	9,352	732	1,203	90	2,025		8,620
2004	11,297			4,303	6,994	503	1,487	55	2,045		6,491
2003	2,687				2,687		252	30	282		2,687
2002	1,948				1,948		1,463	50	1,513		1,948
2001	1,599				1,599		316	15	331		1,599
2000	1,266	203			1,469		98	5	103		1,469
1999	1,073				1,073		54	5	59		1,073
1998	288				288		56	5	61		288
1997	288				288		71	5	76		288
1996	273		273 *		-				-		-
	<u>\$ 48,362,085</u>	<u>\$ 142,478</u>	<u>\$ 231,167</u>	<u>\$ 42,790</u>	<u>\$ 48,230,606</u>	<u>\$ 46,976,063</u>	<u>\$ 297,040</u>	<u>\$ 27,181</u>	47,300,284	<u>\$ 47,294</u>	<u>\$ 1,301,837</u>

Suspense collections	3,574
Tax overpayment collections:	
Prior year	59,853
Current year	<u>(47,294)</u>
Total collections	47,316,417
Property taxes receivable considered available:	
June 30, 2012	(195,546)
June 30, 2013	<u>191,501</u>
Total	<u>\$ 47,312,372</u>

* Operation of law

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each special revenue fund is as follows:

Fund	Funding source	Function
Special Welfare	Contributions	General public assistance
Housing Rehabilitation Loan	Intergovernmental grants	Housing assistance
Dog	Licenses and fees	Animal control program
Town Aid	Intergovernmental grants	Road maintenance
LOCIP	Intergovernmental grants	Capital improvements
Crestbrook Improvement	Transfer appropriation	Improvements to Town golf course
Sidewalk Replacement	Program income	Replace and improve Town sidewalks
WASA Grants	Intergovernmental grants	Prevention and treatment of substance abuse
Advertising	Advertising fees	Education
Town Hall Preservation	Contributions	General improvements
Town Hall Beautification	Contributions	General improvements
Board of Education Community Service	Program income	Community use of facilities and day care program
Police/FBI	Intergovernmental grants	Drug enforcement, training and education
Drug Enforcement	Intergovernmental grants	Drug enforcement activities
Public Investment Community Grant	Intergovernmental grants	Economic development
Summer Preschool Development	Federal grants	Children's development
Professional Development	Program income	Development of Board of Education personnel
Summer Studies	Participation fees	Parking privileges
Pay for Play Sports Programs	Participation fees	School sports programs
Cafeteria	State and federal grants, program income	School lunch and breakfast programs
Educational Grants	State and federal grants	Specific education programs
Parks and Recreation	Program income	Recreational programs
Police Grants	State and federal grants	Police equipment and enforcement
Open Space	Fees	Provide for open space acquisition
Preservation of Historical Documents	Intergovernmental grants, and fees	Preserve historical documents
Small Cities	Federal grants	Housing assistance
Oakville Green Development Trust	Contributions and investment income	Parks development
Marion A. Munson Trust	Contributions and investment income	Activities associated with bequests made by former resident of Watertown
Mutual Police Trust	Contributions and investment income	Relief of sick, injured or disabled police officers
Town Improvement Trust	Contributions and investment income	General improvements
Liability Trust	Contributions and investment income	Public risk prevention
Park Development Trust	Contributions and investment income	Public parks improvements
Police Asset Forfeitures	Other income	Police seizure activity

Capital Projects Funds

Capital Nonrecurring	Town appropriation	Capital purchases
Public Works Equipment Replacement	Town appropriation	Replace public works equipment
Vehicle Replacement	Town appropriation	Replace and upgrade vehicle fleet

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

TOWN OF WATERTOWN, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

Special Revenue Funds

	<u>Special Welfare</u>	<u>Housing Rehabilitation Loan</u>	<u>Dog</u>	<u>Town Aid</u>	<u>LOCIP</u>	<u>Crestbrook Improvement</u>	<u>Sidewalk Replacement</u>	<u>WASA Grants</u>	<u>Advertising</u>	<u>Town Hall Preservation</u>
ASSETS										
Cash and cash equivalents	\$ 33,675	\$ 14,166	\$ 6,178	\$ 112,415	\$	\$ 12,406	\$ 120,573	\$ 5,528	\$ 4,153	\$ 11,179
Receivables:										
Intergovernmental					202,346					
Other		439,481								
Inventory										
Total Assets	<u>\$ 33,675</u>	<u>\$ 453,647</u>	<u>\$ 6,178</u>	<u>\$ 112,415</u>	<u>\$ 202,346</u>	<u>\$ 12,406</u>	<u>\$ 120,573</u>	<u>\$ 5,528</u>	<u>\$ 4,153</u>	<u>\$ 11,179</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and other payables	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Due to other funds					194,648					
Deferred revenue		453,647								
Total liabilities	<u>-</u>	<u>453,647</u>	<u>-</u>	<u>-</u>	<u>194,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:										
Nonspendable										
Restricted				112,415	7,698			5,528		
Committed	33,675		6,178			12,406	120,573		4,153	11,179
Unassigned										
Total fund balances	<u>33,675</u>	<u>-</u>	<u>6,178</u>	<u>112,415</u>	<u>7,698</u>	<u>12,406</u>	<u>120,573</u>	<u>5,528</u>	<u>4,153</u>	<u>11,179</u>
Total Liabilities and Fund Balances	<u>\$ 33,675</u>	<u>\$ 453,647</u>	<u>\$ 6,178</u>	<u>\$ 112,415</u>	<u>\$ 202,346</u>	<u>\$ 12,406</u>	<u>\$ 120,573</u>	<u>\$ 5,528</u>	<u>\$ 4,153</u>	<u>\$ 11,179</u>

(Continued on next page)

**TOWN OF WATERTOWN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2013

	<u>Special Revenue Funds</u>								
	<u>Town Hall Beautification</u>	<u>Board of Education Community Service</u>	<u>Police/ FBI</u>	<u>Drug Enforcement</u>	<u>Public Investment Community Grant</u>	<u>Summer Preschool Development</u>	<u>Professional Development</u>	<u>Summer Studies</u>	<u>Pay for Play Sports Programs</u>
ASSETS									
Cash and cash equivalents	\$ 1,259	\$ 37,007	\$ -	\$ 2,871	\$ 164	\$ 495	\$ 348	\$ 4,023	\$ 44,361
Receivables:									
Intergovernmental									
Other									
Inventory									
Total Assets	<u>\$ 1,259</u>	<u>\$ 37,007</u>	<u>\$ -</u>	<u>\$ 2,871</u>	<u>\$ 164</u>	<u>\$ 495</u>	<u>\$ 348</u>	<u>\$ 4,023</u>	<u>\$ 44,361</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds									
Deferred revenue									
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:									
Nonspendable									
Restricted				2,871					
Committed	1,259	37,007			164	495	348	4,023	44,361
Unassigned									
Total fund balances	<u>1,259</u>	<u>37,007</u>	<u>-</u>	<u>2,871</u>	<u>164</u>	<u>495</u>	<u>348</u>	<u>4,023</u>	<u>44,361</u>
Total Liabilities and Fund Balances	<u>\$ 1,259</u>	<u>\$ 37,007</u>	<u>\$ -</u>	<u>\$ 2,871</u>	<u>\$ 164</u>	<u>\$ 495</u>	<u>\$ 348</u>	<u>\$ 4,023</u>	<u>\$ 44,361</u>

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TOWN OF WATERTOWN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds									
	Cafeteria	Educational Grants	Parks and Recreation	Police Grants	Open Space	Preservation of Historical Documents	Small Cities Fund	Oakville Green Development Trust	Marion A. Munson Trust	Mutual Police Trust
ASSETS										
Cash and cash equivalents	\$ 4,681	\$ 184,532	\$ 42,284	\$ 266	\$ 226,763	\$ 69,381	\$ 113,230	\$ 2,806	\$ 1,104	\$ 7,539
Receivables:										
Intergovernmental	65,021									
Other							463,711			
Inventory	21,738									
Total Assets	\$ 91,440	\$ 184,532	\$ 42,284	\$ 266	\$ 226,763	\$ 69,381	\$ 576,941	\$ 2,806	\$ 1,104	\$ 7,539
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and other payables	\$ 73,318									
Due to other funds										
Deferred revenue		68,349	47,126				576,941			
Total liabilities	73,318	68,349	47,126	-	-	-	576,941	-	-	-
Fund balances:										
Nonspendable	21,738									
Restricted				266						
Committed		116,183			226,763	69,381		2,806	1,104	7,539
Unassigned	(3,616)		(4,842)							
Total fund balances	18,122	116,183	(4,842)	266	226,763	69,381	-	2,806	1,104	7,539
Total Liabilities and Fund Balances	\$ 91,440	\$ 184,532	\$ 42,284	\$ 266	\$ 226,763	\$ 69,381	\$ 576,941	\$ 2,806	\$ 1,104	\$ 7,539

