

Official Statement dated April 2, 2014

NEW ISSUE: Book-Entry-Only

RATINGS: See "Ratings" herein

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

In the opinion of Bond Counsel, under existing statutes and regulations, interest on the Lot B Bonds is NOT excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. (See Appendix C "Opinion of Bond Counsel and Tax Status – The Lot B Bonds" herein).

In the opinion of Bond Counsel, interest on the Lot A and Lot B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Lot A and Lot B Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Opinion of Bond Counsel and Tax Exemption – The Lot A Bonds" and Appendix C "Opinion of Bond Counsel and Tax Status – The Lot B Bonds" herein).

Town of Groton, Connecticut

\$8,945,000

General Obligation Bonds, Issue of 2014, Lot A (Bank Qualified)

Dated: Date of Delivery

Due: April 1, as shown herein

\$375,000

General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable)

Dated: Date of Delivery

Due: April 1, as shown herein

The \$8,940,000 General Obligation Bonds, Issue of 2014, Lot A (the "Lot A Bonds") and the \$375,000 General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable) (the "Lot B Bonds" and with the Lot A Bonds, collectively the "Bonds") will be general obligations of the Town of Groton, Connecticut (the "Town") and will be payable from taxes levied against taxable property in the entire area of the Town. Interest on the Bonds will be payable on October 1, 2014 and semiannually thereafter on April 1 and October 1 in each year until maturity.

The Lot A Bonds are subject to optional redemption prior to maturity as described herein. (See "Optional Redemption" herein).

The Lot B Bonds are not subject to redemption prior to maturity.

The Bonds will be issued by means of a book-entry transfer system and will be registered in the name of Cede & Co., as Bondowner, respectively, and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Ownership of the Bonds will be in the denominations of \$5,000 or integral multiples thereof. The Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Principal and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein).

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

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on or about April 16, 2014.

Town of Groton, Connecticut

\$8,945,000

General Obligation Bonds, Issue of 2014, Lot A

Dated: Date of Delivery

Due: April 1, as shown below

MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹	<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹
2015	\$ 630,000	2.000 %	0.230 %	399352R21	2025	\$ 260,000	2.625 %	2.500 % *	399352S46
2016	635,000	3.000	0.500	399352R39	2026	260,000	2.750	2.650 *	399352S53
2017	635,000	3.000	0.740	399352R47	2027	260,000	3.000	2.800 *	399352S61
2018	635,000	3.000	1.000	399352R54	2028	260,000	3.250	3.000 *	399352S79
2019	635,000	3.000	1.300	399352R62	2029	260,000	3.375	3.150 *	399352S87
2020	635,000	2.000	1.600 *	399352R70	2030	260,000	3.500	3.300 *	399352S95
2021	635,000	2.000	2.000	399352R88	2031	260,000	3.750	3.450 *	399352T29
2022	635,000	2.250	2.200 *	399352R96	2032	260,000	4.000	3.600 *	399352T37
2023	635,000	2.375	2.300 *	399352S20	2033	260,000	4.000	3.700 *	399352T45
2024	635,000	2.500	2.400 *	399352S38	2034	260,000	4.000	3.750 *	399352T52

* Priced assuming redemption on April 1, 2019; however, any such redemption is at the option of the Town.

PiperJaffray.

Town of Groton, Connecticut

\$375,000

General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable)

Dated: Date of Delivery

Due: April 1, as shown below

MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹	<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹
2015	\$ 75,000	2.000 %	0.600 %	399352T60	2018	\$ 75,000	2.125 %	1.700 %	399352T94
2016	75,000	2.000	0.850	399352T78	2019	75,000	2.250	2.250	399352U27
2017	75,000	2.125	1.200	399352T86					

Roosevelt & Cross, Incorporated

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

No dealer, broker, salesman or other person has been authorized by the Town of Groton, Connecticut (the "Town") to give any information or to make any representations not contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

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

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

Other than matters expressly set forth in Appendix B – "Opinion of Bond Counsel and Tax Exemption – The Lot A Bonds" and Appendix C – "Opinion of Bond Counsel and Tax Status – The Lot B Bonds" herein, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

This Official Statement is in a form "deemed final" by the Town for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix D, to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5), (i) annual financial information and operating data, (ii) a notice of the occurrence of certain events within 10 days after the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). In the last five years, the Town has not failed to meet any of its undertakings under such agreements.

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INDEPENDENT FINANCIAL ADVISOR
INDEPENDENT BOND AND
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TABLE OF CONTENTS

	<u>Page #</u>
Lot A Bond Sale Summary	i
Lot B Bond Sale Summary	ii

SECTION I – SECURITIES OFFERED

Introduction	1
Description of the Bonds	1
Redemption Provisions	1
Optional Redemption	1
Notice of Redemption	1
Authorization and Purpose	2
Ratings	2
Security and Remedies	3
Qualification for Financial Institutions	3
Book-Entry Transfer System	3
Replacement Bonds	5
DTC Practices	5

SECTION II – THE ISSUER

Description of the Town	6
Form of Government	6
Table of Organization	7
Municipal Officials.....	7
Resumes of Principal Municipal Officials	7
Summary of Municipal Services	9
Political Subdivision	14
Special Districts	14
Local Economic Outlook	15
Major Initiatives	18
Municipal Employees	19
Municipal Employees by Category	19
Municipal Employees Bargaining Organizations	20
Educational System	20
Educational Facilities	21
School Enrollments	21

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Population Trends.....	22
Age Distribution of the Population	22
Selected Wealth and Income Indicators	22
Income Distribution	23
Educational Attainment	23
Employment by Industry	23
Major Employers	24
Employment Data	24
Number and Value of Building Permits	25
Housing Inventory	26
Age Distribution of Housing	26
Owner Occupied Housing Values	26
Breakdown of Land Use	27

SECTION IV – INDEBTEDNESS

Page #

Principal Amount of Indebtedness 28
Computation of Statutory Debt Limit 29
Debt Statement – Town of Groton..... 30
Current Debt Ratios – Town of Groton 30
Debt Statement – Town of Groton Sewer District..... 31
Current Debt Ratios – Town of Groton Sewer District 31
Historic Debt Statement 32
Historic Debt Ratios 32
Outstanding Short-Term Indebtedness 32
Overlapping and Underlying Indebtedness 33
Capital Leases 33
School Construction Projects 34
Clean Water Fund Program 34
Legal Requirements for Approval of Borrowing 35
Temporary Financing 35
Capital Improvement Program 36
Authorized but Unissued Debt..... 36
Combined Schedule of Long Term Debt through Maturity 37

SECTION V – FINANCIAL DATA

Fiscal year 38
Accounting Policies 38
Basis of Accounting 38
Audit 38
Achievement for Excellence in Financial Reporting and Budget Presentation 38
Budgetary Procedure 38
Employee Pension Systems 39
Other Post Employment Benefits 40
Investment Policies and Procedures 40
Assessment Practices 41
Tax Collection Procedures 41
Comparative Assessed Valuations 42
Tax Exempt Property 43
Real Property Tax Levies and Collections 44
Largest Taxpayers 45
Revenues 45
Property Tax Revenues 46
Intergovernmental Revenues 46
Expenditures 47
Comparative General Fund Operating Statement 48
Comparative Balance Sheets – General Fund 49
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund 50

SECTION VI – ADDITIONAL INFORMATION

Litigation 51
Availability of Continuing Information 51
Financial Advisor 51
Documents Accompanying Delivery of the Bonds 51
Concluding Statement 52

APPENDICES

	<u>Page #</u>
Appendix A – Audited Financial Statements	A-1
Appendix B – Opinion of Bond Counsel and Tax Exemption – The Lot A Bonds	B-1
Appendix C – Opinion of Bond Counsel and Tax Status – The Lot B Bonds	C-1
Appendix D – Form of Continuing Disclosure Agreement for Bonds	D-1
Appendix E – Notice of Sale - The Lot A Bonds	E-1
Appendix F – Notice of Sale - The Lot B Bonds	F-1

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LOT A BOND SALE SUMMARY

Date of Sale:	April 2, 2014 at 11:00 A.M. (E.D.T).
Location of Sale:	Groton Town Hall, Finance Conference Room, 45 Fort Hill Road, Groton, Connecticut 06340.
Issuer:	Town of Groton, Connecticut (the "Town").
Issue:	\$8,945,000 General Obligation Bonds, Issue of 2014, Lot A (the "Lot A Bonds").
Dated Date:	April 16, 2014.
Principal Due:	Serially, April 1, 2015 - 2034.
Interest Due:	April 1 and October 1 in each year, commencing October 1, 2014.
Denominations:	\$5,000 or integral multiples thereof.
Purpose and Authority:	The Lot A Bonds are being issued to finance various public improvements projects undertaken by the Town and authorized pursuant to Title 7 and Title 10 of the General Statutes of Connecticut, as amended, the Charter of the Town of Groton, and bond ordinances adopted by the Town Council and Representative Town Meeting and approved by the voters of the Town at referendum.
Redemption:	The Lot A Bonds are subject to redemption prior to maturity. See "Optional Redemption" herein.
Security:	The Lot A Bonds will be general obligations of the Town of Groton, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due.
Credit Rating:	The Lot A Bonds have been rated "AA" by Fitch Ratings ("Fitch"), "Aa2" by Moody's Investors Service ("Moody's") and "AA+" by Standard & Poor's ("S&P"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's. The underlying rating on certain outstanding bonds of the Town has recently been affirmed as "AA" by Fitch, and the underlying rating on certain outstanding bonds has recently been raised to "AA+" by S&P.
Basis of Award:	True Interest Cost (TIC) as of the dated date.
Tax Exemption:	See Appendix B to this Official Statement.
Continuing Disclosure Agreement:	See Appendix D to this Official Statement.
Bank Qualification:	The Lot A Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association, of Hartford, Connecticut.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Lot A Bonds in book-entry-only form will be made on or about April 16, 2014, against payment in Federal Funds.
Issuer Official:	Questions regarding the Town and this Official Statement should be directed to Mr. Salvatore Pandolfo, Finance Director, Town of Groton, 45 Fort Hill Road, Groton, Connecticut 06340-4394. Telephone: (860) 441-6684.

LOT B BOND SALE SUMMARY

Date of Sale:	April 2, 2014 at 11:30 A.M. (E.D.T).
Location of Sale:	Groton Town Hall, Finance Conference Room, 45 Fort Hill Road, Groton, Connecticut 06340.
Issuer:	Town of Groton, Connecticut (the "Town").
Issue:	\$375,000 General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable) (the "Lot B Bonds").
Dated Date:	April 16, 2014.
Principal Due:	Serially, April 1, 2015 - 2019.
Interest Due:	April 1 and October 1 in each year, commencing October 1, 2014.
Denominations:	\$5,000 or integral multiples thereof.
Purpose and Authority:	The Lot B Bonds are being issued to finance a Senior Center project undertaken by the Town and authorized pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the Town of Groton, and bond ordinances adopted by the Town Council and Representative Town Meeting and approved by the voters of the Town at referendum.
Redemption:	The Lot B Bonds are NOT subject to redemption prior to maturity.
Security:	The Lot B Bonds will be general obligations of the Town of Groton, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due.
Credit Rating:	The Lot B Bonds have been rated "AA" by Fitch Ratings ("Fitch"), "Aa2" by Moody's Investors Service ("Moody's") and "AA+" by Standard & Poor's ("S&P"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's. The underlying rating on certain outstanding bonds of the Town has recently been affirmed as "AA" by Fitch, and the underlying rating on certain outstanding bonds has recently been raised to "AA+" by S&P.
Basis of Award:	True Interest Cost (TIC) as of the dated date.
Tax Status:	See Appendix C to this Official Statement.
Continuing Disclosure Agreement:	See Appendix D to this Official Statement.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association, of Hartford, Connecticut.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Lot B Bonds in book-entry-only form will be made on or about April 16, 2014, against payment in Federal Funds.
Issuer Official:	Questions regarding the Town and this Official Statement should be directed to Mr. Salvatore Pandolfo, Finance Director, Town of Groton, 45 Fort Hill Road, Groton, Connecticut 06340-4394. Telephone: (860) 441-6684.

SECTION I – SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, has been prepared by the Town of Groton, Connecticut (the "Town") with assistance from the financial advisor, in connection with the sale of \$8,945,000 General Obligation Bonds – Lot A (the "Lot A Bonds") and \$375,000 General Obligation Bonds – Lot B (Federally Taxable) (the "Lot B Bonds") (collectively, the "Bonds").

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum specified on the inside cover of this Official Statement, payable on October 1, 2014 and semiannually thereafter on April 1 and October 1 in each year until maturity as set forth on the inside cover of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owner of the Bonds as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if the fifteenth is not a business day. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry Transfer System".

The Registrar, Certifying, Paying and Transfer Agent will be U.S. Bank National Association. The legal opinions on the Bonds will be rendered by Day Pitney LLP in substantially the forms set forth in Appendices B and C to this Official Statement, respectively.

Redemption Provisions

Optional Redemption

The Lot A Bonds maturing on April 1, 2020 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after April 1, 2019, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, at the redemption prices (expressed as a percentage of the par amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Price</i>
April 1, 2019 and thereafter	100%

The Lot B Bonds are NOT subject to redemption prior to maturity.

Notice of Redemption

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of the Bonds designated for redemption in whole or in part at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if such funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof

and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry-only system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Authorization and Purpose

<i>Project</i>	Date of Approval			
	<i>Bond Authorization</i>	<i>Town Council</i>	<i>RTM</i>	<i>Referendum (if applicable)</i>
Road Maintenance and Rehabilitation Program...	\$ 11,200,000	July 10, 2012	August 8, 2012	November 6, 2012
Thames Street Rehabilitation Program.....	6,375,505	February 8, 2011 July 19, 2007 &	March 9, 2011 August 8, 2007 &	May 2, 2011
Additions/Renovation to Senior Center.....	11,770,000	October 16, 2012	November 1, 2012	November 6, 2007
Totals	\$ 29,345,505			

Use of Proceeds

<i>Project</i>	<i>Bond</i>		
	<i>Authorization</i>	<i>The Lot A</i>	<i>The Lot B</i>
Road Maintenance and Rehabilitation Program...	\$ 11,200,000	\$ 3,715,000	\$ -
Thames Street Rehabilitation Program.....	6,375,505	5,230,000	-
Additions/Renovation to Senior Center.....	11,770,000	-	375,000
Totals	\$ 29,345,505	\$ 8,945,000	\$ 375,000

Ratings

The Bonds have been rated "AA" by Fitch Ratings ("Fitch"), "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's ("S&P"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's. The underlying rating on certain outstanding bonds of the Town has recently been affirmed as "AA" by Fitch and the underlying rating on certain outstanding bonds of the Town has recently been raised to "AA+" by S&P. Such ratings reflect only the views of such organizations and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Fitch Ratings, One State Street Plaza, New York, NY 10004; and Standard & Poor's, 55 Water Street, New York, New York 10041-0003. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Town's bonds.