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TOWN OF WATERTOWN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>			<u>Permanent Funds</u>	
	<u>Town Improvement Trust</u>	<u>Liability Trust</u>	<u>Park Development Trust</u>	<u>Police Asset Forfeiture</u>	<u>Capital Nonrecurring</u>	<u>Public Works Equipment Replacement</u>	<u>Vehicle Replacement</u>	<u>Watertown Scholarship Fund</u>	<u>Education Enrichment</u>
ASSETS									
Cash and cash equivalents	\$ 61,979	\$ 11,914	\$ 43,644	\$ 77,816	\$ 99	\$ 96,108	\$ 311,376	\$ -	\$ 71,746
Receivables:									
Intergovernmental									
Other									
Inventory									
Total Assets	<u>\$ 61,979</u>	<u>\$ 11,914</u>	<u>\$ 43,644</u>	<u>\$ 77,816</u>	<u>\$ 99</u>	<u>\$ 96,108</u>	<u>\$ 311,376</u>	<u>\$ -</u>	<u>\$ 71,746</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds									
Deferred revenue									
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:									
Nonspendable									71,746
Restricted				77,816					
Committed	61,979	11,914	43,644		99	96,108	311,376		
Unassigned									
Total fund balances	<u>61,979</u>	<u>11,914</u>	<u>43,644</u>	<u>77,816</u>	<u>99</u>	<u>96,108</u>	<u>311,376</u>	<u>-</u>	<u>71,746</u>
Total Liabilities and Fund Balances	<u>\$ 61,979</u>	<u>\$ 11,914</u>	<u>\$ 43,644</u>	<u>\$ 77,816</u>	<u>\$ 99</u>	<u>\$ 96,108</u>	<u>\$ 311,376</u>	<u>\$ -</u>	<u>\$ 71,746</u>

TOWN OF WATERTOWN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>Permanent Funds</u>									
	<u>Old Cemetery</u>	<u>Hinman Platt</u>	<u>Benjamin Curtis</u>	<u>Chester A. Hard</u>	<u>Charles Mattoon</u>	<u>Town Hall Grounds</u>	<u>E.C. Magraff</u>	<u>Special Police</u>	<u>Town Deposit</u>	<u>Total</u>
ASSETS										
Cash and cash equivalents	\$ 4,223	\$ 31,375	\$ 745	\$ 3,848	\$ 7,137	\$ 17,500	\$ 1,220	\$ 1,503	\$ 23,957	\$ 1,829,577
Receivables:										
Intergovernmental										267,367
Other										903,192
Inventory										21,738
Total Assets	<u>\$ 4,223</u>	<u>\$ 31,375</u>	<u>\$ 745</u>	<u>\$ 3,848</u>	<u>\$ 7,137</u>	<u>\$ 17,500</u>	<u>\$ 1,220</u>	<u>\$ 1,503</u>	<u>\$ 23,957</u>	<u>\$ 3,021,874</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and other payables	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 73,318
Due to other funds										194,648
Deferred revenue										1,146,063
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,414,029</u>
Fund balances:										
Nonspendable	4,223	31,375	745	3,848	7,137	17,500	1,220	1,503	23,957	184,992
Restricted										206,594
Committed										1,224,717
Unassigned										(8,458)
Total fund balances	<u>4,223</u>	<u>31,375</u>	<u>745</u>	<u>3,848</u>	<u>7,137</u>	<u>17,500</u>	<u>1,220</u>	<u>1,503</u>	<u>23,957</u>	<u>1,607,845</u>
Total Liabilities and Fund Balances	<u>\$ 4,223</u>	<u>\$ 31,375</u>	<u>\$ 745</u>	<u>\$ 3,848</u>	<u>\$ 7,137</u>	<u>\$ 17,500</u>	<u>\$ 1,220</u>	<u>\$ 1,503</u>	<u>\$ 23,957</u>	<u>\$ 3,021,874</u>

TOWN OF WATERTOWN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Special Revenue Funds

	Special Welfare	Housing Rehabilitation Loan	Dog	Town Aid	LOCIP	Crestbrook Improvement	Sidewalk Replacement	WASA Grants	Advertising	Town Hall Preservation
Revenues:										
Intergovernmental	\$	\$ 155,975	\$	\$ 177,903	\$ 202,347	\$	\$	\$	\$	\$
Charges for services			370						300	
Investment income	32		8	39		20	327	7		17
Other revenue	63,168						80			
Total revenues	<u>63,200</u>	<u>155,975</u>	<u>378</u>	<u>177,942</u>	<u>202,347</u>	<u>20</u>	<u>407</u>	<u>7</u>	<u>300</u>	<u>17</u>
Expenditures:										
Current:										
General government										
Public safety			405							
Public works				114,502	202,543		98,462			
Parks and recreation						995				
Health and welfare	63,653	41,692								
Education										
Capital outlay										
Total expenditures	<u>63,653</u>	<u>41,692</u>	<u>405</u>	<u>114,502</u>	<u>202,543</u>	<u>995</u>	<u>98,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(453)</u>	<u>114,283</u>	<u>(27)</u>	<u>63,440</u>	<u>(196)</u>	<u>(975)</u>	<u>(98,055)</u>	<u>7</u>	<u>300</u>	<u>17</u>
Other Financing Sources (Uses):										
Transfers in										
Transfers out		(115,455)								
Total other financing sources (uses)	<u>-</u>	<u>(115,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(453)	(1,172)	(27)	63,440	(196)	(975)	(98,055)	7	300	17
Fund Balances at Beginning of Year	<u>34,128</u>	<u>1,172</u>	<u>6,205</u>	<u>48,975</u>	<u>7,894</u>	<u>13,381</u>	<u>218,628</u>	<u>5,521</u>	<u>3,853</u>	<u>11,162</u>
Fund Balances at End of Year	<u>\$ 33,675</u>	<u>\$ -</u>	<u>\$ 6,178</u>	<u>\$ 112,415</u>	<u>\$ 7,698</u>	<u>\$ 12,406</u>	<u>\$ 120,573</u>	<u>\$ 5,528</u>	<u>\$ 4,153</u>	<u>\$ 11,179</u>

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TOWN OF WATERTOWN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds							
	Town Hall Beautification	Board of Education Community Service	Police/ FBI	Drug Enforcement	Public Investment Community Grant	Summer Preschool Development	Professional Development	Summer Studies
Revenues:								
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$
Charges for services		300,539					2,390	72,618
Investment income	2			5				
Other revenue								
Total revenues	<u>2</u>	<u>300,539</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>2,390</u>	<u>72,618</u>
Expenditures:								
Current:								
General government								
Public safety								
Public works								
Parks and recreation								
Health and welfare					1			
Education		300,162					16,367	57,188
Capital outlay								
Total expenditures	<u>-</u>	<u>300,162</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>16,367</u>	<u>57,188</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2</u>	<u>377</u>	<u>-</u>	<u>5</u>	<u>(1)</u>	<u>-</u>	<u>(13,977)</u>	<u>15,430</u>
Other Financing Sources (Uses):								
Transfers in								
Transfers out		(5,129)						
Total other financing sources (uses)	<u>-</u>	<u>(5,129)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2	(4,752)	-	5	(1)	-	(13,977)	15,430
Fund Balances at Beginning of Year	<u>1,257</u>	<u>41,759</u>	<u>-</u>	<u>2,866</u>	<u>165</u>	<u>495</u>	<u>18,000</u>	<u>28,931</u>
Fund Balances at End of Year	<u>\$ 1,259</u>	<u>\$ 37,007</u>	<u>\$ -</u>	<u>\$ 2,871</u>	<u>\$ 164</u>	<u>\$ 495</u>	<u>\$ 4,023</u>	<u>\$ 44,361</u>