Security and Remedies

The Bonds will be general obligations of the Town of Groton, Connecticut. The Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due from taxes levied on taxable property in the entire area of the Town of Groton.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 215.54 acres of such certified forest land on the last completed Grand List of the Town. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

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

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

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

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

THE TOWN OF GROTON, CONNECTICUT HAS NEVER DEFAULTED ON THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES

Qualification for Financial Institutions

The Lot A Bonds **SHALL** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.

Book-Entry Transfer System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-

trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC's has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The Town takes no responsibility for the accuracy thereof.

Replacement Bonds

The Town will provide for the issuance of fully registered Bonds directly to the Beneficial Owners of the Bonds or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

DTC Practices

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

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SECTION II – THE ISSUER

Description of the Town

The Town of Groton is located in New London County in the southeastern section of Connecticut along 40 miles of coast line on the Thames River, Long Island Sound and the Mystic River. It is bounded on the north by the Town of Ledyard, on the east by the Town of Stonington across the Mystic River, on the west by the City of New London across the Thames River, and on the south by Long Island Sound. Groton shares with New London one of the finest natural harbors on the eastern seaboard. Groton covers 38.3 square miles.

The region is about equidistant from the more populous urban areas of Hartford and New Haven, Connecticut and Providence, Rhode Island. The area is also located approximately midway between New York and Boston.

Both local and regional efforts have been devoted in past years to economic diversification. Groton's location on Interstate 95 is an important asset, as are the number of tourist-related facilities nearby and within the Town itself such as the USS Nautilus and Submarine Force Museum.

Form of Government

Since 1957, Groton has been governed by a Town Council-Town Manager-Representative Town Meeting (RTM) structure. This structure combines a modern professional approach with the traditional Town Meeting form.

The Town Council (a nine member elected body) is responsible for determining policy and appointing the Town Manager to execute this policy and administer the day to day affairs of the Town. The Council holds public hearings on the budget and sets the property tax mill rate. One of the nine members is appointed Mayor by the Council to serve as chairman of the Council's meetings and act as the Town's representative at ceremonial functions. Council members are elected for two-year terms. Each party nominates a full slate and the nine candidates with the greatest number of votes are elected.

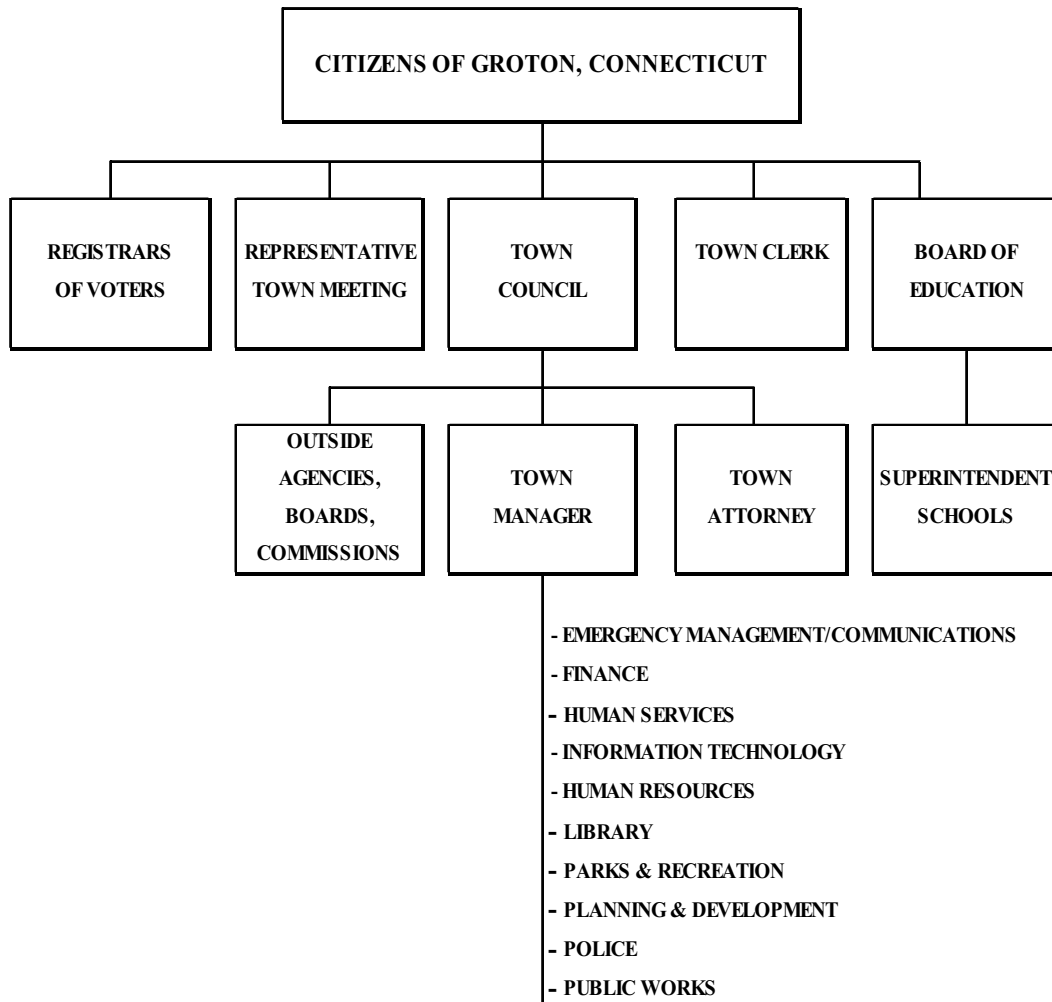
The Town Manager is appointed by and is directly responsible to the Council and serves for no definite term, but at the pleasure of the Council. The Manager has the power to appoint and dismiss his staff, subject to the merit system. The Town Manager is responsible for preparation of the general government budget. He accepts the Board of Education budget and presents a combined proposal for expenditures to the Council. Before approving the budget the Council must hold public hearings. Following approval, the Council sends the budget to the RTM (a forty-one member elected body) for consideration and final approval.

In financial matters, the RTM must approve the budget before the Council sets the tax mill rate. In most other matters, the RTM reviews the actions of the Council and has the power of initiative to institute legislation or force reconsideration of legislation already adopted. RTM members are elected by voting districts for two-year terms.

In addition to the Town Council and the RTM, Groton voters elect a Town Clerk for a four-year term and nine members of the Board of Education for four-year terms, as well as certain other officials.

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Table of Organization



Municipal Officials

<i>Office</i>	<i>Name</i>	<i>Manner of Selection</i>	<i>Term Expires</i>	<i>Length of Town Service</i>
Mayor	Rita M. Schmidt	Appointed	11/2015	10 years
Town Manager	Mark R. Oefinger	Appointed	Indefinite	31 years
Finance Director	Salvatore M. Pandolfo	Appointed	Indefinite	23 years
Acting Director of Planning & Dev. ..	Deborah Jones	Appointed	Indefinite	25 years
Public Works Director	Gary Schneider	Appointed	Indefinite	30 years
Acting Chief of Police	Steven Smith	Appointed	Indefinite	31 years
Town Clerk.....	Betsy Moukawsher	Elected	11/2017	4 years
Superintendent of Schools.....	Dr. Michael H. Graner	Appointed	Indefinite	3 months
Treasurer/Accounting Mgr.....	Cindy R. Landry	Appointed	Indefinite	32 years

Resumes of Principal Municipal Officials

Rita M. Schmidt was chosen to serve as mayor by the Groton Town Council in December, 2013. Mayor Schmidt also serves as the Chairman of the Town’s Energy, Efficiency and Conservation Committee. Prior to her appointment as Mayor, Rita served on the Town Council and was chairman of the Council’s Community and Cultural Development Committee. She is a former Moderator of the Groton Representative Town Meeting. Rita is the former president of Out o’ Mystic Schooner

Cruises, Inc. and served as chairman of Connecticut's Mystic & More Tourism District for several years. She has served on the boards of the Mystic Chamber of Commerce, Quinebaug and Shetucket River Valley, Monte Cristo Cottage, Thames Maritime Heritage Park and Southeastern Connecticut Enterprise Region, as well as serving as chairman of the Mystic Outdoor Art Festival. Rita was also appointed to the Connecticut Commission on Culture and Tourism, and now serves on its newly formed Advisory Board. She is a graduate of the University of South Dakota with an AB in Psychology.

Mark R. Oefinger, AICP has served as Town Manager since July 1, 2002. Except for four years in the private sector, he has worked for Groton since 1978. Previously he was employed as Town Planner/Director of Planning from December 1978 through October 1987. He then left Groton to work for a private development company in Waterford, CT and then a non-profit housing agency in New London, CT returning to Groton in 1991. In August 1991, he was appointed as Assistant to Town Manager Economic/Community/Development. In July 1993 he was appointed Manager of Planning and Development Services, a position subsequently re-titled to Director of Planning and Development, the position he held up to his appointment as Town Manager. Mr. Oefinger received a B.A. cum laude, Political Science from the University of Hartford and a Master of Community Planning (MCP) from the University of Rhode Island.

Salvatore M. Pandolfo previously served as Deputy Director of Finance for a period of two years before being appointed to Director. He has been with the Town since July 1990. He previously served as Chief Financial Officer for 13 years with the North San Diego County Transit Development Board. Mr. Pandolfo received his Bachelor of Science Degree in Accounting from Husson College in Bangor, Maine and earned his Masters of Arts in Public Administration from Pepperdine University.

Deborah Jones is currently serving as the Acting Director of Planning and Development Service. Ms Jones has been the Environmental Planner for the Town of Groton for over 25 years. She has also worked as a transportation planner at the state and regional level. Jones has a B.A in Environmental Studies from St. Andrews College and a Masters of Environmental Management from Duke University.

Gary Schneider was appointed the Director of Public Works on December 1, 1991. He has been with the Town since December 1983 as either the Assistant or Deputy Director of Public Works. Mr. Schneider received a Bachelor's Degree in Civil Engineering from Marquette University and a Master's Degree in Industrial Engineering from the University of New Haven.

Steven Smith has been a member of the department for 31 years and currently serves as the Acting Chief of Police effective February 3, 2014. During his career he has served the department as a Patrol Officer, narcotics investigator, Field Training Officer, Sergeant, Lieutenant, Captain and Deputy Chief. He has served as the supervisor of the department's Field Training Officer (FTO) program, Patrol K9 Unit and the Records/Communications division. Mr. Smith received his Bachelor's of Arts History/Social Sciences Degree from Eastern Connecticut State University.

Betsy Moukawsher was elected to office in 2009 and re-elected in 2013 to a four-year term. She has employment experience in human resources, contracts and operating a small business with 22 employees. Currently, Ms. Moukawsher is studying toward CT Municipal Certification and completing Advance Education course work with MMC & IIMC.

Dr. Michael H. Graner joined the Groton School District in January of 2014 as Superintendent of Schools. Prior to coming to Groton, Dr. Graner was the Superintendent of Schools in Ledyard, Connecticut for 10 years and in Putnam, Connecticut for 4 years. Before becoming a Superintendent, he served as a high school principal for 8 years at Waterford High School and 2 years at Tourtellotte Memorial High School in Thompson, Connecticut. Dr. Graner received his undergraduate degree in Anthropology from Fordham University, has a Master's degree in Education from Columbia University, and received his Ph.D. from the University of Connecticut. Dr. Graner is also a retired Coast Guard Captain.

Cindy R. Landry has served the Town since 1982 and was appointed to the position of Treasurer/Accounting Manager in 1990. Prior to that she held the position of Accounting Supervisor. Ms. Landry holds a Bachelor of Science Degree in Business Administration and a Bachelor of Arts Degree in Economics from Eastern Connecticut State University.

Summary of Municipal Services

Finance Department

The Finance Department has responsibility for the financial management of the Town and its resources. This Department oversees the reconciling of the retirement account, and coordinates financial advisory and bond counsel services. The analysis of the impact of debt on Town finances as well as budgetary and CAFR responsibilities including maintenance of the Town's capital assets reside within this Department. Additional responsibilities are carried out by several of its divisions including Accounting, Assessment, Purchasing and Tax Collection.

Accounting Division: The Accounting Division has the responsibility of maintaining the accounting records for the Town, including accounts payable, accounts receivable, and payroll. The Treasurer is also responsible for managing the Cash Management Program.

Assessment Division: The Assessment Division is responsible for the discovery, listing and valuation of all property on the Grand List and for administering the various exemption and rebate programs associated with property taxation. The last town-wide revaluation was effective with the October 1, 2011 Grand List. The next revaluation will be conducted for the October 1, 2016 Grand List.

Purchasing Division: The Purchasing Division is responsible for formal bidding, quoting, price analysis and contract awards for all products and services that are required to support Town departments and agencies. This includes the negotiation, execution and administration of all lease agreements for buildings and equipment. Furthermore, the Purchasing Division coordinates all activities related to the annual surplus/obsolete property sale and is responsible for scheduling the delivery and pickup of all U. S. and interdepartmental mail as well as processing outgoing mail. This Division is also responsible for the recording and accounting of capital assets.

Revenue Collection Division: The Revenue Collection Division involves collection of Town taxes, the Groton Sewer District taxes, and the collection of nine fire district/political subdivision taxes. The districts/political subdivisions included in the Tax Collector's jurisdiction are: Center Groton Fire District, City of Groton, Groton Long Point Association, Mumford Cove Association, Mystic Fire District, Noank Fire District, Old Mystic Fire District, Poquonnock Bridge Fire District, and West Pleasant Valley Fire District. Other areas of collection are: 5,835 residential sewer use accounts, and approximately 410 commercial accounts which are billed monthly based on water consumption; 434 commercial solid waste accounts that are billed monthly; 14 landfill accounts which are billed monthly; maintenance of 22 sewer benefit assessment systems containing deferred assessments and billing of any newly activated deferred assessments; and maintenance of two Center Groton water benefit assessment systems containing deferred assessment accounts and billing of any newly activated deferred assessments.

Human Resources

The Human Resources Department oversees the recruitment of new employees, training and development and employee relations programs. Among the employee relations programs offered by the Town is an Employee Assistance Program where confidential counseling services are offered to employees and their families. Human Resources coordinates and administers employee training and development programs and is responsible for maintaining employee personnel records.

The department is also responsible for the negotiation and administration of collective bargaining agreements with the Town's five unions as well as handling grievance and arbitration proceedings. Responsibilities also include the administration of employee health insurance and retirement plans as well as worker's compensation. The Town maintains a proactive loss control and safety program. Other risk management activities include assessing the Town's insurance needs, recommending levels and types of coverage and monitoring claims.

Human Services

Groton Human Services includes three divisions:

Groton Social Services: Groton Social Services provides non-General Fund-based financial assistance, case management, advocacy, crisis intervention, outreach programs and information/referral services to eligible individuals and families residing in Groton who are in need of temporary assistance with housing, food, energy assistance and other basic necessities.

Groton Youth and Family Services: Groton Youth and Family Services provides intervention and prevention services for at risk Groton youth. Intervention services include short-term counseling, crisis intervention, initial/preliminary screenings for depression, suicide, physical and sexual abuse and ADD/ADHD and information and referral. Prevention services are collaborative activities including support groups and programs that are school and community-based.

The Groton Family Support Center: The Groton Family Support Center provides limited duration counseling and on-going support services for Groton parents and caregivers. Families of all types are encouraged to achieve and maintain healthy, positive relationships via parent education classes, play and craft groups, workshops, counseling, information and referral, home visits and support groups.

Library

The library provides opportunities for personal development by offering informational, educational and recreational materials and cultural and leisure time activities. It has been located at its present site since 1977 when a one-floor 23,100 s.f. building was constructed. In 1996, after receiving voter approval, the building was extensively renovated and 13,700 s.f. of additional floor space was added. The expanded and improved library facility supports library services for all age groups and provides high speed internet access to the public including wifi access. Computers are available for public users of all ages and the computer lab offers free computer instruction classes. The Library's teen area opened in 2010 providing renovated space for materials, technology and activities for youth in grades 6 - 12. The video production facility supports cable casting and streaming video of public meetings as well as other video services.

The facility presently houses 144,000 books, DVDs, audiobooks, compact discs and other items available for loan. The Library provides access to a variety of online databases, local, state and federal documents, local history materials and a trained staff which provides answers to 34,000 questions each year. Materials from a variety of sources are obtained for local users through interlibrary loan services. Adult, young adult and children's programs, as well as meeting room facilities open to nonprofit groups help the library maintain its function as a community center.

The citizens of the Town also have use of two public libraries that are operated by private foundations with some public assistance. The Bill Memorial Library is located in the City of Groton, and the Mystic & Noank Library is in Mystic. The three libraries have cooperative agreements and make library services convenient for all residents.

Office of Planning and Development Services (OPDS)

The Office was created in July 1993 in an effort to better serve the needs and interests of all residents of the Town by providing more efficient and effective delivery of planning and development services. The OPDS merges the duties and responsibilities of the former Planning Department, Building Inspection Office, Office of Community Development, and Economic Development staff. The agency acts as a liaison with Federal, State and local agencies, carries out development activities on behalf of the Town and provides planning and staff assistance to the Town Manager's Office, land use and other boards and commissions, and other Town departments and political subdivisions as needed. The department mission is to encourage the sound and orderly use of land and the conservation of energy and resources, the economic well-being of the community, and to ensure the safe occupation of buildings, structures, and uses. The OPDS carries out its mission through four divisions: Planning, Inspection Services; Community Development; and Economic Development.

Planning: This division is responsible for the comprehensive planning, zoning and environmental protection activities of the Town including inland wetlands protection. The mission of the division is to encourage the sound and orderly use of land for residential, commercial, industrial, institutional, recreational, conservation, and preservation purposes in the community. Staff is responsible for the following: providing professional planning services; coordinating the review and commentary on subdivision, site plan, variances, and special permit applications; developing economic base and employment data, demographic, housing and income data; compiling and analyzing data on social, economic, and physical factors affecting land use; updating core planning documents and maps; making recommendations concerning land use regulations and zoning amendment proposals; coordinating development of energy efficiency and conservation strategies; and providing environmental planning services. Provisions of the Connecticut Coastal Area Management Act are also enforced through this division.

Inspection Services: The Inspection Services division of OPDS is responsible for the enforcement of building, electrical, plumbing and mechanical codes, along with applicable zoning regulations and State Statutes. This division issues permits, inspects projects at different stages of construction and issues Certificates of Occupancy. This division also receives zoning and building complaints from citizens, conducts investigations and issues necessary cease-and-desist orders. In addition, the division is responsible for enforcement and interpretation of Historic District Regulations, Housing Code for

Rental Properties, State Demolition Code, and the Town's Property Maintenance Code. The Staff also processes Building Code of Appeals, Housing Code of Appeals, and Historic District Commission applications.

Community Development: This division has been responsible for carrying out the Town's Community Development Block Grant (CDBG) Program. Community Development activities include the funding of programs for first time homeowners, road reconstruction, parks, public buildings (new and improvements), and rehabilitation of private residential properties. This division supports and promotes affordable housing. To date, the Town has been awarded more than \$9.3 million in state and federal funds.

Economic Development: Groton's Economic Development division is responsible for encouraging the continued economic well-being of the Groton community through the retention of existing businesses and the promotion of Groton as a location for new businesses. The division also supports activities which have a direct and positive effect on business profitability and competitiveness, including identification of business sustainability opportunities that preserve or create jobs. The four key elements of the Town's Economic Development Program include business retention, business outreach, marketing and involvement in regional efforts.

Parks and Recreation

The Parks and Recreation Department consists of four divisions: Recreational Services, Parks and Forestry, Senior Center, and the Shennecossett Golf Course.

Recreation Division: The responsibilities of Recreation Services includes creating a sense of community through cultural and special events, offering programs that promote a healthy active lifestyle, keeping people connected to nature and offering positive alternatives to our youth. The division works cooperatively with other organizations and groups to reduce duplication of services and be fiscally responsible. Financial assistance is available to make all programs and services affordable.

Parks and Forestry Division: The Parks and Forestry Division duties include protecting and preserving the environmental sustainability of the community. The division currently maintains over 85 locations, which includes parks, playgrounds, town grounds, athletic fields, memorials, waterfronts, docks and beaches, trails, cemeteries and open spaces that are safe, clean and green. Some of the wide variety of tasks provided includes turf management, landscape, tree and shrub care, installation of play structures, carpentry and construction along with logistical work for special events. Parks and Forestry also provides support work for the other recreation divisions, schools and volunteer groups, and works in cooperation with other town departments. The Town's forestry program is managed by the Town's Tree Warden.

Senior Center: Services provided through the Senior Center includes promoting a healthy active lifestyle through nutrition, health, recreational classes and a fitness center for Groton residents 55 years and older. Additional goals include keeping seniors connected to the community through information and referral services, special events trips, and transportation services. The Center sponsors a club actively engaged in fund raising and community service projects including student scholarships, support for Human Service's programs, children's programs and recreation projects, entertainment groups that perform for other senior centers, schools, and civic groups, a consignment shop and more. Nutritional meals are available through a cafeteria style kitchen for light breakfast and lunch, and the Meals on Wheels program for the homebound is also available for lunch.

Shennecossett Golf Course: Responsibilities include providing a quality golfing experience at an affordable price. The 18 hole public course, which is open year round, also offers a full service restaurant open to the public and full pro shop services. The management of the course involves coordinating the grounds keeping maintenance services with those of the golf professional and the restaurant service. Fee structures for the course are reviewed annually as the course is run as a special revenue account. Tee times can be made online by using Shennygolf.com. Shennecossett offers opportunities for league and tournament play and provides a solo rider golf cart to make the golf course accessible to physically disabled players.

Public Safety

The Town of Groton Police Department is responsible for the enforcement of laws, protection of property, animal control, marine safety, school crossing guards, criminal justice, and the education of young people in the areas of drug and alcohol abuse prevention. The four divisions are: (1) Special Services which is responsible for training, community education including DARE, drug education, juvenile matters and crimes against the elderly; (2) Records which is responsible for providing all statistics related to police work, (3) Patrol which acts as a proactive deterrent to crime and provides a quick

response to citizen calls for service, including a Community Policing Program in which all officers participate; and (4) Detective which conducts investigations, interviews and interrogations on more serious and complex crimes.

The Town of Groton Police Department employs sixty-seven full-time sworn police officers, one full-time Animal Control Officer, three part-time assistant Animal Control Officers and four full-time clerical workers. The sworn personnel include the Chief of Police, Deputy Chief of Police, one Captain, four Lieutenants, one Training Sergeant, one Detective Lieutenant, eight Patrol Sergeants, five Detectives, four Youth Officers, forty-one Patrol Officers and one part-time Supernumerary Officer.

The Police Department does not operate in the two political subdivisions, the City of Groton and Groton Long Point Association, on a full-time basis as the political subdivisions provide their own police protection. However, for fiscal year 2013 the Town of Groton will fund the police budgets of both of its political subdivisions. The Town of Groton will fund approximately 50% of the City of Groton's police budget and approximately 30% of the Groton Long Point Association's police budget.

Public Works

The Town of Groton Public Works Department consists of seven operational areas or divisions: Administration, Engineering, Roads and Streets, Solid Waste, Wastewater Treatment, Public Buildings, and Fleet Maintenance.

Administration: Administration Division staff is the first to respond to citizen requests for services, answering questions, and responding to concerns. The staff administers, coordinates, and evaluates all Public Works policies, projects and programs under the Director of Public Works to insure that essential services are provided to the public and to each Town Department in a responsive manner. The Department administers combined operating budgets of nearly \$16 million, that includes the management of other funds, such as the Solid Waste, Sewer Operating, and Fleet Reserve Funds.

Engineering: The Engineering Division is responsible for surveys, studies, designs, cost estimates, inspections and contract administration duties for the construction of streets, sidewalks, bridges, culverts, sanitary and storm sewers, buildings, and parks. It manages both in-house design projects and the design or professional services provided through consulting engineers. Computer aided drafting (CAD) equipment and the GIS system provides the Department with state-of-the-art tools to produce quality mapping and construction specifications bid packages.

Public Buildings: Public Buildings is responsible for the maintenance, and operation of 245,000 s.f. of permanent town buildings (excluding the Board of Education Facilities). The building inventory encompasses both highly visible and customer-oriented facilities as well as seasonal park structures and storage buildings. Other responsibilities include completing minor improvement projects, replacing equipment, housekeeping, and internal support to town departments.

Roads and Streets: Roads and Streets maintains approximately 187 lane miles of roads and appurtenances. The division is responsible for snow removal, crack sealing, patching, resurfacing and recycling milled pavement material when feasible. It performs minor construction work such as drainage installation, construction of asphalt sidewalks and site work. It is responsible for street sweeping, roadside vegetation control, traffic signals, traffic signs and markings, catch basin cleaning and other street maintenance work.

Waste Water Treatment: The Division operates the water pollution control wastewater collection system and secondary treatment facility with the operations being fully funded through the collection of user fees. The Town's sewer program began in 1958 with the creation of the Town's Sewer Authority. The Town's Sewer District was established in 1962. The District includes the entire area of the Town except for the City of Groton. The facility is fully funded through the collection of user fees. Staff performs the necessary functions to keep the system and facility continuously operational at maximum efficiency and is responsible for collection, treatment and discharge of effluent. Numerous samples are collected by staff and bacteriological examinations are performed. The treatment plant treats about 1.2 billion gallons per year. Employees maintain and repair equipment, instrumentation, facilities, 23 pump stations, 138 miles of sewer lines, and 2,513 manholes.

Fleet Maintenance: The Fleet staff makes repairs to all Town owned light vehicles, heavy equipment and construction equipment, including Police vehicles, so that town staff can operate programs and provide services at a level of optimum effectiveness and efficiency. The division also maintains vehicles from Groton Long Point, Ledge Light Health District, Board of Education, Southeastern Connecticut Regional Resource Recovery Authority, the Groton Housing Authority, several fire districts and ambulance services as well as the City of Groton Police Department. The services provided to the other organizations are billed for labor and parts to the individual organization.

Solid Waste: Solid Waste is responsible for the management and disposal of approximately 25,232 tons of municipal solid waste and 530 tons of bulky waste generated within the Town. The staff operates a leaf composting facility, a residential transfer station, and a commercial solid waste collection program. Municipal solid waste from residential sources is collected either by political subdivisions or by individual residents contracting directly with a hauler. Additional responsibilities include the maintenance of three closed landfills, transportation of construction and demolition wastes generated at the Transfer Station to an out of state Subtitle D landfill, and the grinding of brush into reusable mulch that is available free to Groton citizens on a first come, first served basis. The Town has entered into the Municipal Solid Waste Management Services Contract, as amended (the "Service Contract") with the Southeastern Connecticut Regional Resource Recovery Authority (SCRRA) pursuant to which it participates, with ten other southeastern Connecticut municipalities, in the Southeastern Connecticut System. The System consists of a mass-burn solid waste, disposal and electric generation facility located in the Town of Preston and various improvements and facilities related thereto. Under the Service Contract, the Town is required to deliver or cause to be delivered to the System, solid waste generated within its boundaries up to its minimum commitment of approximately 25,232 tons per year and to pay a uniform per ton Disposal Service payment therefore. The aggregate minimum commitment of the participating municipalities is 144,078 tons per year. The Town's Service Payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the participating municipalities is not met by the total deliveries of all the participating municipalities in any year, the Town must pay the Service Payment for its full portion of the aggregate minimum commitment even if it did not deliver that full portion. Currently the Town is producing over the 25,232 tons per year of waste that is required under the service contract.