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TOWN OF WATERTOWN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds									
	Cafeteria	Educational Grants	Parks and Recreation	Police Grants	Open Space	Preservation of Historical Documents	Small Cities Fund	Oakville Green Development Trust	Marion A. Munson Trust	Mutual Police Trust
Revenues:										
Intergovernmental	\$ 379,197	\$ 888,509	\$	\$	\$	8,982	\$ 36,333	\$	\$	\$
Charges for services	698,350		245,843		6,697	173,938				
Investment income			54		405		67	4	2	11
Other revenue		126,562								
Total revenues	<u>1,077,547</u>	<u>1,015,071</u>	<u>245,897</u>	<u>-</u>	<u>7,102</u>	<u>182,920</u>	<u>36,400</u>	<u>4</u>	<u>2</u>	<u>11</u>
Expenditures:										
Current:										
General government						192,254				
Public safety										
Public works										
Parks and recreation			263,643		50,000					
Health and welfare							190,403			
Education	1,083,910	979,177								
Capital outlay										
Total expenditures	<u>1,083,910</u>	<u>979,177</u>	<u>263,643</u>	<u>-</u>	<u>50,000</u>	<u>192,254</u>	<u>190,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,363)</u>	<u>35,894</u>	<u>(17,746)</u>	<u>-</u>	<u>(42,898)</u>	<u>(9,334)</u>	<u>(154,003)</u>	<u>4</u>	<u>2</u>	<u>11</u>
Other Financing Sources (Uses):										
Transfers in							128,753			
Transfers out							(13,298)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,455</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(6,363)	35,894	(17,746)	-	(42,898)	(9,334)	(38,548)	4	2	11
Fund Balances at Beginning of Year	<u>24,485</u>	<u>80,289</u>	<u>12,904</u>	<u>266</u>	<u>269,661</u>	<u>78,715</u>	<u>38,548</u>	<u>2,802</u>	<u>1,102</u>	<u>7,528</u>
Fund Balances at End of Year	<u>\$ 18,122</u>	<u>\$ 116,183</u>	<u>\$ (4,842)</u>	<u>\$ 266</u>	<u>\$ 226,763</u>	<u>\$ 69,381</u>	<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ 1,104</u>	<u>\$ 7,539</u>

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TOWN OF WATERTOWN, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				Capital Project Funds			Permanent Funds	
	Town Improvement Trust	Liability Trust	Park Development Trust	Police Asset Forfeiture	Capital Nonrecurring	Public Works Equipment Replacement	Vehicle Replacement	Watertown Scholarship Fund	Education Enrichment
Revenues:									
Intergovernmental	\$	\$	\$	\$ 3,483	\$	\$	\$	\$	\$
Charges for services									
Investment income	96	18	36	39	38		412	16	108
Other revenue				64,108					
Total revenues	<u>96</u>	<u>18</u>	<u>36</u>	<u>67,630</u>	<u>38</u>	<u>-</u>	<u>412</u>	<u>16</u>	<u>108</u>
Expenditures:									
Current:									
General government									
Public safety				57,244					
Public works					38,000				
Parks and recreation									
Health and welfare									
Education								48,366	
Capital outlay							89,000		
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,244</u>	<u>38,000</u>	<u>-</u>	<u>89,000</u>	<u>48,366</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>96</u>	<u>18</u>	<u>36</u>	<u>10,386</u>	<u>(37,962)</u>	<u>-</u>	<u>(88,588)</u>	<u>(48,350)</u>	<u>108</u>
Other Financing Sources (Uses):									
Transfers in						70,000	125,000		
Transfers out									
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	96	18	36	10,386	(37,962)	70,000	36,412	(48,350)	108
Fund Balances at Beginning of Year	61,883	11,896	43,608	67,430	38,061	26,108	274,964	48,350	71,638
Fund Balances at End of Year	<u>\$ 61,979</u>	<u>\$ 11,914</u>	<u>\$ 43,644</u>	<u>\$ 77,816</u>	<u>\$ 99</u>	<u>\$ 96,108</u>	<u>\$ 311,376</u>	<u>\$ -</u>	<u>\$ 71,746</u>

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Permanent Funds

	<u>Old Cemetery</u>	<u>Hinman Platt</u>	<u>Benjamin Curtis</u>	<u>Chester A. Hard</u>	<u>Charles Mattoon</u>	<u>Town Hall Grounds</u>	<u>E.C. Magraff</u>	<u>Special Police</u>	<u>Town Deposit</u>	<u>Interfund Elimination</u>	<u>Total</u>
Revenues:											
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,852,729
Charges for services											1,501,045
Investment income	7	48	1	6	12	27	3	3	38		1,908
Other revenue							133				254,051
Total revenues	<u>7</u>	<u>48</u>	<u>1</u>	<u>6</u>	<u>12</u>	<u>27</u>	<u>136</u>	<u>3</u>	<u>38</u>	<u>-</u>	<u>3,609,733</u>
Expenditures:											
Current:											
General government							130				192,384
Public safety											57,649
Public works											453,507
Parks and recreation											314,638
Health and welfare											295,749
Education											2,485,170
Capital outlay											89,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,888,097</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7</u>	<u>48</u>	<u>1</u>	<u>6</u>	<u>12</u>	<u>27</u>	<u>6</u>	<u>3</u>	<u>38</u>	<u>-</u>	<u>(278,364)</u>
Other Financing Sources (Uses):											
Transfers in										(128,753)	195,000
Transfers out										128,753	(5,129)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,871</u>
Net Change in Fund Balances	7	48	1	6	12	27	6	3	38	-	(88,493)
Fund Balances at Beginning of Year	<u>4,216</u>	<u>31,327</u>	<u>744</u>	<u>3,842</u>	<u>7,125</u>	<u>17,473</u>	<u>1,214</u>	<u>1,500</u>	<u>23,919</u>	<u>-</u>	<u>1,696,338</u>
Fund Balances at End of Year	<u>\$ 4,223</u>	<u>\$ 31,375</u>	<u>\$ 745</u>	<u>\$ 3,848</u>	<u>\$ 7,137</u>	<u>\$ 17,500</u>	<u>\$ 1,220</u>	<u>\$ 1,503</u>	<u>\$ 23,957</u>	<u>\$ -</u>	<u>\$ 1,607,845</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Health and Dental Benefits Fund - This fund is used to pay health and dental insurance claims and to purchase administrative services and stop loss insurance for the health care plans. Both the Town and the Board of Education pay this fund for health insurance.

Workers' Compensation Fund - This fund accounts for the receipt of General Fund contributions to fund Town and Board of Education incurred Workers' Compensation claims.

General Liability Deductibles - This fund accounts for contributions from the General Fund to pay for claims that fall below the Town's premium based deductibles.

TOWN OF WATERTOWN, CONNECTICUT

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

JUNE 30, 2013

	<u>Health and Dental Benefits</u>	<u>Workers' Compensation</u>	<u>General Liability Deductibles</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ <u>485,890</u>	\$ <u>264,998</u>	\$ <u>37,099</u>	\$ <u>787,987</u>
Liabilities:				
Current liabilities:				
Risk management claims	739,000	120,000		859,000
Noncurrent liabilities:				
Risk management claims		<u>638,000</u>		<u>638,000</u>
Total liabilities	<u>739,000</u>	<u>758,000</u>	<u>-</u>	<u>1,497,000</u>
Net Position:				
Unrestricted	<u><u>\$ (253,110)</u></u>	<u><u>\$ (493,002)</u></u>	<u><u>\$ 37,099</u></u>	<u><u>\$ (709,013)</u></u>

TOWN OF WATERTOWN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Health and Dental Benefits</u>	<u>Workers' Compensation</u>	<u>General Liability Deductibles</u>	<u>Total</u>
Operating Revenues:				
Employer contributions	\$ 9,875,771	\$ 802,653	\$ -	\$ 10,678,424
Charges for services	1,578,778			1,578,778
Total operating revenues	<u>11,454,549</u>	<u>802,653</u>	<u>-</u>	<u>12,257,202</u>
Operating Expenses:				
Claims	11,741,669	614,240	23,456	12,379,365
Premiums and administrative charges	835,577	62,163		897,740
Total operating expenses	<u>12,577,246</u>	<u>676,403</u>	<u>23,456</u>	<u>13,277,105</u>
Operating Income (Loss)	(1,122,697)	126,250	(23,456)	(1,019,903)
Nonoperating Revenue:				
Investment income	449		75	524
Other Financing Sources:				
Transfers in	<u>600,000</u>			<u>600,000</u>
Change in Net Position	(522,248)	126,250	(23,381)	(419,379)
Net Position at Beginning of Year	<u>269,138</u>	<u>(619,252)</u>	<u>60,480</u>	<u>(289,634)</u>
Net Position at End of Year	<u>\$ (253,110)</u>	<u>\$ (493,002)</u>	<u>\$ 37,099</u>	<u>\$ (709,013)</u>