Service Payments are payable so long as the System is accepting solid waste delivered by or on behalf of the Town, whether or not such solid waste is processed at the Facility. The Town's obligation to pay the Service Payment, so long as the Authority is so accepting the Town's solid waste, is absolute and unconditional, is not subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other right which the Town may have against the Authority or any person for any reason whatsoever, and is not affected by any defect in title, design, fitness for use, loss or destruction of the System. The Town has pledged its full faith and credit to the payment of Services Payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the Service Payments.

The Public Works Department does not operate in the two political subdivisions, the City of Groton and the Groton Long Point Association. The Town provides payment to the political subdivisions in lieu of providing this service and the subdivisions operate their own public works departments.

Town Clerk

The Town Clerk's Office is often the first place a citizen approaches for information. Office staff responds to thousands of requests for copies of certificates, permits, licenses, public documents, and land records each year. The Office is the official repository of many required legal documents, and acts for the State in the areas of licensing, conveyance tax collection, and elections. Nearly everything done in the Office is mandated by State Statutes or by the Town Charter.

Town Manager

Information Technology (IT): Information Technology manages all of the Town's information databases, Geographic Information System (GIS), and the Town's Wide Area Network (WAN). IT staff is responsible for writing, maintaining, and updating software applications as well as installing, upgrading, and repairing Personal Computers (PCs), laptops, and peripherals throughout the Town. To ensure compatibility with the existing computer infrastructure, IT evaluates potential software and hardware purchases before they are made. IT coordinates PC application training to Town employees in the Town's computer training room.

Emergency Management/Communications: The Town's Emergency Communications Center serves the entire Town of Groton and provides a full range of dispatching services to the Town of North Stonington. It serves as the Public Safety Answering Point (PSAP) for the Enhanced 9-1-1 system and dispatches for nine fire departments, three ambulance services, one paramedic service, the Groton Town Police and the Groton Long Point Police Department.

Emergency Management plans for the safety of the Town's residences and coordination of emergency services in the event of a natural or technological disaster. During an emergency, the Director of Emergency Management becomes the chief advisor to the Town Manager. The office, in conjunction with State and Federal agencies, provides training to Town employees in the areas of planning, disaster management and restoration of services. The office coordinates the annual Millstone Nuclear Power Plant exercise, and hazardous materials response activities as required by SARA Title 111, the Federal Community Right to Know Law.

Utilities

Electricity: Electric power is provided by Connecticut Light and Power to residents in the easternmost section of the Town. The western portions of the Town are customers of the City of Groton Electric Department, governed by Groton Utilities.

Water: Two utilities provide water to the Town: Groton Utilities and Aquarion Water Company.

Sewers: Wastewater collection and treatment services are provided by both the Town Department of Public Works and the City's Groton Utilities. Each public agency operates its own separate collection and treatment system. Each agency operates a separate wastewater treatment plant.

Telephone: Telephone service is provided by AT&T.

Political Subdivisions

The City of Groton: The City of Groton (changed from the Borough of Groton in 1964) was incorporated in 1903 to provide utilities, sewers, highways, fire and police protection. The City is governed by an elected Mayor, a six-member council, a City Clerk and a City Treasurer. The City Council and Mayor also serve as the Sewer Authority, and appoint the following: Zoning Board of Appeals, Planning and Zoning Commission, Utilities Commission, Conservation Commission, and Beach and Parks Commission. The City Council also appoints a City Attorney, a Director of Finance and heads of the police, fire, health and public works departments.

The Groton Long Point Association: The Groton Long Point Association was incorporated in 1921 to provide road maintenance and fire and police protection. It elects a President, Vice-President, Clerk, and five directors who compose the eight-member Board of Directors, plus a Treasurer and other boards and commissions. The Board appoints several other public servants including the police chief and fire marshal.

Special Districts

The Mystic Fire District: The Mystic Fire District was incorporated by the legislature in 1879 to provide fire protection. This, the first such special district created within the Town of Groton, includes the Village of Mystic situated in two towns – Groton and Stonington. This district has no full-time employees, but does operate a sanitation service on a contract basis and has a clerical assistant to provide services to Stonington residents.

The Noank Fire District: The Noank Fire District was established in 1929 to provide fire protection. Voters elect a Clerk, Treasurer, and members of four governing committees. Other appointed officials are the paid members of the fire department, legal counsel, members of the Zoning Board of Appeals, and the Water Department personnel.

The Poquonnock Bridge Fire District: The Poquonnock Bridge Fire District was established in 1943 and expanded in area in 1962, to provide fire protection. Voters elect a Clerk, Treasurer and a seven-member Executive Committee which then appoints the Fire Chief, Deputy Chief, Fire Marshall, Fire Inspector and twenty-seven full-time firemen. There is no other governmental function of this division.

The Center Groton Fire District: The Center Groton Fire District was organized in 1960. The voters elect a President, Vice-President, Secretary, Treasurer and a five-member Board of Directors. The President and the Board of Directors appoint five fire officials. There are no services provided other than fire protection.

The Old Mystic Fire District: The Old Mystic Fire District was established in 1961 and provides fire protection. The Voters elect a President, Vice-President/Clerk, Treasurer and a twelve-member Board of Directors, six each from Groton and Stonington. The Directors appoint a Tax Collector and two fire marshals. Beginning in July, 1991, the Town of Groton began collecting taxes for those residents who reside on the Groton side of the Old Mystic Fire District.

The West Pleasant Valley Fire District: The West Pleasant Valley Fire District was established in 1961, elects a President, Vice President, Secretary, Treasurer and a five-member Board of Directors. There are no appointed committees or employees and fire service is contracted from the City of Groton.

Local Economic Condition and Outlook

The Office of Planning and Development Services, includes the Planning, Zoning, and Environmental Protection; Inspection Services; and Community and Economic Development divisions and is located at the Town Hall Annex, 134 Groton Long Point Road. The Town's Economic Development Program consists of four major components: business retention and sustainability, business outreach, marketing and participation in regional economic development efforts.

The economy continues to grow at a slow rate with the Town's supply of buildable lots reduced substantially over the length of this economic downturn. The Town continues to move forward with its downtown Mystic Streetscape revitalization projects, update of the Town's master plan (Plan of Conservation and Development and Municipal Coastal Plan), reconstruction of Thames Street in the City's primary retail area, and master planning for the next phase of Groton Public Schools modernization.

Non-Residential

The following are non-residential projects and development activity recently approved, completed or under construction:

Naval Submarine Base: A new 57,000 s.f. commissary building is scheduled to open in March 2014; the contract for the project was \$14.5 million, which is in addition to the over \$150 million in improvements to the base since the 2005 Defense Base Realignment and Closure Commission ("BRAC"). A \$3 million grant was awarded in 2013 for the construction of a 5 megawatt co-generation turbine and a 1.5 megawatt diesel generator as part of a new micro-grid program, with the goal of enhancing power supply reliability. The Town of Groton and State of Connecticut have been partnering on a \$5.5 million, multi-phase project improving Crystal Lake Road, which provides access to the main gate of the Base. The project encompasses several phases: widening and repaving Crystal Lake Road, realigning Military Highway with Crystal Lake Road and installing new traffic signal, turn radius improvements at major intersections, and the construction of a multi-use trail.

Electric Boat (EB): EB has been awarded the design and construction of the next generation of ballistic-missile submarines which will replace the current Virginia class submarines in 2020. In January 2014, EB announced \$100 million in upgrades in Groton that include a new module testing facility for the ballistic missile submarines, the replacement and increase to the capacity of the vessel that transports modules from EB's Quonset Point facility to Groton, and an upgrade of the graving docks. EB is also demolishing some of its older buildings to make room for the additions. Design and planning are ongoing and it is anticipated that construction will begin by 2017.

Pfizer, Inc.: Pfizer's Groton facilities have approximately 2.0 million s.f. of space. Pfizer closed the majority of their manufacturing operations in Groton prior to 2010, and is in the process of decommissioning and demolishing some former manufacturing facilities. The company is also reviewing the need for retaining and/or reusing former laboratory facilities. The Town has taken the lead in marketing these lab facilities and reviewing their potential for reuse, dedicating marketing funds to the project. Pfizer is currently working with the State of Connecticut and CURE (Connecticut United for Research Excellence, the bioscience cluster of Connecticut) to negotiate the transfer of Building 286 for a bioscience incubator space.

Despite extensive re-purposing efforts involving Town, City and State officials, in April 2013 Pfizer submitted a demolition permit for Building 118, a 750,000 s.f. former research facility, as part of consolidation efforts at the Groton campus. Demolition is currently underway and is expected to be completed in the summer of 2014. The Town expects that Building 118 will be razed as of the October 1, 2014 Grand List which will be effective for Fiscal Year 2015-16. The Town estimates the loss of tax revenue to be approximately \$2 million annually.

Airport Business Park: This highly successful 15-lot subdivision of industrially-zoned land is near the Groton-New London Airport and in the Town's Enterprise Zone. Several buildings have been constructed, including the Southeastern Connecticut Business Complex which consists of two 12,000 s.f. buildings designed to be subdivided into incubator/warehouse/industrial condominiums. A gym was constructed in 2013 on one of the last available lots. A 24,000 s.f. building is under construction in 2014, with half of the space committed to an international technology company.

Mystic Business Park, LLC (Flanders Road): Phase II has been approved and 6 new buildings totaling 88,000 s.f. are under construction. This will bring the total facilities of the park to 13 buildings and 147,000 s.f.

LBI (North Road): LBI specializes in composite and thermoform products in the marine industry and recently received a \$27 million dollar federal contract. LBI is in the initial stages of approvals for a 12,000 s.f. addition to their facility.

Office Building- Poheganut Drive: A 6,265 square foot addition to the building to accommodate growth of an existing software company is underway.

Wal-Mart: Building permits have been issued for a 36,000+/- s.f. expansion to the Wal-Mart on Route 184 with construction to begin in early 2014. In addition to the expanded space, which will include a new fenced in garden center and vestibule entryways, this project proposes to improve the existing utility services, storm-water management system, landscaping and parking areas on-site. Upon completion of the project, the total building area will be 159,000 +/- s.f. In 2008, Wal-Mart completed an \$800,000 interior and exterior upgrade to this facility.

Domino's Pizza: Completed renovation of long shuttered former restaurant space along Route 12.

Groton Square (220 Route 12): Moe's Southwest Grill and Supercuts Salon opened in 2013. Panera Bread has proposed an expansion to accommodate catering needs and Grand Wine & Spirit Shop recently had a ribbon cutting for their move into larger and fully renovated adjacent space.

Market Place Plaza (Poquonnock Road): "Manana" a new Mexican restaurant has opened; Fort Hill Pharmacy added a second location selling medical supplies; and the small kiosk has opened as a drive-thru sushi establishment.

Groton Shopping Plaza (Long Hill Road): Beirut's Food Palace opened as a fast food restaurant and Monterrey's pizza opened in the former Angelo's pizza and added additional equipment to expand their menu.

Downtown Mystic: Two new businesses, The Spice & Tea Exchange and the Green Elephant recently opened; the Harp & Hound installed a kitchen to offer a full service menu; the Salty Dog Barber & Shave is adding a full service spa; the Oyster Club has opened its new outdoor deck/seating area; and Pizzetta has received approval to expand its outdoor patio/seating area.

Noank: Noank Community Market opened in the former Universal Food Store, Ford's Lobster has opened a new indoor dining area and a bakery is opening next to the Noank package store.

The Oyster Club (11-13 Water Street): This restaurant has recently expanded with an outdoor deck and seating area for this new "farm to table" seafood restaurant in historic downtown Mystic (2,120 s.f.). The owner will be making application this year for another restaurant in Mystic.

Gabriele's Martial Arts, Route 1: Another example of private reinvestment in Groton's downtown is the completed renovation and reuse of this 8,800+/- s.f. building for a martial arts facility and a day spa. Major improvements were made to the building and site, which had been underutilized for a number of years. A second story has been completed to increase storage space.

Hannah Enterprises: Major renovations of the former gas station site that lay dormant for more than a decade at Route 1 and Noank Ledyard Road in Mystic have now been completed bringing this former blighted site back to the community to provide a small convenience store serving the neighborhood.

The Bridge Market: New management has taken the former Central Market and made interior renovations and significant investments in this Poquonnock Bridge neighborhood, a Neighborhood Revitalization Zone. This new "food court" venue will soon include a Bess Eaton donut shop to complement the deli, pizza and convenience food uses on site.

Central Hall Block: The site plan approval for this mixed-use development has recently been modified to complete all technical requirements for construction of the proposed 4-story building with 6 units of retail space on the first floor and 12 residential condominium units on the upper floors. This property is located in historic downtown Mystic, and was the site of a fire in March of 2000 that destroyed the building. The project will involve a public/private partnership with the Town, as the owners will lease adjacent municipal property for parking and certain site utilities. Coastal public access remains a central focus of the project, connecting to the Town's already extensive system of trails along the Mystic River.

Upton Bass (Packer Road): A string instrument company completed construction of their new facility and is now open.

Fields of Fire (Noank Ledyard Road): A paintball facility opened in 2012 and has begun discussions regarding the permitting for expansion of the facility.

Cedar Groton Shopping Center (Long Hill Road): Goodwill Stores is in the process of remodeling and expanding into the space of the former Monster Mini-Golf. Additionally, a new hair salon and nail salon has opened in the shopping center.

Other Significant Initiatives and Developments

Mystic Streetscape/Utility Relocation Construction (Phase I): This project along West Main Street from the Mystic River Bridge to High Street and along a portion of Water Street was completed July 31, 2013. Improvements include new sidewalks and streetscape furniture, and the underground relocation of all overhead utility lines. The addition of federal stimulus funding has enabled the Town to redesign and complete the project to meet all goals. Improvements installed are valued at about \$5,000,000.

Mystic Streetscape (Phase II): The construction contract has been awarded for \$604,053 and construction is set to begin mid-March 2014 with a completion date of June 2014. This phase will include sidewalk, landscaping, drainage improvements and the addition of off-street parking in this stretch of Water Street (Route 215) from the public restrooms to Noank Road. The Council of Governments and CONNDOT have authorized an additional \$1.3 million for this project. This portion of the project will be designed and constructed using the remainder of the original High Priority Project and STP-Urban Systems funding now dedicated to the project. Project value is estimated at about \$1,500,000.

Thomas Road Bikeway Project: This multi-purpose path project is now in semi-final design. The federal government has financed 80% of the costs through the SAFETEA-LU program and Congressional funding. While the project has been favorably received by the state and federal agencies involved, it involves rigorous permitting requirements and constraints with the Army Corps, CONNDOT and DEP. It calls for about 3,400 linear feet of bikeway connecting the Town and the City of Groton. Project value is in the vicinity of \$1,500,000. Construction is anticipated to begin later in calendar year 2014.

Downtown Gateway (Route 1) Streetscape Design Project: The project will result in design recommendations to improve landscaping, traffic operations, signage, and enhance the identity of Groton's gateway to its Downtown from Interstate 95 and points north. BL Companies has partially completed preliminary design of this project and will complete the same for Route 1 between I-95 and Ronald Road in the next six (6) months.

Residential and Institutional

The following are significant residential and /or institutional projects that were recently approved, completed or are under construction:

Residential Life Care

Fairview Estates, Lestertown Road: This existing continuing care community held a groundbreaking in September 2013 and work has begun on Phase I for construction of 23 active adult housing units, a clubhouse and related site improvements.

Multi-family Residential

Four Winds at Mystic: Plans are being finalized for a 147-unit active adult community off of Noank-Ledyard Road. All local approvals have been obtained and remain valid.

Long Meadow Apartments, South Road/Route 1: New management for this complex plan to rehabilitate existing buildings, upgrade landscaping and recreation facilities, and construct 21 new residential units with a leasing office.

1-2 Family Residential

Mystic Weigh Subdivision: Construction continues on a 75-lot open space subdivision off of Flanders Road, with it almost 90% built out. Construction continues at a modest pace, even with the economic downturn.

Midway Commons Subdivision: Construction is well underway for a 38-lot subdivision off of Midway Oval in the Fort Hill Homes area. The lots will accommodate duplex units in the Town's Neighborhood Revitalization Zone, an area in which the Town has targeted investment.

Major Initiatives

Senior Center Addition & Renovations Project:

Voters of the Town of Groton approved an ordinance on November 6, 2007 appropriating \$11.77 million that would add 22,000 square feet to the existing 14,900 square-foot building that was built in 1979. The renovations included additional activity classrooms, a computer room, a music room, exercise and fitness room and administrative offices. Renovations and additions are planned for the kitchen facilities, entry vestibule and lobby. Work on the building began in March 2009 and was completed by March 2010. The project was completed for a total of \$9.3 million, roughly \$2.4 million under budget.

Road Maintenance and Rehabilitation Program:

On November 6, 2012, the voters of the Town approved an ordinance appropriating \$11,200,000 and authorized the issuance of bonds and notes in the same amount for road maintenance and rehabilitation program for the Town's accepted network of roads. Included in the program are town-accepted roads within the geographical boundaries of the City of Groton and of the Groton Long Point Association. This program is anticipated to be accomplished during calendar years ending December 2013 through December 2017.

Thames Street Rehabilitation:

On November 3, 2009, the voters of the Town were asked to authorize bonding in the amount of \$10.725 million for major upgrades to Thames Street which included reconstruction of the road and drainage; improvements to retaining walls, lighting and sidewalks; and some landscaping. The referendum failed with 56% of the voters voting against the referendum. In the summer of 2010, the Town Council established a committee to discuss the future of Thames Street with the goal of creating a plan that could be presented to the voters before a referendum in the spring 2011. In November 2010, the Town Council received the committee's recommendation for a \$6,300,000 upgrade to Thames Street. The Town Council and Representative Town Meeting approved the bonding resolution and the matter was on the May 2, 2011 referendum ballot which was approved by the voters by 3,334 to 2,306. The project went out to bid in early 2013 and the project is expected to be completed by the fall of 2014.

School Projects, Phase II:

With the completion of Phase I, a \$91.3 million school facilities project, facilities and educational needs of the Town were evaluated to identify additional school enhancement projects. Phase II, a \$133 million proposal, called for a new middle school to be built where Claude Chester Elementary School now stands, the renovation of Cutler Middle School into an intermediate elementary school and the conversion of S. B. Butler Elementary and West Side Middle into early education centers. About half of the costs were expected to be paid by the State. On May 2, 2011 a voter referendum was held on this project and it was rejected by a vote of 4,184 to 1,437.

The issue of consolidation, which would have been achieved with the referendum's passage, will be considered by the Board of Education as necessary to keep education costs as low as possible and to respond to a declining school population. A School Facilities Task Force was formed in January 2013 to determine the best approach to plan the successor to the Phase II school facilities plan.

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Municipal Employees

(Full-time)

<i>Fiscal Year</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
General Government	268	268	267	268	284
Board of Education	<u>672</u>	<u>665</u>	<u>657</u>	<u>665</u>	<u>667</u>
<i>Total</i>	940	933	924	933	951

Source: Town Officials.

Municipal Employees by Category

The following is a breakdown by category of full-time Town employees for fiscal year ending 2014:

<i>Department</i>	<i>Full-time Positions</i>
Information Services.....	7
Human Resources.....	4
Emergency Communications.....	15
Board of Education.....	672
Library.....	20
Parks & Recreation.....	21
Finance.....	19
Golf Course ¹	7
Human Services.....	8
Planning and Development.....	16
Public Safety	72
Public Works.....	52
Town Clerk.....	5
Town Manager.....	4
Water Pollution Control Authority ¹	<u>19</u>
<i>Total</i>	940

¹ *These positions are supported from grant programs or special revenue funds of the Town.*

Source: Department of Finance and Board of Education, Town of Groton.

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Municipal Employee Bargaining Organizations

<u>General Government</u>	<u>Union Representation</u>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
Clerical/ Professional	Groton Municipal Employees Association CILU Local 62	90	June 30, 2015
Police.....	Groton Police Union Association Local 3428 of Council 15 AFSCME	65	June 30, 2014
Public Works/Maintenance..	United Steel Workers of America AFL-CIO #9411	52	June 30, 2015
Supervisors.....	Local 818 of Council 4 AFSCME	5	June 30, 2016
Dispatcher.....	Groton Telecommunicators Assoc/ United Electrical Local 222, CILU Local 86	13	June 30, 2014
Non-union.....	Non-represented employees	45	N/A
<u>Board of Education</u>			
Teachers	Groton Educational Association	443	August 31, 2016
Custodians.....	Groton Custodial and Maintenance Association	56	June 30, 2014
Para-Professionals.....	Groton Para - Professional Association	128	June 30, 2012 ¹
Secretaries.....	Groton School Secretaries Association	18	June 30, 2013 ²
Administrators.....	Groton School Administrators	27	June 30, 2015
	Total	942	

Source: Department of Finance and Superintendent of Schools, Town of Groton.

¹ Arbitration pending.

² In negotiations.

The negotiation of collective bargaining agreements is subject to binding arbitration under Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n to provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Educational System

The Town's school system consists of seven schools for pupils in grades Pre-K through 5; two schools for pupils in grades 6-8, and one high school (Fitch Senior High School) for grades 9-12. Special education services are also provided at Fitch Senior High School. The schools are governed by a nine-member Board of Education.

Educational Facilities

<i>School</i>	<i>Grades</i>	<i>Date of Construction</i>	<i>Number of Classrooms</i>	<i>Type of Construction</i>	<i>Enrollment 10/01/13</i>	<i>Rated Capacity</i> ¹
Charles Barnum ²	Pre K-5	1965, 1970, 1990	21	Masonry	385	419
Claude Chester.....	Pre K-5	1952, 1956, 1965	27	Masonry	362	505
Catherine Kolnaski....	Pre K-5	2008	25	Masonry	411	480
Mary Morrisson ²	Pre K-5	1963, 1990	24	Masonry	422	442
Northeast Academy...	Pre K-5	2008	22	Masonry	410	336
Pleasant Valley ³	Pre K-5	1994	25	Masonry/wood	294	356
S.B. Butler ⁴	Pre K-5	1952, 1962, 1993	21	Masonry	333	350
Cutler Middle.....	6-8	1960, 1962, 1968	38	Masonry	449	403
West Side Middle.....	6-8	1956, 1994	17	Masonry	480	494
Fitch Senior High	9-12	1953, 1958, 1963, 1967, 1971, 1981, 1989, 2008	92	Masonry	1,123	1,460
Total					4,669	5,245

¹ Rated capacity represents 85% of designated class size based upon current programming.

² Two portable classrooms are included.

³ Four portable classrooms are included.

⁴ Three portable classrooms are included.

Source: School Business Manager

School Enrollments

<i>School Year</i>	<i>Historical</i>				<i>Spec. Ed</i> ¹	<i>Total</i>
	<i>PreK-5</i>	<i>6-8</i>	<i>9-12</i>			
2004-2005	2,750	1,217	1,469	136	5,572	
2005-2006	2,646	1,146	1,379	139	5,310	
2006-2007	2,676	1,169	1,391	-	5,236	
2007-2008	2,624	1,124	1,413	-	5,161	
2008-2009	2,667	1,071	1,395	-	5,133	
2009-2010	2,692	1,036	1,310	-	5,038	
2010-2011	2,690	1,025	1,280	-	4,995	
2011-2012	2,691	1,030	1,240	-	4,961	
2012-2013	2,652	968	1,183	-	4,803	
2013-2014	2,617	929	1,123	-	4,669	
	<i>Projected</i>					
2014-2015	2,650	940	1,056	-	4,646	
2015-2016	2,623	917	1,049		4,589	
2016-2017	2,592	931	1,015		4,538	
2017-2018	2,579	938	991		4,508	

¹ Starting with the 2006-07 school year, special education enrollment figures are included in each school's total enrollment figure.

Source: Business Manager's Office, Town of Groton Board of Education.

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<i>Year</i>	<i>Town of Groton</i>		<i>New London County</i>		<i>State of Connecticut</i>	
	<i>Population</i>	<i>% Change</i>	<i>Population</i>	<i>% Change</i>	<i>Population</i>	<i>% Change</i>
1980	41,062	7.37	238,409	3.36	3,107,576	2.49
1990	45,144	9.94	254,957	6.94	3,287,116	5.78
2000	39,907	(11.60)	259,088	1.62	3,405,565	3.60
2010	40,115	0.52	274,055	5.78	3,574,097	4.95
2012	40,079	(0.09)	273,723	(0.12)	3,572,213	(0.05)

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

Age Distribution of Population

<i>Age</i>	<i>Town of Groton</i>		<i>New London County</i>		<i>State of Connecticut</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Under 5 years.....	2,839	7.1	14,771	5.4	200,031	5.6
5 - 9 years.....	2,227	5.6	15,801	5.8	221,806	6.2
10 - 14 years.....	1,983	4.9	17,298	6.3	238,955	6.7
15 - 19 years.....	3,237	8.1	18,843	6.9	254,462	7.1
20 - 24 years.....	4,611	11.5	19,468	7.1	225,619	6.3
25 - 34 years.....	5,973	14.9	32,737	12.0	421,617	11.8
35 - 44 years.....	4,665	11.6	36,248	13.2	485,127	13.6
45 - 54 years.....	5,315	13.3	44,296	16.2	570,253	16.0
55 - 59 years.....	2,078	5.2	18,117	6.6	238,882	6.7
60 - 64 years.....	2,041	5.1	16,913	6.2	205,639	5.8
65 - 74 years.....	2,445	6.1	20,769	7.6	258,464	7.2
75 - 84 years.....	1,764	4.4	13,337	4.9	166,552	4.7
85 years and over.....	901	2.2	5,125	1.9	84,806	2.4
Total.....	40,079	100.0	273,723	100.0	3,572,213	100.0
Median Age (Years).....	33.2		40.3		40.0	

Source: U.S. Department of Commerce, Bureau of Census. American Community Survey, 2008-12.

Selected Wealth and Income Indicators

	<i>Town of Groton</i>	<i>New London County</i>	<i>State of Connecticut</i>
Per Capita Income, 2012	\$33,295	\$33,968	\$37,807
Per Capita Income, 2000	\$23,995	\$24,678	\$28,766
Median Family Income, 2012	\$76,291	\$83,928	\$87,182
Median Family Income, 2000	\$51,402	\$59,857	\$65,521
Percent Below Poverty, 2012	5.7%	5.6%	7.1%

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

Income Distribution

Income	Town of Groton		New London County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000.....	302	3.1	1,737	2.5	29,554	3.3
\$10,000 to \$14,999.....	177	1.8	1,288	1.8	19,067	2.1
\$15,000 to \$24,999.....	590	6.1	3,337	4.7	46,703	5.1
\$25,000 to \$34,999.....	588	6.1	4,247	6.0	56,959	6.3
\$35,000 to \$49,999.....	1,362	14.1	7,710	10.9	86,314	9.5
\$50,000 to \$74,999.....	1,712	17.7	12,321	17.4	145,557	16.0
\$75,000 to \$99,999.....	1,591	16.4	12,126	17.1	135,431	14.9
\$100,000 to \$149,999.....	2,011	20.8	15,996	22.6	190,762	21.0
\$150,000 to \$199,999.....	820	8.5	6,907	9.8	89,839	9.9
\$200,000 or more.....	529	5.5	5,080	7.2	107,414	11.8
Total.....	9,682	100.0	70,749	100.0	907,600	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Educational Attainment

	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	539	2.1	5,539	3.0	109,649	4.5
9th to 12th grade, no diploma.....	1,415	5.6	12,226	6.5	158,805	6.5
High School graduate (includes equivalency)...	7,154	28.4	58,775	31.3	677,253	27.9
Some college, no degree.....	5,556	22.1	37,393	19.9	429,013	17.6
Associate degree.....	2,115	8.4	15,100	8.1	177,531	7.3
Bachelor's degree.....	4,837	19.2	31,702	16.9	494,197	20.3
Graduate or professional degree.....	3,566	14.2	26,807	14.3	384,892	15.8
Total.....	25,182	100.0	187,542	100.0	2,431,340	100.0
Total high school graduate or higher (%).....	92.2		90.5		89.0	
Total bachelor's degree or higher (%).....	33.4		31.2		36.2	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Employment by Industry

Sector	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	47	0.3	637	0.5	6,786	0.4
Construction	624	3.5	7,146	5.4	102,566	5.8
Manufacturing	2,872	16.1	17,411	13.0	197,445	11.2
Wholesale trade	208	1.2	2,431	1.8	43,172	2.4
Retail trade	2,152	12.1	14,846	11.1	193,133	11.0
Transportation and warehousing, and utilities	568	3.2	5,869	4.4	66,436	3.8
Information	227	1.3	2,113	1.6	43,327	2.5
Finance, insurance, real estate, rental & leasing	750	4.2	5,725	4.3	165,347	9.4
Professional, scientific, management, administrative, and waste mgmt services	1,678	9.4	10,928	8.2	190,556	10.8
Education, health and social services	3,938	22.1	31,173	23.4	459,463	26.1
Arts, entertainment, recreation, accommodation and food services	3,016	16.9	23,607	17.7	145,799	8.3
Other services (except public administration)	631	3.5	5,106	3.8	80,847	4.6
Public Administration	1,094	6.1	6,484	4.9	67,830	3.8
Total Labor Force, Employed	17,805	100.0	133,476	100.0	1,762,707	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Major Employers (non-retail)

<i>Name of Employer</i>	<i>Nature of Business</i>	<i>Employees</i>
U.S. Navy Submarine Base	Military Base	9,710 ¹
Electric Boat Corporation	Submarines	9,225 ²
Pfizer, Inc.	Pharmaceuticals	3,360 ³
Town of Groton	Municipality	940
TASMG	Helicopter Repair	528 ⁴
City of Groton	Municipality	236 ⁵
Mystic Marriott.....	Hotel/Conference Center	225 ⁶
PCC Structural	Manufacturer	180
Lawrence & Memorial Facilities.....	Hospital	149 ⁷
Total		24,553

¹ Includes military and civilian employees and contractors.