TOWN OF WATERTOWN, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Health and Dental Benefits</u>	<u>Workers' Compensation</u>	<u>General Liability Deductibles</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from employer contributions	\$ 9,875,771	\$ 802,653	\$	\$ 10,678,424
Cash received from charges for services	1,578,778			1,578,778
Cash paid to vendors	<u>(12,300,722)</u>	<u>(538,403)</u>	<u>(23,456)</u>	<u>(12,862,581)</u>
Net cash provided by (used in) operating activities	(846,173)	264,250	(23,456)	(605,379)
Cash Flows from Noncapital Financing:				
Transfers to/from other funds	600,000			600,000
Cash Flows from Investing Activities:				
Investment income	<u>449</u>		<u>75</u>	<u>524</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(245,724)	264,250	(23,381)	(4,855)
Cash and Cash Equivalents at Beginning of Year	<u>731,614</u>	<u>748</u>	<u>60,480</u>	<u>792,842</u>
Cash and Cash Equivalents at End of Year	<u>\$ 485,890</u>	<u>\$ 264,998</u>	<u>\$ 37,099</u>	<u>\$ 787,987</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (1,122,697)	\$ 126,250	\$ (23,456)	\$ (1,019,903)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Increase in risk management claims	<u>276,524</u>	<u>138,000</u>		<u>414,524</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (846,173)</u>	<u>\$ 264,250</u>	<u>\$ (23,456)</u>	<u>\$ (605,379)</u>

Fiduciary Funds

FIDUCIARY FUNDS

Agency Funds

Student Activities Fund - This fund is used to control various activities as defined by State Statute undertaken by students of the public school system.

Project Graduation - This fund was established to record the activities associated with High School graduation by the students of the public school system.

Developers' Trust - This fund was established to account for cash bonds and other cash and cash equivalent securities held by the Town to ensure compliance with specifications and regulations with respect to various building projects and improvements.

School Activities Fund - This fund is used to account for the collection and payment of activities at the various schools.

TOWN OF WATERTOWN, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ <u>178,983</u>	\$ <u>489,282</u>	\$ <u>467,526</u>	\$ <u>200,739</u>
Liabilities:				
Due to student groups and agencies	\$ <u>178,983</u>	\$ <u>489,282</u>	\$ <u>467,526</u>	\$ <u>200,739</u>
Project Graduation				
Assets:				
Cash and cash equivalents	\$ <u>4,671</u>	\$ <u>6,097</u>	\$ <u>7,639</u>	\$ <u>3,129</u>
Liabilities:				
Due to student groups and agencies	\$ <u>4,671</u>	\$ <u>6,097</u>	\$ <u>7,639</u>	\$ <u>3,129</u>
Developers' Trust Fund				
Assets:				
Cash and cash equivalents	\$ <u>268,892</u>	\$ <u>648,688</u>	\$ <u>344,131</u>	\$ <u>573,449</u>
Liabilities:				
Due to student groups and agencies	\$ <u>268,892</u>	\$ <u>648,688</u>	\$ <u>344,131</u>	\$ <u>573,449</u>
School Activities				
Assets:				
Cash and cash equivalents	\$ <u>18,475</u>	\$ <u>24,245</u>	\$ <u>21,554</u>	\$ <u>21,166</u>
Liabilities:				
Due to student groups and agencies	\$ <u>18,475</u>	\$ <u>24,245</u>	\$ <u>21,554</u>	\$ <u>21,166</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>471,021</u>	\$ <u>1,168,312</u>	\$ <u>840,850</u>	\$ <u>798,483</u>
Liabilities:				
Due to student groups and agencies	\$ <u>471,021</u>	\$ <u>1,168,312</u>	\$ <u>840,850</u>	\$ <u>798,483</u>

Supplementary Data

TOWN OF WATERTOWN, CONNECTICUT

CAPITAL IMPROVEMENT FUND
PROJECT STATUS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2013

<u>Project Description</u>	<u>Fund Balance July 1, 2012</u>	<u>Capital Grants</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Capital Outlay</u>	<u>Bond Proceeds</u>	<u>Bond Premiums</u>	<u>Fund Balance June 30, 2013</u>
Current Projects:								
Watertown High School Renovation	\$ 367,735	\$ 290,553	\$ 1,804	\$	\$ 518,197	\$	\$	\$ 141,895
Judson School Renovation	569,578	11,780	28		21,010			560,376
Polk School Renovation	646,554	1,623	1,122		2,893			646,406
Swift School Reconstruction	11,838	13,669	84		23,599			1,992
High School Track	13,365		16					13,381
Roadway and Drainage Improvements	230,166		217	180	170,540			60,023
Buckingham Street School	9,065		12					9,077
Steele Brook Greenway	(6,149)			300	36,176			(42,025)
French Street Reconstruction	6,227	33,457			5,890			33,794
Communication Systems Upgrade	75,082		76		2,365			72,793
Hemingway Park					19,619			(19,619)
Debt Service				88,239				88,239
Sidewalk Upgrades		53,060		50	86,246			(33,136)
Public Works Projects			653		56,115	2,000,000		1,944,538
Other Projects:								
Echo Lake Park	1,628							1,628
Oakville Green Transportation Enhancement	4,818		9					4,827
Total	<u>\$ 1,929,907</u>	<u>\$ 404,142</u>	<u>\$ 4,021</u>	<u>\$ 88,769</u>	<u>\$ 942,650</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 3,484,189</u>

TOWN OF WATERTOWN, CONNECTICUT
REPORT OF SEWER AND WATER ASSESSMENT COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2013