² Includes 6,700 at Groton Facility and 2,525 at New London Facility.

³ Estimate as of November 2013.

⁴ The Air National Guard Theater Aviation Sustainment Maintenance Group ("TASMG") includes 184 full-time, 208 part-time personnel, and 136 civilian contractors.

⁵ Includes 101 City of Groton employees and 135 Groton Utilities employees.

⁶ Includes 150 full-time, 20 part-time and 55 on-call employees.

⁷ Includes 134 at Pequot Health Center (full-time, part-time, per diem and supplemental employees), 31 at Pequot Health Center EMT Nationwide, 11 at Sleep Center and 4 at Kingsbridge Square Call Center.

Source: Office of Planning & Development Services, Town of Groton.

Employment Data¹

<i>Period</i>	<i>Percentage Unemployed</i>					
	<i>Town of Groton Labor Force</i>	<i>Town of Groton Unemployed</i>	<i>Town of Groton</i>	<i>New London Labor Market</i>	<i>State of Connecticut</i>	<i>United States</i>
January 2014	17,746	16,358	7.8 %	7.8 %	7.5 %	7.0 %
Annual Average						
2013	18,215	1,555	8.5 %	8.2 %	7.9 %	7.4 %
2012	18,804	1,669	8.9	8.7	8.3	8.1
2011	19,240	1,798	9.3	8.8	8.8	9.0
2010	19,495	1,751	9.0	8.7	9.0	9.6
2009	19,532	1,602	8.2	7.8	8.0	9.3
2008	19,470	1,137	5.5	5.5	5.7	5.8
2007	18,468	842	4.4	4.3	4.5	4.6
2006	19,046	827	4.2	4.1	4.3	4.6
2005	18,414	885	4.6	4.5	4.9	5.1
2004	17,228	815	4.5	4.2	4.7	5.5

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

Number and Value of Building Permits

Town of Groton

<i>Fiscal Year</i>	<i>Residential</i>		<i>Commercial/Industrial</i>		<i>Other</i>		<i>Total</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
2014 ¹	36	\$ 7,465,000	1	\$ 111,000	265	\$ 4,836,534	302	\$ 12,412,534
2013	18	3,893,000	1	159,796	487	5,418,839	506	9,471,635
2012	12	1,560,700	-	-	545	8,436,710	557	9,997,410
2011	27	3,729,720	4	850,600	524	9,287,679	555	13,867,999
2010	36	5,958,240	4	712,000	518	6,250,802	558	12,921,042
2009	38	5,045,520	5	1,122,000	508	17,846,798	551	24,014,318
2008	72	10,917,200	10	1,731,600	546	21,316,814	628	33,965,614 ²
2007	53	9,164,782	8	7,365,000	567	44,654,796	628	61,184,578 ²
2006	48	7,583,365	10	2,538,035	551	11,296,610	609	21,418,010
2005	48	13,417,833	9	3,568,870	603	13,301,778	660	30,288,481

¹ As of December 31, 2013.

² This figure includes permit values for school construction projects.

Note: "Other" Category includes permits for additions and alterations for residential/commercial, permits for garages, swimming pools, signs, churches and clubs.

Source: Building Department, Town of Groton.

City of Groton

<i>Fiscal Year</i>	<i>Residential</i>		<i>Commercial/Industrial</i>		<i>Other</i>		<i>Total</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
2014 ¹	1	\$ 244,500	-	\$ -	29	\$ 488,496	30	\$ 732,996
2013	7	1,043,300	2	252,656	351	5,880,167	360	7,176,123
2012	4	331,750	2	75,500	384	12,362,192	390	12,769,442
2011	2	226,500	-	-	32	1,242,919	34	1,469,419
2010	-	-	2	8,744,750	53	470,956	55	9,215,706
2009	1	1,100	-	-	31	1,869,282	32	1,870,382
2008	-	-	-	-	20	841,186	20	841,186
2007	9	1,842,456	4	105,300	428	11,471,252	441	13,419,008
2006	29	4,335,455	4	107,000	399	9,973,302	432	14,415,757
2005	20	1,957,019	5	937,000	582	7,935,115	607	10,829,134

¹ As of December 31, 2013.

Source: Building Office, City of Groton.

Combined Values

<i>Groton Long Point</i>			<i>(Town of Groton, City of Groton, Groton Long)</i>		
<i>Fiscal Year</i>	<i>Total Residential</i>		<i>Fiscal Year</i>	<i>Total Value</i>	
<i>Ending 6/30</i>	<i>No.</i>	<i>Value</i>	<i>Ending 6/30</i>	<i>No.</i>	<i>Total Value</i>
2014 ¹	40	\$3,734,673	2014 ¹	372	\$16,880,203
2013	137	2,244,131	2013	1,003	18,891,889
2012	73	2,524,515	2012	1,020	25,291,367
2011	55	3,452,633	2011	644	18,790,051
2010	62	4,063,441	2010	675	26,200,189
2009	27	5,206,753	2009	610	31,091,453
2008	30	4,967,000	2008	678	39,773,800
2007	31	3,322,850	2007	1,100	77,926,436
2006	28	4,542,197	2006	1,069	40,375,964
2005	56	2,868,773	2005	1,323	43,986,388

¹ As of December 31, 2013

Source: Town of Groton, City of Groton and Groton Long Point.

Housing Inventory

<i>Type</i>	<i>Town of Groton</i>		<i>New London County</i>		<i>State of Connecticut</i>	
	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>
1-unit, detached.....	8,530	47.8	79,122	65.5	880,924	59.3
1-unit, attached.....	1,419	8.0	4,672	3.9	78,601	5.3
2 units.....	1,409	7.9	8,990	7.4	120,152	8.1
3 or 4 units.....	2,005	11.2	8,848	7.3	131,758	8.9
5 to 9 units.....	960	5.4	5,946	4.9	80,889	5.4
10 to 19 units.....	962	5.4	3,966	3.3	55,759	3.8
20 or more units.....	2,082	11.7	6,381	5.3	124,657	8.4
Mobile home.....	404	2.3	2,703	2.2	12,289	0.8
Boat, RV, van, etc.....	57	0.3	124	0.1	416	0.0
Total Inventory	17,828	100.0	120,752	100.0	1,485,445	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Age Distribution of Housing

<i>Year Built</i>	<i>Town of Groton</i>		<i>New London County</i>		<i>State of Connecticut</i>	
	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>
2010 to later	125	0.7	310	0.3	2,422	0.2
2000 to 2009	2,151	12.1	10,628	8.8	99,443	6.7
1990 to 1999	1,758	9.9	10,765	8.9	110,651	7.4
1980 to 1989	2,672	15.0	15,732	13.0	193,255	13.0
1970 to 1979	2,540	14.2	16,290	13.5	202,110	13.6
1960 to 1969	2,440	13.7	16,181	13.4	200,398	13.5
1950 to 1959	1,874	10.5	14,443	12.0	228,672	15.4
1940 to 1949	1,044	5.9	5,670	4.7	105,863	7.1
1939 or earlier	3,224	18.1	30,733	25.5	342,631	23.1
Total Housing Units	17,828	100.0	120,752	100.0	1,485,445	100.0
Percent Owner Occupied	51.3		68.2		68.3	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Owner Occupied Housing Values

<i>Specified Owner-Occupied Units</i>	<i>Town of Groton</i>		<i>New London County</i>		<i>State of Connecticut</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Less than \$50,000	270	3.4	2,167	3.0	17,515	1.9
\$50,000 to \$99,999	290	3.6	1,970	2.7	21,595	2.3
\$100,000 to \$149,999	488	6.1	4,471	6.1	60,303	6.5
\$150,000 to \$199,999	1,266	15.8	11,219	15.4	129,791	14.0
\$200,000 to \$299,999	2,871	35.7	26,014	35.7	272,261	29.3
\$300,000 to \$499,999	1,866	23.2	19,605	26.9	262,321	28.2
\$500,000 to \$999,999	772	9.6	5,883	8.1	121,757	13.1
\$1,000,000 or more	208	2.6	1,508	2.1	44,017	4.7
Total	8,031	100.0	72,837	100.0	929,560	100.0
Median Sales Price		\$255,200		\$260,600		\$285,900

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Breakdown of Land Use

<i>Developed Land</i>		<i>2012</i> ¹	
<i>Land Use Category</i>	<i>Acreage</i>	<i>%</i>	
Residential.....	5,924	29.1	
Commercial.....	652	3.2	
Industrial ¹	635	3.1	
Public, and Semi-Public.....	1,404	6.9	
<i>Total Developed Uses.....</i>	<i>8,615</i>	<i>42.3</i>	
<i>Undeveloped Land</i>		<i>2012</i> ²	
<i>Land Use Category</i>	<i>Acreage</i>	<i>%</i>	
Recreation and Open Space.....	7,582	37.3	
Other Uses (agricultural, Water and Vacant).....	4,128	20.3	
<i>Total Undeveloped Uses.....</i>	<i>11,710</i>	<i>57.6</i>	
<i>Total Land Area.....</i>	<i>20,325</i>	<i>99.9</i>	

¹ Data is based upon an interim methodology pending completion of the 2012 Plan of Conservation and Development which is currently in process.

² Includes Roads/Parking.

Source: Groton Planning Department Land Use Summary.

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SECTION IV – INDEBTEDNESS

Principal Amount of Indebtedness
As of April 16, 2014 (Pro Forma)

<i>Date</i>	<i>Purpose</i>	<i>Rate %</i>	<i>Original Issue</i>	<i>Bonds Outstanding</i>	<i>Fiscal Year Maturity</i>
10/15/07	Public Improvement- Lot A.....	3.75 - 5.00	\$ 50,000	\$ 5,000	2015
10/15/07	Schools - Lot A	3.75 - 5.00	15,450,000	770,000	2015
10/15/07	Sewer - Lot B ¹	3.625 - 5.50	3,000,000	150,000	2015
10/15/09	Public Improvement.....	2.25 - 4.25	9,030,000	464,500	2015
10/15/09	Schools.....	2.25 - 4.25	645,000	30,500	2015
12/06/11	Refunding Public Improvement - Lot A ...	2.00 - 5.00	5,675,000	4,649,000	2025
12/06/11	Refunding School - Lot A.....	2.00 - 5.00	10,630,000	10,536,000	2029
12/06/11	Refunding Sewer ¹ - Lot B	2.00 - 3.75	2,710,000	2,710,000	2029
03/12/13	Refunding Public Improvement - Lot A....	3.00 - 4.00	6,752,000	6,752,000	2030
03/12/13	Refunding School - Lot A.....	3.00 - 4.00	12,308,000	12,308,000	2030
03/12/13	Refunding Sewer ¹ - Lot B	3.00 - 4.00	2,020,000	2,020,000	2030
04/09/14	Public Improvement - Lot A.....	2.00 - 4.00	8,945,000	8,945,000	2034
04/09/14	Public Improvement - Lot B.....	2.00 - 2.25	375,000	375,000	2019
	Grand Total		\$77,590,000	\$ 49,715,000	

¹ All sewer bond principal and interest is secured by taxes levied on taxable property in the Groton Sewer District (taxable property in the Town of Groton other than property in the City of Groton). However, debt service will be paid with revenue generated by the Town's Sewer User Fee.