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Fiscal Year	Program	Uncollected Balance July 1, 2012	Additions	Deductions	Adjusted Amount Collectible	Collections			Uncollected Balance June 30, 2013	
						Assessments	Interest	Lien Fees Total		
Sewer:										
1959	D	\$ 150	\$	\$	\$ 150	\$	\$	\$	\$ -	\$ 150
2008	TT	13,233			13,233	767	156		923	12,466
1992	EE	14,850			14,850				-	14,850
1995	LL	4,434			4,434		300		300	4,434
2004	OO	40,245			40,245	11,300	743	60	12,103	28,945
2004	QQ	12,430			12,430	4,650	317	20	4,987	7,780
2010	RR	90,420			90,420	16,330	5,973		22,303	74,090
2010	VV	28,765			28,765	4,110	1,151		5,261	24,655
Total Sewer		<u>204,527</u>	<u>-</u>	<u>-</u>	<u>204,527</u>	<u>37,157</u>	<u>8,640</u>	<u>80</u>	<u>45,877</u>	<u>167,370</u>
Water										
1998	WE	1,495			1,495	54	246		300	1,441
2004	WF	17,540			17,540	3,522	234	40	3,796	14,018
2004	WG	61,131			61,131	21,927	5,064	160	27,151	39,204
Total Water		<u>80,166</u>	<u>-</u>	<u>-</u>	<u>80,166</u>	<u>25,503</u>	<u>5,544</u>	<u>200</u>	<u>31,247</u>	<u>54,663</u>
Total		<u>\$ 284,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,693</u>	<u>\$ 62,660</u>	<u>\$ 14,184</u>	<u>\$ 280</u>	<u>\$ 77,124</u>	<u>\$ 222,033</u>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF WATERTOWN, CONNECTICUT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 135,726,900	\$ 132,762,669	\$ 134,314,785	\$ 124,600,580	\$ 100,078,111	\$ 86,502,225	\$ 73,490,497	\$ 63,489,201	\$ 60,874,563	\$ 58,728,824
Restricted	292,240	340,167	339,734	332,168	325,523	316,168	311,112	273,892	209,802	197,569
Unrestricted	227,884	1,428,111	1,019,194	2,571,568	4,952,636	4,180,098	4,685,860	4,930,851	4,435,231	10,271,663
Total governmental activities net position	<u>136,247,024</u>	<u>134,530,947</u>	<u>135,673,713</u>	<u>127,504,316</u>	<u>105,356,270</u>	<u>90,998,491</u>	<u>78,487,469</u>	<u>68,693,944</u>	<u>65,519,596</u>	<u>69,198,056</u>
Business-type activities:										
Net investment in capital assets	12,362,356	12,409,667	12,504,751	12,768,105	12,211,170	10,839,674	10,612,014	10,910,559	10,959,360	10,587,120
Unrestricted	6,831,855	7,287,947	5,353,326	5,556,514	5,414,493	7,714,639	8,354,957	7,872,118	5,005,603	3,646,720
Total business-type activities net position	<u>19,194,211</u>	<u>19,697,614</u>	<u>17,858,077</u>	<u>18,324,619</u>	<u>17,625,663</u>	<u>18,554,313</u>	<u>18,966,971</u>	<u>18,782,677</u>	<u>15,964,963</u>	<u>14,233,840</u>
Primary government:										
Net investment in capital assets	148,089,256	145,172,336	146,819,536	137,368,685	112,289,281	97,341,899	84,102,511	74,399,760	71,833,923	69,315,944
Restricted	292,240	340,167	339,734	332,168	325,523	316,168	311,112	273,892	209,802	197,569
Unrestricted	7,059,739	8,716,058	6,372,520	8,128,082	10,367,129	11,894,737	13,040,817	12,802,969	9,440,834	13,918,383
Total Primary Government Net Position	<u>\$ 155,441,235</u>	<u>\$ 154,228,561</u>	<u>153,531,790</u>	<u>\$ 145,828,935</u>	<u>\$ 122,981,933</u>	<u>\$ 109,552,804</u>	<u>\$ 97,454,440</u>	<u>\$ 87,476,621</u>	<u>\$ 81,484,559</u>	<u>\$ 83,431,896</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TOWN OF WATERTOWN, CONNECTICUT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	\$ 10,660,604	\$ 10,644,902	\$ 8,570,229	\$ 8,570,229	\$ 8,471,740	\$ 8,346,852	\$ 8,504,190	\$ 7,622,554	\$ 8,256,135	\$ 7,653,902
Public safety	6,495,809	6,475,126	5,784,893	5,784,893	5,808,433	5,093,325	4,328,372	4,257,876	4,223,554	4,126,988
Public works	5,273,316	4,433,879	441,914	441,914	3,680,442	4,843,199	4,151,630	4,477,683	5,193,845	4,999,340
Parks and recreation	1,208,453	1,016,148	1,057,114	1,057,114	1,130,178	1,223,957	1,144,828	1,007,920	1,068,516	1,062,261
Health and welfare	116,003	288,383	262,670	262,670	255,107	160,475	132,738	136,780	121,529	119,896
Education	47,759,993	46,868,694	45,058,186	45,058,186	42,822,088	50,151,146	38,034,804	35,752,303	34,284,912	32,523,973
Interest on long-term debt	2,187,600	2,507,123	2,619,388	2,619,388	2,222,436	1,892,883	1,588,659	1,604,605	1,417,615	1,142,189
Total governmental activities expenses	73,701,778	72,234,255	63,794,394	63,794,394	64,390,424	71,711,837	57,885,221	54,859,721	54,566,106	51,628,549
Business-type activities:										
Sewer	2,080,549	2,137,859	1,355,824	1,355,824	3,018,119	3,109,996	1,860,498	1,278,716	1,348,587	1,874,699
Water	1,461,250	1,624,940	1,602,256	1,602,256	1,546,437	1,521,404	1,287,905	1,374,271	1,413,600	1,384,687
Golf	587,850	582,147	729,289	729,289	730,840	780,081	742,519	795,756	750,988	743,095
Total business-type activities expenses	4,129,649	4,344,946	3,687,369	3,687,369	5,295,396	5,411,481	3,890,922	3,448,743	3,513,175	4,002,481
Total primary government expenses	77,831,427	76,579,201	67,481,763	67,481,763	69,685,820	77,123,318	61,776,143	58,308,464	58,079,281	55,631,030
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,354,593	1,086,487	948,584	948,584	1,136,805	1,208,614	1,236,145	1,416,315	1,258,684	1,101,699
Public safety	744,841	1,123,212	615,931	615,931	564,378	432,684	439,286	293,589	468,153	342,184
Public works	120,147	122,345	62,901	62,901	204,824	172,955	101,024	154,288	780,726	695,704
Parks and recreation	289,902	332,908	261,319	261,319	320,615	351,129	416,776	298,278	244,193	265,395
Education	1,100,860	1,251,867	1,357,137	1,357,137	1,365,557	1,274,910	1,379,601	1,431,964	1,590,593	
Operating grants and contributions	18,553,194	20,140,022	19,742,965	19,742,965	17,062,011	26,838,219	14,481,312	13,932,246	12,835,389	12,342,775
Capital grants and contributions	3,678,088	2,738,626	18,950,759	18,950,759	15,031,714	12,721,359	9,045,451	3,222,889	2,773,859	1,032,086
Total governmental activities program revenues	25,841,625	26,795,467	41,939,596	41,939,596	35,685,904	42,999,870	27,099,595	20,749,569	19,951,597	17,374,619
Business-type activities:										
Charges for services:										
Sewer	1,971,475	2,008,764	1,708,749	1,708,749	1,689,525	1,703,226	1,780,891	1,967,089	1,722,092	1,740,628
Water	1,216,655	1,196,710	1,144,225	1,144,225	1,143,510	1,135,691	1,127,314	1,156,288	1,125,057	1,114,995
Golf	524,716	662,910	646,402	646,402	670,471	698,595	664,466	689,514	725,930	752,042
Operating grants and contributions		14,518	253,009	253,009	18,266	980,178	30,633	56,004	1,481,945	225,033
Capital grants and contributions			33,655	33,655	453,987	41,500	39,463	77,675	40,535	333,826
Total business-type activities program revenues	3,712,846	3,882,902	3,786,040	3,786,040	3,975,759	4,559,190	3,642,767	3,946,570	5,095,559	4,166,524
Total primary government program revenues	29,554,471	30,678,369	45,725,636	45,725,636	39,661,663	47,559,060	30,742,362	24,696,139	25,047,156	21,541,143
Net (Expense) Revenue:										
Governmental activities	(47,860,153)	(45,438,788)	(21,854,798)	(21,854,798)	(28,704,520)	(28,711,967)	(30,785,626)	(34,110,152)	(34,614,509)	(34,253,930)
Business-type activities	(416,803)	(462,044)	98,671	98,671	(1,319,637)	(852,291)	(248,155)	497,827	1,582,384	164,043
Total Primary Government Net Expense	\$ (48,276,956)	\$ (45,900,832)	\$ (21,756,127)	\$ (21,756,127)	\$ (30,024,157)	\$ (29,564,258)	\$ (31,033,781)	\$ (33,612,325)	\$ (33,032,125)	\$ (34,089,887)

(Continued on next page)

TOWN OF WATERTOWN, CONNECTICUT
CHANGES IN NET POSITION (CONTINUED)

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2,011	2010	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes	\$ 47,378,859	\$ 45,108,220	\$ 42,929,988	\$ 42,929,988	\$ 41,530,674	\$ 38,206,068	\$ 37,848,503	\$ 34,352,094	\$ 32,128,168	\$ 31,775,000
Grants and contributions not restricted to specific programs	1,131,237	1,083,242	1,325,434	1,325,434	1,225,990	1,335,598	1,437,438	1,303,174	1,227,486	1,407,710
Unrestricted investment earnings	34,747	39,655	146,461	146,461	370,165	914,113	1,141,078	1,141,571	484,229	188,367
Other general revenues (including gain on sale of capital assets)	338,430	360,762	177,654	177,654	246,045	907,230	195,595	322,720	210,817	65,903
Transfers	692,957	106,873	(576,693)	(576,693)	(310,575)	(140,020)	(43,463)	164,941	22,159	(41,189)
Special items									(3,136,810)	
Total governmental activities	<u>49,576,230</u>	<u>46,698,752</u>	<u>44,002,844</u>	<u>44,002,844</u>	<u>43,062,299</u>	<u>41,222,989</u>	<u>40,579,151</u>	<u>37,284,500</u>	<u>30,936,049</u>	<u>33,395,791</u>
Business-type activities:										
Unrestricted investment earnings	6,357	5,724	23,592	23,592	80,412	299,613	388,986	326,187	170,898	79,755
Transfers	(92,957)	(106,873)	576,693	576,693	310,575	140,020	43,463	(164,941)	(22,159)	41,189
Special items								2,158,641		
Total business-type activities	<u>(86,600)</u>	<u>(101,149)</u>	<u>600,285</u>	<u>600,285</u>	<u>390,987</u>	<u>439,633</u>	<u>432,449</u>	<u>2,319,887</u>	<u>148,739</u>	<u>120,944</u>
Total Primary Government	<u>\$ 49,489,630</u>	<u>\$ 46,597,603</u>	<u>\$ 44,603,129</u>	<u>\$ 44,603,129</u>	<u>\$ 43,453,286</u>	<u>\$ 41,662,622</u>	<u>\$ 41,011,600</u>	<u>\$ 39,604,387</u>	<u>\$ 31,084,788</u>	<u>\$ 33,516,735</u>
Changes in Net Position:										
Governmental activities	\$ 1,716,077	\$ 1,259,964	\$ 22,148,046	\$ 22,148,046	\$ 14,357,779	\$ 12,511,022	\$ 9,793,525	\$ 3,174,348	\$ (3,678,460)	\$ (858,139)
Business-type activities	<u>(503,403)</u>	<u>(563,193)</u>	<u>698,956</u>	<u>698,956</u>	<u>(928,650)</u>	<u>(412,658)</u>	<u>184,294</u>	<u>2,817,714</u>	<u>1,731,123</u>	<u>284,987</u>
Total Primary Government	<u>\$ 1,212,674</u>	<u>\$ 696,771</u>	<u>\$ 22,847,002</u>	<u>\$ 22,847,002</u>	<u>\$ 13,429,129</u>	<u>\$ 12,098,364</u>	<u>\$ 9,977,819</u>	<u>\$ 5,992,062</u>	<u>\$ (1,947,337)</u>	<u>\$ (573,152)</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TOWN OF WATERTOWN, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Reserved	\$	\$	\$	\$ 698,945	\$ 305,098	\$ 916,410	\$ 890,284	\$ 930,145	\$ 1,006,484	\$ 1,466,643
Unreserved				5,739,217	5,400,261	5,022,065	4,545,367	4,185,380	3,042,935	3,063,377
Assigned	797,675	981,642	849,103							
Unassigned	<u>5,574,608</u>	<u>5,772,945</u>	<u>5,574,702</u>							
Total General Fund	<u>\$ 6,372,283</u>	<u>\$ 6,754,587</u>	<u>\$ 6,423,805</u>	<u>\$ 6,438,162</u>	<u>\$ 5,705,359</u>	<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>
All other governmental funds:										
Reserved	\$	\$	\$	\$ 4,312,392	\$ 40,380,281	\$ 2,882,437	\$ 9,138,645	\$ 30,383,137	\$ 2,200,829	\$ 542,090
Unreserved, reported in:										
Special revenue funds				1,373,615	1,197,459	1,228,952	1,079,564	532,480	515,071	502,294
Capital projects funds				5,388,232	(21,571,443)	12,069,977	(5,576,765)	(15,986,214)	5,655,291	6,958,235
Nonspendable	184,992	239,617	237,077							
Restricted	3,690,783	2,102,579	1,748,589							
Committed	1,224,717	1,287,833	1,080,367							
Unassigned	<u>(8,458)</u>	<u>(3,784)</u>	<u>(16,192)</u>							
Total All Other Governmental Funds	<u>\$ 5,092,034</u>	<u>\$ 3,626,245</u>	<u>\$ 3,049,841</u>	<u>\$ 11,074,239</u>	<u>\$ 20,006,297</u>	<u>\$ 16,181,366</u>	<u>\$ 4,641,444</u>	<u>\$ 14,929,403</u>	<u>\$ 8,371,191</u>	<u>\$ 8,002,619</u>

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) Unreserved balances are reported net of amounts reserved for all purchase order and construction commitments in place at year-end.

TOWN OF WATERTOWN, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property taxes	\$ 47,229,837	\$ 44,991,044	\$ 44,110,778	\$ 43,040,294	\$ 41,428,222	\$ 38,248,288	\$ 37,862,867	\$ 34,328,688	\$ 32,053,385	\$ 31,827,072
Intergovernmental revenues	20,780,785	24,138,718	27,270,382	40,035,000	33,309,630	39,789,409	24,022,765	18,705,999	16,884,383	15,068,234
Licenses, permits, and charges for services	3,598,197	3,936,266	3,115,162	3,425,029	3,714,547	3,445,957	3,767,376	3,848,049	3,969,800	3,786,147
Investment income	34,224	38,574	90,750	145,083	363,779	891,230	1,105,301	1,107,014	477,484	176,576
Other revenue	724,001	776,778	1,232,456	717,221	815,533	1,923,093	447,133	652,221	809,679	359,712
Total revenues	72,367,044	73,881,380	75,819,528	87,362,627	79,631,711	84,297,977	67,205,442	58,641,971	54,194,731	51,217,741
Expenditures:										
General government	2,698,812	2,716,637	2,541,839	2,488,762	2,496,833	2,497,075	2,502,698	2,230,749	2,210,727	2,259,916
Public safety	5,077,899	4,968,844	5,266,356	4,565,974	4,389,517	4,473,367	4,190,652	4,066,016	3,956,543	3,922,837
Public works	3,806,748	3,812,971	3,425,389	3,719,746	3,890,068	3,968,669	3,536,899	3,462,424	4,804,898	4,309,738
Parks and recreation	1,072,466	961,289	965,694	913,654	1,089,556	1,066,960	1,002,225	899,291	856,261	847,748
Health and welfare	428,004	453,323	286,371	612,223	406,778	152,562	132,738	136,780	121,529	119,896
Education	45,468,561	43,450,153	41,682,262	42,918,560	41,154,013	49,362,282	37,041,008	34,703,830	32,891,291	31,920,114
Other	7,026,858	7,356,740	6,835,366	6,778,146	6,465,866	5,992,706	5,917,185	5,728,912	5,009,781	4,294,378
Capital outlay	1,661,963	4,475,904	15,492,045	35,054,372	26,436,339	14,772,334	23,125,476	7,561,056	8,114,848	1,160,207
Debt service:										
Principal	4,425,000	4,307,000	4,307,000	3,135,000	3,420,000	2,849,000	2,663,000	1,728,000	1,886,300	1,840,300
Interest	2,386,471	3,038,894	3,171,314	2,660,979	2,139,514	1,632,356	1,789,035	1,331,630	1,352,036	1,038,758
Total expenditures	74,052,782	75,541,755	83,973,636	102,847,416	91,888,484	86,767,311	81,900,916	61,848,688	61,204,214	51,713,892
Excess of Revenues under Expenditures	(1,685,738)	(1,660,375)	(8,154,108)	(15,484,789)	(12,256,773)	(2,469,334)	(14,695,474)	(3,206,717)	(7,009,483)	(496,151)
Other Financing Sources (Uses):										
Bonds issued	2,000,000			7,500,000	16,000,000	14,100,000	4,500,000	10,540,000	6,000,000	8,038,000
Multi-year lease purchase agreements				159,306	159,163	552,100	271,104	126,094	734,328	459,327
Capital leases issued	630,313	678,051								
Refunding bonds issued	8,600,000	15,615,000		18,760,000					15,535,000	
Payment to refunding bond escrow agent	(9,446,776)	(14,669,343)		(18,557,079)					(16,207,402)	
Premium on refunding bonds issued	892,729	836,980							813,369	
Transfers in	382,386	476,208	607,573	1,149,570	1,084,594	670,334	397,306	1,067,305	1,315,596	472,169
Transfers out	(289,429)	(369,335)	(492,220)	(1,726,263)	(1,395,169)	(810,354)	(440,769)	(902,364)	(1,293,437)	(513,358)
Total other financing sources	2,769,223	2,567,561	115,353	7,285,534	15,848,588	14,512,080	4,727,641	10,831,035	6,897,454	8,456,138
Net Change in Fund Balances	\$ 1,083,485	\$ 907,186	\$ (8,038,755)	\$ (8,199,255)	\$ 3,591,815	\$ 12,042,746	\$ (9,967,833)	\$ 7,624,318	\$ (112,029)	\$ 7,959,987
Debt Service as a % of Noncapital Expenditures	9.83%	10.45%	10.73%	9.23%	8.75%	6.25%	7.62%	5.66%	5.74%	5.75%

Notes:

(1) Schedule prepared on the modified accrual basis of accounting.