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Computation of Statutory Debt Limit

As of April 16, 2014 (Pro Forma)

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2013.....	\$ 81,474,892
Total Tax Collections (including interest and lien fees) of coterminous municipalities ¹	14,103,708
Reimbursement for Revenue Loss On:	
Tax relief for elderly freeze.....	2,000
Base for Debt Limitation Computation	<u>\$ 95,580,600</u>

Debt Limitation:	General		Urban		
	Purpose	Schools	Sewers	Renewal	Past Pension
2 1/4 times base	\$215,056,350	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	430,112,700	-	-	-
3 3/4 times base	-	-	358,427,250	-	-
3 1/4 times base	-	-	-	310,636,950	-
3 times base	-	-	-	-	286,741,800
Total Debt Limitation	215,056,350	430,112,700	358,427,250	310,636,950	286,741,800
Indebtedness:					
Outstanding Debt: ²					
Bonds	\$ 11,870,500	\$ 23,644,500	\$ 4,880,000	\$ -	\$ -
The Lot A Bonds.....	8,945,000	-	-	-	-
The Lot B Bonds.....	375,000	-	-	-	-
State of Connecticut CWF PLO.....	-	-	9,542,659	-	-
Authorized & Unissued	11,100,505	-	-	-	-
Underlying Debt: ^{1,3}					
Bonds & Serial Notes	6,569,094	-	680,000	-	-
Authorized & Unissued	250,000	-	-	-	-
Total Indebtedness	<u>39,110,099</u>	<u>23,644,500</u>	<u>15,102,659</u>	-	-
Less: School Grants Receivable	-	-	-	-	-
Sewer Assessment Receivable..	-	-	6,956	-	-
Total Net Indebtedness for Debt	-	-	-	-	-
Limitation Calculation	<u>39,110,099</u>	<u>23,644,500</u>	<u>15,109,615</u>	-	-
Debt Limitation in Excess of					
Indebtedness	<u>\$175,946,251</u>	<u>\$406,468,200</u>	<u>\$343,317,635</u>	<u>\$310,636,950</u>	<u>\$286,741,800</u>

¹ Per Public Act 91-407, Section 12, does not include collections or debt (totaling \$1,258,126) of Mystic Fire District.

² Excludes capital leases.

³ Excludes \$47,520,000 of City of Groton enterprise fund long term debt for outstanding water, electric and broadband bonds and notes.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$669,064,204.

Source: Town Officials.

Debt Statement – Town of Groton

As of April 16, 2014 (Pro Forma)

The Bonds (<i>Lot A & B Bonds</i>).....	\$ 9,320,000
Public Improvement.....	11,870,500
Schools	23,644,500
Sewers ¹	4,880,000
State of Connecticut Clean Water Fund PLO ²	9,542,659
Total Long-Term Debt	59,257,659
Short-Term Debt:	
Bond Anticipation Notes	-
Total Direct Debt	59,257,659
Less: Sewer Assessment Receivable (as of 12/31/2013) ²	6,956
Total Net Direct Debt	59,250,703
Plus: Underlying Debt ³	8,507,220
Total Overall Net Debt	\$ 67,757,923

¹ All sewer bond principal and interest is secured by taxes levied on taxable property in the Groton Sewer District (taxable property in the Town of Groton other than property in the City of Groton). However, debt service will be paid with revenue generated by the Town's Sewer User Fee.

² Clean Water Fund loans are secured and paid from a Debt Service Fund related to the collection of taxes and assessments of the Groton Sewer District (taxable property in the Town of Groton other than property in the City of Groton).

³ Excludes City of Groton enterprise fund debt.

Note: Excludes capital leases.

Current Debt Ratios – Town of Groton

As of April 16, 2014 (Pro Forma)

Population ¹	40,079
Net Taxable Grand List (10/1/13)	\$3,898,324,166
Estimated Full Value (70%)	\$5,569,034,523
Equalized Net Taxable Grand List (10/1/11) ²	\$5,674,978,734
Income per Capita (2012) ³	\$33,295

	<u>Total</u> <u>Direct Debt</u>	<u>Total Net</u> <u>Direct Debt</u>	<u>Total Overall</u> <u>Net Debt</u>
	\$59,257,659	\$59,250,703	\$67,757,923
Per Capita	\$1,479	\$1,478	\$1,691
Ratio to Net Taxable Grand List	1.52%	1.52%	1.74%
Ratio to Estimated Full Value	1.06%	1.06%	1.22%
Ratio to Equalized Grand List	1.04%	1.04%	1.19%
Debt per Capita to Per capita income	4.44%	4.44%	5.08%

¹ U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-2012.

Debt Statement – Town of Groton Sewer District
As of April 16, 2014 (Pro Forma)

<u>Town of Groton Debt Applicable to the Groton Sewer Debt</u>	<u>Town of Groton</u>	<u>Applicable to Groton Sewer Debt ¹</u>
Long-Term Debt:		
The Bonds (Lot A and B Bonds)	\$ 9,320,000	\$ 6,218,819
Public Improvement	11,870,500	7,920,653
Schools	<u>23,644,500</u>	<u>15,776,916</u>
Total	\$ 44,835,000	\$ 29,916,388
Groton Sewer Long Term Debt:		
Groton Sewer Operating Fund Bonds ²		<u>\$ 4,880,000</u>
State of Connecticut CWF PLO ³		<u>9,542,659</u>
Total Long-Term Debt		<u>44,339,047</u>
Total Direct Debt		44,339,047
Less: Sewer Assessment Receivable (as of 12/31/2013) ³		<u>6,956</u>
Total Net Direct Debt		44,332,091
Plus: Underlying Debt ⁴	<u>8,507,220</u>	<u>2,697,220</u>
Total Overall Net Debt		<u>\$ 47,029,311</u>

¹ Based on the proportionate share of the Groton Sewer District's Net Taxable Grand List to the Town of Groton Net Taxable Grand List for 10/1/13 or 67.0%, except for sewer debt which is 100% payable from taxable property in the Sewer District.

² All sewer bond principal and interest is secured by taxes levied on taxable property in the Groton Sewer District (taxable property in the Town of Groton other than property in the City of Groton). However, debt service will be paid with revenue generated by the Town's Sewer User Fee.

³ Clean Water Fund loans are secured and paid from a Debt Service Fund related to the collection of taxes and assessments of the Groton Sewer District (taxable property in the Town of Groton other than property in the City of Groton).

⁴ The total underlying debt of the Town (excluding the enterprise debt of the City of Groton). This figure represents the portion of the Town's underlying debt which is 100% payable from taxable property in the Sewer District.

Current Debt Ratios – Town of Groton Sewer District
As of April 16, 2014 (Pro Forma)

Population ¹	30,381
Net Taxable Grand List (10/1/13)	\$2,601,177,231
Estimated Full Value (70%)	\$3,715,967,473
Equalized Net Taxable Grand List (10/1/11) ²	\$3,786,659,128
Income per Capita (2010) ³	\$33,295

	<u>Total Direct Debt</u>	<u>Total Net Direct Debt</u>	<u>Total Overall Net Debt</u>
	\$44,339,047	\$44,332,091	\$47,029,311
Per Capita	\$1,459.43	\$1,459.20	\$1,547.98
Ratio to Net Taxable Grand List	1.70%	1.70%	1.81%
Ratio to Estimated Full Value	1.19%	1.19%	1.27%
Ratio to Equalized Grand List	1.17%	1.17%	1.24%
Debt per Capita to Per capita Income	4.38%	4.38%	4.65%

¹ U.S. Department of Commerce, Bureau of Census, American Community Survey 2008-12, less City of Groton (9,734).

² Represented as the proportionate share of the Town's Net Taxable Grand List (10/1/13) and applied to the Town of Groton's most recent Equalized Net Taxable Grand List as compiled by the Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, American Community Survey, 2008-2012. The Amounts are based on data for entire Town.

Historic Debt Statement

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Population ¹	40,115	40,115	40,115	40,115	39,551
Net taxable grand list	\$3,938,277,000	\$4,110,602,000	\$4,103,932,000	\$ 4,107,370,000	\$ 3,692,260,000
Estimated full value.....	\$5,626,110,000	\$5,872,288,571	\$5,862,760,000	\$ 5,867,671,429	\$ 5,274,657,143
Equalized net taxable grand list ² ...	\$5,674,978,734	\$5,219,564,260	\$5,973,519,503	\$5,650,001,776	\$ 5,819,429,482
Per capita income ³	\$30,789	\$30,789	\$30,789	\$30,789	\$31,322
Long-Term Debt:					
General Fund	\$ 38,580,000	\$ 42,340,000	\$ 45,700,000	\$ 48,985,000	\$ 42,555,000
Groton Sewer District ⁴	\$ 15,247,962	\$ 16,315,325	\$ 18,214,830	\$ 6,415,000	\$ 7,180,000
Short-Term Debt:					
General Fund	\$ -	\$ -	\$ 3,210,000	\$ 3,040,000	\$ 5,365,000
Groton Sewer District	-	-	-	10,932,360	9,361,766
Total Direct Debt.....	53,827,962	58,655,325	67,124,830	69,372,360	64,461,766
Total Net Direct Debt.....	53,827,962	58,655,325	67,070,141	69,261,818	64,012,563
Total Overall Net Direct Debt.....	\$ 60,818,690	\$ 63,398,081	\$ 73,520,747	\$ 75,420,951	\$ 73,162,516

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

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2008-2012.

⁴ Includes State of Connecticut CWF IFO.

Historic Debt Ratios

Total Direct Debt:	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Per capita.....	\$1,341.84	\$1,462.18	\$1,673.31	\$1,729.34	\$1,629.84
To net taxable grand list.....	1.37%	1.43%	1.64%	1.69%	1.75%
To estimated full value.....	0.96%	1.00%	1.14%	1.18%	1.22%
To equalized net taxable grand list.....	0.95%	1.12%	1.12%	1.23%	1.11%
Debt per capita to per capita income..	4.36%	4.75%	5.43%	5.62%	5.20%
Total Net Direct Debt:					
Per capita.....	\$1,341.84	\$1,462.18	\$1,671.95	\$1,726.58	\$1,618.48
To net taxable grand list.....	1.37%	1.43%	1.63%	1.69%	1.73%
To estimated full value.....	0.96%	1.00%	1.14%	1.18%	1.21%
To equalized net taxable grand list.....	0.95%	1.12%	1.12%	1.23%	1.10%
Debt per capita to per capita income..	4.36%	4.75%	5.43%	5.61%	5.17%
Total Overall Net Debt:					
Per capita.....	\$1,516.11	\$1,580.41	\$1,832.75	\$1,880.12	\$1,849.83
To net taxable grand list.....	1.54%	1.54%	1.79%	1.84%	1.98%
To estimated full value.....	1.08%	1.08%	1.25%	1.29%	1.39%
To equalized net taxable grand list.....	1.07%	1.21%	1.23%	1.33%	1.26%
Debt per capita to per capita income..	4.92%	5.13%	5.95%	6.11%	5.91%

Outstanding Short-Term Indebtedness

The Town currently has no outstanding short-term debt.

Overlapping and Underlying Indebtedness

Overlapping/Underlying debt is defined as the proportionate share of debts of local government units located wholly or in part within the limits of the reporting government, which must be borne by property within each government unit.

The Town of Groton has no overlapping debt. However, there are political subdivisions and special taxing districts located within the Town. The following entities have the power to issue debt or cause taxes to be levied on taxable property in the Town and have outstanding debt as follows:

<u>District or Association</u>	<u>Outstanding Bonds</u>	<u>Outstanding Notes</u>	<u>Authorized But Unissued Debt</u>
Center Groton Fire District	\$ -	\$ -	\$ -
City of Groton ¹	5,810,000 ²	-	-
Groton Long Point Association	567,794	304,493	-
Mystic Fire District ³	195,000	1,063,126	-
Noank Fire District	-	41,807	-
Old Mystic Fire District	525,000	-	250,000
Poquonnock Bridge Fire District	-	-	-
Mumford Cove.....	-	-	-
West Pleasant Valley Fire District	-	-	-
Total Net Underlying Debt (applicable to the Town of Groton)	\$ 7,097,794	\$ 1,409,426	\$ 250,000

¹ Excludes \$47,520,000 of enterprise fund long term debt for outstanding water and electric.

² Consists of General Purpose debt in the amount of \$5,130,000 and Sewer debt in the amount of \$680,000.

³ Per Public Act 91-407, Section 12, debt of the Mystic Fire District is excluded from the Statutory Debt Limit calculation for the Town of Groton.

Capital Leases

The Town of Groton has entered into the following capital lease agreements, which are subject to annual appropriation:

De Lage Landen:

- 1) *Library:* One (1) coin-operated Kyocera TA3050CI color copier – three (3) year lease agreement at \$2,394.00 per year which commenced on 5/18/12; and one (1) Kyocera TA3050CI color copier –three (3) year lease agreement at \$1,932.00 per year which commenced on 5/18/12.
- 2) *Police Department/Youth Division:* One (1) Xerox digital copier Model 3635S - five (5) year lease agreement at \$562.08 per year which commenced on 1/25/13.
- 3) *Probate Court:* One (1) Xerox Document Center copier model #WC 5135PT - five (5) year lease agreement at \$2,656.36 per year which commenced on 11/1/11.

Canon Financial Services:

- 1) *Town Clerk:* One (1) Canon black & white copier model IR5050N five (5) year lease agreement at \$2,280.00 per year which commenced on 7/14/09.
- 2) *Police Dept:* One (1) Canon black & white copier model IR 3225 four (4) year lease agreement at \$1,776.00 per year which commenced on 12/1/2010.
- 3) *Public Works/Hwy:* One (1) Canon black & white copier model IR 3225 four (4) year lease agreement at \$1,776.00 per year which commenced on 12/1/2010.

Cogent Systems Livescan Booking Workstation:

- 1) *Police:* Six (6) year lease agreement at \$7,200 per year which commenced on 1/22/08.

AgriCredit Acceptance:

- 1) *Parks & Recreation – Shennecossett Golf Course:* Seventy (70) fleet golf carts – Six (6) year lease agreement at \$39,435.20 per year (8 payments per year) which commenced on 9/01/08.

GE Capital Corp:

- 1) *Parks & Recreation:* Risograph Duplicator – five (5) year lease at \$1,149.00 per month which commenced on 12/11/09.

Mail Finance:

- 1) Finance: Hasler Mail Machine IM 480 – four (4) year lease agreement at \$4,963.20 which commenced on 4/1/11.

Leaf Capital:

- 1) Public Works/Eng: Ricoh W3601 engineering copier – three (3) year lease agreement at \$4,393.44 which commenced on 9/1/12.

School Construction Projects

The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the old program for all projects approved prior to July 1, 1996.

Under the old program, the State of Connecticut will reimburse the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the school projects. Currently the Town does not receive any reimbursement under the old program.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during the construction of the projects at the estimated reimbursement rates shown below. Currently, the Town has no school construction projects for which it is receiving reimbursement under the new program.

Clean Water Fund Program

The Town of Groton is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan.)