TOWN OF WATERTOWN, CONNECTICUT

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Grand List Year	Real Property		Vacant Land	Personal Property	Motor Vehicle	Gross Taxable Grand List	Less Tax Exempt Property	Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
		Residential	Commercial and Industrial									
2013	2011	\$ 1,457,527	\$ 239,415	\$ 598	\$ 133,995	\$ 171,389	\$ 2,002,926	\$ 60,447	\$ 1,942,478	\$ 24.23	\$ 2,774,969	70.00 %
2012	2010	1,452,659	240,462	585	122,901	161,772	1,978,382	55,120	1,923,262	23.32	2,747,517	70.00
2011	2009	1,446,936	237,519	587	123,812	154,501	1,963,356	50,495	1,912,860	22.91	2,732,658	70.00
2010	2008	1,441,827	240,312	599	131,882	152,475	1,967,095	54,350	1,912,745	22.38	2,732,493	70.00
2009	2007	1,441,827	240,312	599	131,882	152,475	1,967,095	54,350	1,912,745	24.35	2,732,493	70.00
2008	2006	1,230,775	199,109	569	132,057	160,556	1,723,066	39,502	1,683,564	22.72	2,405,090	70.00
2007	2005	1,194,628	196,325	597	133,153	150,817	1,675,520	45,234	1,630,286	22.72	2,328,980	70.00
2006	2004	1,155,955	202,742	1,635	134,071	140,611	1,635,014	50,969	1,584,045	21.35	2,262,921	70.00
2005	2003	1,144,827	190,805	1,617	145,529	134,210	1,616,988	54,718	1,562,270	20.37	2,231,814	70.00
2004	2002	775,732	157,432	48,245	144,735	143,466	1,269,610	58,566	1,211,044	25.91	1,730,063	70.00

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Source: Town of Watertown, Office of Tax Assessor

Notes:

(1) 2003 Real property grand list is adjusted to reflect statutory revaluation

(2) Assessed Value is 70% of Estimated Actual Value

TOWN OF WATERTOWN, CONNECTICUT
PROPERTY TAX RATES
DIRECT AND UNDERLYING GOVERNMENTS
LAST TEN FISCAL YEARS

Grand List Year October 1,	Fiscal Year Ended June 30,	Town of Watertown Mill Rate	Fiscal Year Ended June 30,	Watertown Fire District Mill Rate	Total
2011	2013	24.23	2013	*	24.23
2010	2012	23.22	2012	*	23.22
2009	2011	22.91	2011	*	22.91
2008	2010	22.38	2010	*	22.38
2007	2009	24.35	2009	*	24.35
2006	2008	22.72	2008	*	22.72
2005	2007	22.72	2007	2.8	25.52
2004	2006	21.35	2006	2.8	24.15
2003	2005	20.37	2005	3.1	23.47
2002	2004	25.91	2004	3.8	29.71

* In 2008, the Watertown Fire District began billing its users for sewer usage under a user fee consumption based structure. The method of generating operating revenues through the taxation of property assessments was discontinued.

TABLE 7

TOWN OF WATERTOWN, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

OCTOBER 1, 2011 AND OCTOBER 1, 2002

(In Thousands)

Taxpayer	Nature of Business	October 1, 2011			October 1 2002		Percentage of Net Taxable Assessed Value
		Taxable Assessed Value	Rank	Percentage of Net Taxable Assessed Value	Taxable Assessed Value	Rank	
The Siemon Company	Manufacturing	\$ 18,990	2	0.99 %	\$ 27,939	1	1.46 %
Connecticut Light & Power	Utility	23,266	1	1.22	10,570	3	0.55
Siemon Realty Company	Real estate	8,137	4	0.43			
JSD Partners	Manufacturing	7,836	5	0.41			
Greenbriar Associates, LLC	Real estate	6,430	9	0.34			
Straits Commercial Assoc. LTD	Supermarket	7,280	6	0.38	6,065	9	
Echo Manufacturing Co.	Manufacturing	6,950	7	0.36			
ANSTRO Manufacturing Co.	Manufacturing	8,373	3	0.44			
Truelove & MacLean Inc.	Manufacturing	5,900	10	0.31			
Global Steering System	Manufacturing	6,727	8	0.35			
Torrington Company	Manufacturing				16,438	2	0.86
Bouffard Metal Goods, Inc.	Manufacturing				9,613	4	0.50
Winchester Electronics	Manufacturing				7,620	5	0.40
Buckingham Enterprises	Real estate				6,836	6	0.36
Eyelematic Manufacturing Company	Manufacturing				5,461	10	0.29
OSRAM Sylvania, Inc.	Real estate				6,190	7	0.32
Risdon - AMS (USA) Inc.	Manufacturing				6,069	8	0.32
Total		\$ 99,889		5.22 %	\$ 102,801		5.06 %

Source: Town of Watertown Assessor's Office

TOWN OF WATERTOWN, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Grand List Year	Net Taxable Assessed Value (In Thousands)	Tax Rate In Mills	Adjusted Tax Levy	Collected Within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections To Date	
					Amount	Percentage of Levy		Amount	Percentage of Levy
2013	2011	\$ 1,942,449	24.23	\$ 47,117,271	\$ 46,377,576	98.43	\$	\$ 46,377,576	98.43
2012	2010	1,923,262	23.32	44,884,823	44,266,547	98.62	403,216	44,669,763	99.52
2011	2009	1,912,861	22.91	43,775,364	43,199,032	98.68	563,803	43,762,835	99.97
2010	2008	1,912,745	22.38	42,860,561	42,215,395	98.72	591,912	42,807,307	99.88
2009	2007	1,683,564	24.35	41,285,103	40,668,696	98.62	601,339	41,270,035	99.96
2008	2006	1,630,286	22.72	38,052,048	37,617,731	99.16	399,919	38,017,650	99.91
2007	2005	1,584,045	22.72	37,474,713	37,087,621	99.20	361,047	37,448,668	99.93
2006	2004	1,562,270	21.35	34,173,166	33,774,182	99.08	383,448	34,157,127	99.95
2005	2003	1,211,044	20.37	31,777,292	31,314,140	98.78	452,756	31,766,896	99.97
2004	2002	1,186,558	25.91	31,559,672	31,130,523	98.51	422,947	31,553,470	99.98

TABLE 9

TOWN OF WATERTOWN, CONNECTICUT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Capital Leases	Business-Type Activities				Total Primary Government	Ratio of Debt to Net Taxable Assessed Property Value	Debt Per Capita	Ratio of Debt to Personal Income
			General Obligation Bonds		Clean Water Fund Notes	Capital Leases				
			Water	Sewer						
2013	\$ 62,292,867	\$ 912,593	\$	\$	\$ 3,032,100	\$	\$ 66,237,560	3.40 %	\$ 2,942	8.60 %
2012	64,725,147	788,934			3,497,450		69,011,531	3.50	3,101	9.00
2011	63,180,000	544,721	2,160,000	1,375,000	3,962,120		71,221,841	3.72	3,206	12.31
2010	67,487,000	458,989	1,546,000	2,372,000	4,426,122		76,290,111	3.99	3,453	13.26
2009	64,187,000	543,122	1,860,000	2,783,000	4,889,471		74,262,593	3.88	3,358	12.89
2008	51,607,000	723,862	1,997,000	2,746,000	5,352,176		62,426,038	3.71	2,793	10.73
2007	40,356,000	702,972	2,134,000	1,020,000	5,814,251		50,027,223	3.07	2,240	8.60
2006	38,519,000	792,785	2,267,000	1,094,000	6,275,709		48,948,494	3.09	2,198	8.44
2005	29,707,000	1,037,682	2,392,500	1,155,500	6,736,562	67,650	41,096,894	2.63	1,853	7.12
2004	25,608,300	873,279	2,564,900	1,286,800	7,196,822	120,231	37,650,332	3.11	1,698	6.52

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF WATERTOWN, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2013

(In Thousands)

Total tax collections, including interest and lien fees					\$ 47,312
Reimbursement for loss on:					
Tax relief for elderly - freeze					<u>2</u>
BASE					<u>\$ 47,314</u>
	<u>General</u>			<u>Urban</u>	<u>Pension</u>
	<u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Renewal</u>	<u>Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 106,457	\$	\$	\$	\$
4-1/2 times base		212,915			
3-3/4 times base			177,429		
3-1/4 times base				153,772	
3 times base					141,943
Total debt limitation	<u>106,457</u>	<u>212,915</u>	<u>177,429</u>	<u>153,772</u>	<u>141,943</u>
Indebtedness:					
Bonds payable*	55,549	7,100			
Bonds authorized and unissued	3,151	9,791			
School building grants		(2,944)			
Total indebtedness	<u>58,700</u>	<u>13,947</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 47,757</u>	<u>\$ 198,968</u>	<u>\$ 177,429</u>	<u>\$ 153,772</u>	<u>\$ 141,943</u>

*Excludes serial notes of \$3,032 and includes Watertown Fire District Underlying debt of \$704.

NOTES:

- (1) In no event shall total debt exceed seven times annual receipts from taxation, \$331,201.
- (2) Bonds authorized and unissued represents bond authorizations for projects which have bond anticipation notes outstanding or for which bonds have been authorized and partially issued.
- (3) School building grants totaling \$2,944 are applicable to outstanding bond issues.

TOWN OF WATERTOWN, CONNECTICUT
COMPUTATION OF DIRECT AND UNDERLYING DEBT
LAST TEN FISCAL YEARS

Fiscal Year	Underlying Debt Watertown Fire District		Primary Government		Total Direct and Underlying Debt
	General Obligation Bonds	Percentage Applicable To Town	Town General Obligation Bonds	Town Capital Assets	
2013	\$ 704,013	100 %	\$ 61,945,000	\$ 912,593	\$ 63,561,606
2012	1,823,370	100	64,375,000	788,934	66,987,304
2011	2,038,666	100	66,715,000	544,721	69,298,387
2010	2,248,986	100	67,487,000	458,989	70,194,975
2009	1,085,392	100	64,187,000	543,122	65,815,514
2008	1,155,484	100	51,607,000	723,862	53,486,346
2007	1,232,405	100	40,356,000	702,972	42,291,377
2006	1,368,076	100	38,519,000	792,785	40,679,861
2005	1,479,739	100	29,707,000	1,037,682	32,224,421
2004	1,611,814	100	25,608,300	873,279	28,093,393

TOWN OF WATERTOWN, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 331,201	\$ 315,845	\$ 308,791	\$ 301,294	\$ 289,632	\$ 268,051	\$ 271,502	\$ 246,925	\$ 232,092	\$ 229,544
Total net debt applicable to limit	<u>72,647</u>	<u>71,116</u>	<u>56,030</u>	<u>82,408</u>	<u>74,663</u>	<u>77,997</u>	<u>46,947</u>	<u>48,863</u>	<u>48,152</u>	<u>32,005</u>
Legal Debt Margin	<u>\$ 258,554</u>	<u>\$ 244,730</u>	<u>\$ 252,761</u>	<u>\$ 218,886</u>	<u>\$ 214,969</u>	<u>\$ 190,054</u>	<u>\$ 224,555</u>	<u>\$ 198,062</u>	<u>\$ 183,940</u>	<u>\$ 197,539</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	21.93%	22.52%	18.14%	27.35%	25.78%	29.10%	17.29%	19.79%	20.75%	13.94%

TOWN OF WATERTOWN, CONNECTICUT
DEMOGRAPHIC AND EMPLOYMENT STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Income (3)	School Enrollment (2)	Labor Force		Percentage Unemployed (4)			
					Employed (4)	Unemployed (4)	Town of Watertown	Waterbury Labor Market	State of Connecticut	United States
2013	22,514	\$ 769,033	\$ 34,158	3,022	10,980	983	8.2 %	13.3 %	8.3 %	7.7 %
2012	22,253	760,118	34,158	3,075	11,348	888	7.3	12.3	7.5	7.7
2011	22,217	578,620	26,044	3,174	11,205	1,103	9.0	14.5	9.1	9.2
2010	22,095	575,442	26,044	3,254	11,024	1,031	8.6	14.2	8.5	9.5
2009	22,113	575,911	26,044	3,332	11,438	1,082	8.6	13.0	8.1	9.7
2008	22,347	582,005	26,044	3,398	11,939	614	4.9	6.5	4.9	4.6
2007	22,330	581,563	26,044	3,504	12,221	566	4.4	6.1	4.8	4.5
2006	22,268	579,948	26,044	3,556	11,986	491	3.9	5.3	4.4	4.6
2005	22,178	577,604	26,044	3,506	11,673	598	4.9	6.6	5.3	5.1
2004	22,178	577,604	26,044	3,536	11,537	587	4.8	6.1	4.7	5.5

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Sources:

- (1) U.S. Department of Commerce, Bureau of Census and Connecticut Department of Public Health
- (2) Watertown Board of Education
- (3) U.S. Department of Commerce, Bureau of Census
- (4) State of Connecticut, Department of Labor

TOWN OF WATERTOWN, CONNECTICUT

PRINCIPAL EMPLOYERS

2013 AND 2004

Business Name	Nature of Business	2013			2004		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
The Siemon Company	Manufacturer	300	1	2.62 %	470	3	4.11 %
The Taft School	Private school	275	2	2.40	220	6	1.92
ALBEA	Manufacturer	200	3	1.75			
Super Stop and Shop	Supermarket	180	4	1.57			
Braxton Manufacturing	Manufacturer	163	5	1.43			
Global Steering Systems	Manufacturer	156	6	1.36			
Crystal Rock	Manufacturer - Bottle Water	150	7	1.31			
Apple Rehab	Health care	140	8	1.22	135	10	1.18
LaBonne's	Specialty supermarket	125	9	1.09	200	7	1.75
Adams Supermarket	Supermarket				139	9	9.00
Truelove & Maclean	Manufacturer	110	10	0.96			
Eyelematic Manufacturing Company	Metal stamping manufacturer				275	5	2.40
Bristol Inc.	Instrumentation Devices				300	4	2.62
Itt VEAM llc	Manufacturer				485	2	4.24
Engineered Sinterings & Plastics, Inc.	Thermosetting Material				180	8	1.57
Timken	Manufacturer				700	1	6.12
Total		<u>1,799</u>		<u>15.73 %</u>	<u>3,104</u>		<u>34.92 %</u>

TOWN OF WATERTOWN, CONNECTICUT

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	55	55	55	53	53	55	54	53	53	53
Police	37	38	38	38	38	38	38	36	36	36
Fire	3	3	3	3	3	3	3	3	3	3
Public works	30	30	31	31	31	31	31	31	31	31
Parks and recreation	8	8	8	8	8	8	8	8	8	8
	<u>133</u>	<u>134</u>	<u>135</u>	<u>133</u>	<u>133</u>	<u>135</u>	<u>134</u>	<u>131</u>	<u>131</u>	<u>131</u>
Board of Education:										
Administration and principals	17	18	21	22	22	22	22	21	21	20
Teachers	241	239	239	254	258	256	258	236	245	242
Other	203	193	184	240	205	186	205	198	204	202
	<u>461</u>	<u>450</u>	<u>444</u>	<u>516</u>	<u>485</u>	<u>464</u>	<u>485</u>	<u>455</u>	<u>470</u>	<u>464</u>
Total	<u>594</u>	<u>584</u>	<u>579</u>	<u>649</u>	<u>618</u>	<u>599</u>	<u>619</u>	<u>586</u>	<u>601</u>	<u>595</u>

TOWN OF WATERTOWN, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>FISCAL YEAR</u>									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government:										
Building permits issued	2,234	1,434	1,198	1,380	1,355	1,452	1,748	2,140	2,254	2,051
Police:										
Physical arrests	542	608	604	680	662	723	738	701	638	640
Parking violations	89	91	89	99	180	261	126	92	72	68
Traffic violations	2,107	2354	1855	1,456	2,796	1,351	1,797	991	945	888
Fire:										
Emergency responses	1,767	1656	1610	1,569	1,608	2,273	2,266	2,353	2,324	2,087
Fires extinguished	127	118	102	67	56	75	58	42	46	45
Public works:										
Street resurfacing (miles)	3	0.48	1.78	3.27	4.26	1.99	1.89	3.1	3.27	2.96
Potholes repaired	223	200	200	189	58	217	131	49	43	18
Library:										
Volumes in collection	74,259	74,724	74,890	74,700	75,755	79,379	70,560	69,197	68,277	69,825
Water:										
Water main breaks	3	6	4	4	6	4	6	4	7	3
Average daily consumption (thousands of gallons)	893	940	905	890	1,040	965	1,056	1,010	987	1,048

TOWN OF WATERTOWN, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Administrative buildings	3	3	2	2	2	2	2	2	2	2
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works:										
Miles of streets	135.25	135	135	133.53	133.4	133.26	132.32	130.62	129.97	128.02
Miles of sidewalks	82.32	82	82	23	22.44	21.59	21.59	19.98	19.77	19.54
Catch basins	3396	3,392	3,374	3,284	3,171	3,149	3,149	3,065	3,041	3,007
Number of dams	5	5	5	5	5	5	4	4	4	4
Parks and recreation:										
Parks	4	4	4	4	4	4	4	4	4	4
Cemeteries	3	3	3	3	3	3	3	3	3	3
Golf courses	1	1	1	1	1	1	1	1	1	1
Recreation fields and courts:										
Number of basketball courts	12	12	12	12	12	12	12	12	12	12
Number of football fields	2	2	2	2	2	2	2	2	2	2
Number of playgrounds	9	9	9	9	9	9	9	9	9	9
Number of soccer fields	6	6	6	6	6	6	6	6	6	6
Number of softball fields (baseball fields)	17	17	17	17	17	17	17	17	17	17
Number of tennis courts	4	4	4	4	4	4	4	4	4	4
Education:										
School buildings	5	5	5	6	6	6	6	6	6	6
Administrative buildings	1	1	1	1	1	1	1	1	1	1