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements (the "Loan Agreement"). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs (Interim Funding Obligations). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

Clean Water Fund loans are paid from the Debt Service Fund related to the collection of taxes and assessments of the Groton Sewer District (taxes levied against taxable property other than property within the City of Groton). The Town's outstanding sewer bonds are related to the Fort Hill Sewer Rehabilitation project and are secured by the taxing power of the Groton Sewer District, however debt service associated with the Fort Hill Sewer Rehabilitation project will be funded with revenue generated from the Town's Sewer User Fee.

The following represents the amount of State of Connecticut Clean Water Fund loans outstanding as of April 16, 2014:

<i>Project</i>	<i>Original 2% Loan Amount</i>	<i>Principal Outstanding</i>
CWF PLO 386-C1.....	\$ 12,121,022	\$ 9,444,296
CWF PLO 386-C2.....	114,143	98,363
	<u>\$ 12,235,165</u>	<u>\$ 9,542,659</u>

Legal Requirements for Approval of Borrowing

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the procedural requirements of the Town Charter. Under the Charter, bond and note issues must be authorized by the Town Council and the Representative Town Meeting in the same manner as provided for adopting ordinances. In addition, if any bond or note issue exceeds \$750,000 or would cause the total of all bond or note issues authorized in that fiscal year to exceed \$750,000 the bond or note issue must be approved by referendum vote.

Temporary Financing

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

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

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

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Capital Improvement Program

The Town of Groton prepares and approves a Capital Improvement Program (CIP) annually. The CIP is a long-term planning and policy document. Projects are evaluated and prioritized by the Town in terms of need, cost effectiveness, ability to generate economic benefit, and sources of funding. The Town maintains a Capital Reserve Fund which is funded annually to finance capital projects on a pay-as-you-go basis. For fiscal year 2013-14, the Town will contribute \$1,800,000 to the Capital Reserve Fund consisting of \$1,619,000 for current projects and \$181,000 to pre-fund future projects. The CIP is subject to the approval of the Town Council and the Representative Town Meeting annually.

<u>Proposed Projects \$(000)</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Total</u>
Board of Education	\$ 318	\$ 4,277	\$ 17,392	\$ 9,347	\$ 2,844	\$ 11,705	\$ 45,883
<i>General Government:</i>							
Roads	121	7,512	525	12,310	125	-	20,593
Drainage	68	50	315	200	200	75	908
Sidewalks	-	280	185	185	30	30	710
Parks and Recreation	110	1,028	490	455	205	255	2,543
Public Buildings	87	417	692	851	213	325	2,585
Technology.....	865	105	855	150	325	105	2,405
Economic Development.....	50	195	100	100	100	100	645
Water Pollution Control Facility...	800	4,102	1,540	1,110	1,575	1,600	10,727
Miscellaneous	-	50	-	-	-	-	50
<i>Total General Government</i>	<u>2,101</u>	<u>13,739</u>	<u>4,702</u>	<u>15,361</u>	<u>2,773</u>	<u>2,490</u>	<u>41,166</u>
Total Project Costs	<u>\$ 2,419</u>	<u>\$ 18,016</u>	<u>\$ 22,094</u>	<u>\$ 24,708</u>	<u>\$ 5,617</u>	<u>\$ 14,195</u>	<u>\$ 87,049</u>

Funding Sources

Capital Reserve Fund	\$ 1,619	\$ 7,066	\$ 20,554	\$ 11,598	\$ 4,042	\$ 12,595	\$ 57,474
General Obligation Bonds		3,100	-	12,000	-	-	15,100
Other	800	7,850	1,540	1,110	1,575	1,600	14,475
Total Funding Sources	<u>\$ 2,419</u>	<u>\$ 18,016</u>	<u>\$ 22,094</u>	<u>\$ 24,708</u>	<u>\$ 5,617</u>	<u>\$ 14,195</u>	<u>\$ 87,049</u>

Authorized but Unissued Debt

<u>Project</u>	<u>Authorization</u>	<u>Bonds/Grants/ Paydowns</u>	<u>This Issue</u>		<u>Debt Authorized but Unissued</u>			
			<u>The Lot A Bonds</u>	<u>The Lot B Bonds</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Water</u>	<u>Sewers</u>
Senior Center.....	\$ 11,770,000	\$ 8,925,000	\$ -	\$ 375,000	\$ 2,470,000	\$ -	\$ -	\$ -
Thames Street Rehab.Phase II.....	6,375,505	-	5,230,000	-	1,145,505	-	-	-
Road Rehabilitation & Maintenance..	11,200,000	-	3,715,000	-	7,485,000	-	-	-
Totals.....	<u>\$ 29,345,505</u>	<u>\$ 8,925,000</u>	<u>\$ 8,945,000</u>	<u>\$ 375,000</u>	<u>\$ 11,100,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combined Schedule of Long Term Debt through Maturity

As of April 16, 2014 (Pro Forma)

Fiscal Year	Groton General Fund		Groton Sewer Debt		Total	Pro-forma (Principal Only)			Cumulative Principal Retired (%)
	Principal	Interest	Principal	Interest		The Lot A Bonds	The Lot B Bonds	Total	
2014 ¹	\$ 3,065,000	\$ 1,362,638	\$ 927,363	\$ 337,496	\$ 5,692,497	\$ -	\$ -	\$ 3,992,363	6.32
2015	3,040,000	1,260,563	972,363	313,436	5,586,362	630,000	75,000	4,717,363	13.79
2016	2,990,000	1,164,113	982,363	291,564	5,428,040	635,000	75,000	4,682,363	21.21
2017	2,970,000	1,065,988	977,363	270,342	5,283,693	635,000	75,000	4,657,363	28.58
2018	2,580,000	967,213	972,363	249,244	4,768,820	635,000	75,000	4,262,363	35.33
2019	2,575,000	863,388	967,363	228,247	4,633,998	635,000	75,000	4,252,363	42.07
2020	2,455,000	758,175	962,363	207,350	4,382,888	635,000	-	4,052,363	48.48
2021	2,435,000	662,588	962,363	186,265	4,246,216	635,000	-	4,032,363	54.87
2022	2,435,000	565,188	952,363	164,843	4,117,394	635,000	-	4,022,363	61.24
2023	2,425,000	471,050	947,363	142,933	3,986,346	635,000	-	4,007,363	67.59
2024	2,415,000	383,388	937,363	120,973	3,856,724	635,000	-	3,987,363	73.90
2025	2,420,000	294,263	937,363	99,357	3,750,983	260,000	-	3,617,363	79.63
2026	2,215,000	203,794	932,363	77,391	3,428,548	260,000	-	3,407,363	85.02
2027	2,165,000	117,106	922,363	55,225	3,259,694	260,000	-	3,347,363	90.32
2028	1,330,000	53,494	917,363	33,103	2,333,960	260,000	-	2,507,363	94.30
2029	605,000	23,400	722,363	13,799	1,364,562	260,000	-	1,587,363	96.81
2030	460,000	6,900	255,151	1,276	723,327	260,000	-	975,151	98.35
2031	-	-	-	-	-	260,000	-	260,000	98.76
2032	-	-	-	-	-	260,000	-	260,000	99.18
2033	-	-	-	-	-	260,000	-	260,000	99.59
2034	-	-	-	-	-	260,000	-	260,000	100.00
Total	<u>\$38,580,000</u>	<u>\$10,223,249</u>	<u>\$15,247,959</u>	<u>\$ 2,792,844</u>	<u>\$66,844,052</u>	<u>\$ 8,945,000</u>	<u>\$ 375,000</u>	<u>\$63,147,959</u>	

¹ Includes \$3,890,303 of principal paid and \$1,668,410 of interest paid for the period July 1, 2013 through April 16, 2014.

Source: Annual audited financial statements.

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SECTION V - FINANCIAL DATA

Fiscal Year

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

Accounting Policies

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments and are summarized in Note Number 1 of "Notes to Financial Statements."

Basis of Accounting

See Note 1 "Measurement Focus, Basis of Accounting and Financial Statement Presentation" in the Notes to Financial Statements (Appendix A).

Audit

Pursuant to Connecticut Law, the Town is required to undergo an annual examination by an independent certified public accountant and to submit it to the Office of Policy and Management of the State of Connecticut within six months of the end of its fiscal year. The Town maintains outside independent auditors. The most recent audited report covers the fiscal year ended June 30, 2013.

Included in Appendix A are the Town's Basic Financial Statements, Notes to the Financial Statements and Required Supplemental Information, together with the report of the independent auditor as prepared by Blum Shapiro, P.C., Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. Individuals wishing a complete document should contact the Finance Director of the Town of Groton, Connecticut.

Achievement for Excellence in Financial Reporting and Budget Presentation

The Town of Groton is one of fourteen Connecticut municipalities to win both of the following awards:

Certificate of Achievement for Excellence in Financial Reporting: The Town of Groton has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial reports for fiscal years ended June 30, 1994 through June 30, 2012. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program.

Distinguished Budget Presentation Award: The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the Town of Groton for its annual budget for the fiscal years ending June 30, 1995 through June 30, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. The award is valid for a period of one year only.

Budgetary Procedure

The Charter requires that each department, office or agency of the Town file a detailed estimate of the expenditures to be incurred by the department or agency and the revenue to be earned thereby in the ensuing fiscal year to the Town Manager on forms prescribed by him on or before January 14.

The Chairman of the Board of Education and the governing bodies of political subdivisions (City of Groton and Groton Long Point) submit a similar report to the Town Manager on or before February 28. The Town Manager must file estimates of expenditures and revenues with the Town Council on or before March 15 which include the requests of the Board of Education and the political subdivisions.

The Town Council holds at least one public hearing regarding appropriations on or before April 6. The Town Council then deliberates on the proposed budget and approves it by setting a tentative mill rate on or before April 28.

The Representative Town Meeting holds an Annual Budget meeting on or before May 3 and takes final action on the budget on or before May 25. The Town Council then sets a final tax rate on or before June 9.

The Charter provides for Supplemental and Emergency appropriation procedures.

Employee Pension Systems

The Town sponsors a single-employer defined benefit retirement plan which covers substantially all full-time employees, except for the certified members of the Board of Education, who are covered by the Connecticut State Teachers' Retirement Plan. Under the plan, all full-time employees hired are eligible, however retirement ages, vesting and benefit calculations vary between bargaining units. Maximum benefits are 66-2/3% of average annual pay for members of the general government, supervisors and Board of Education (excluding teachers) bargaining units. Maximum benefits are 70% of average annual pay for dispatchers and public works/maintenance units. Maximum benefits are 75% of average annual pay for Firefighters and general government non-bargaining and 80% for Union and Non-Union Police Officers.

Employee contributions vary between bargaining units. Employees other than Police Officers and Firefighters are required to contribute 4% of pay, while Non-Union Police Officers contribute 7.5%, Union Police Officers contribute 7.75%, Firefighters contribute 6.5% and dispatchers contribute 5% of pay. An actuarial valuation is prepared annually, and as of the most recent actuarial valuation, July 1, 2013, the plan included 648 members. Based on the July 1, 2013 valuation, the Actuarial Required Contribution for fiscal year 2014-15 will increase to \$3.6 million. See Appendix A, "Notes to the Financial Statements", for additional information regarding the plan.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Funding Excess (a) - (b)</i>	<i>Funded Ratio (a) / (b)</i>	<i>Covered Payroll (c)</i>	<i>Excess Funded AAL as a % of Covered Payroll [(a-b) / (c)]</i>
7/1/2013	\$91,148,488	\$114,542,269	\$(23,393,781)	79.6%	\$24,888,035	-94.0%
7/1/2012	87,003,117	109,108,111	(22,104,994)	79.7%	24,367,375	-90.7%
7/1/2011	85,612,289	103,271,852	(17,659,563)	82.9%	25,075,727	-70.4%
7/1/2010	84,453,080	98,515,524	(14,062,444)	85.7%	24,744,677	-56.8%
7/1/2009	85,476,282	92,732,994	(7,256,712)	92.2%	24,190,793	-30.0%
7/1/2008	86,317,508	84,196,700	2,120,808	102.5%	23,647,808	9.0%

Schedule of Employer Contributions

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Actual Contribution</i>	<i>Percentage Contributed</i>
2014 ¹	\$ 3,552,078	\$ 3,552,078	100.0%
2013	3,258,317	3,258,317	100.0%
2012	2,968,475	2,968,475	100.0%
2011	2,383,892	2,383,892	100.0%
2010	1,441,333	1,441,333	100.0%

¹ Adopted Budget

Another retirement plan available in the Town is the Connecticut State Teachers' Retirement Plan. This is a noncontributory multiple employer PERS. The certified teaching faculty and administrative personnel participate in this employee contributory plan administered by the Connecticut State Teachers' Retirement Board. The Town does not contribute to the plan nor does it have any legal obligation for benefit payments.

For further discussion on the plans, see Appendix A, "Notes to Financial Statements".

Other Post Employment Benefits (OPEB)

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement #45 entitled "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions". Retiree medical plans will be required to disclose information about asset and liability levels and disclose historical contribution information. Actuarial valuations will be required to determine liability levels and show historical contribution information.

The implementation schedule requires the Town to implement the provisions of this GASB Statement and recognize the liability on its financial statements in fiscal year ending 2008. Given the magnitude of the liability and the potential to reduce future costs by establishing and beginning to contribute to a fund set aside for OPEB benefits, the Town began making general fund contributions to OPEB in fiscal year ending 2005.

In fiscal year ending 2008 the Town set up a trust fund for OPEB contributions and established a plan to reach the Actuarially Required Contribution ("ARC") funding level within a 5 year period. However budget adjustments have altered that plan with the Town now set to achieve the ARC funding in fiscal year ending 2017. Based on the 7/1/13 Valuation, the actuaries estimate that the Town's OPEB unfunded accrued liability is approximately \$34.7 million with an ARC of \$3.694 million for fiscal year 2014- 15.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Funding Excess (a) - (b)</i>	<i>Funded Ratio (a) / (b)</i>	<i>Covered Payroll (c)</i>	<i>Excess Funded AAL as a % of Covered Payroll [(a-b) / (c)]</i>
7/1/2013	\$ 8,974,000	\$43,697,000	\$(34,723,000)	20.5%	n/a	n/a
7/1/2012	6,433,000	41,378,000	(34,945,000)	15.5%	\$52,762,000	-66.2%
7/1/2011	5,065,000	40,455,000	(35,390,000)	12.5%	n/a	n/a
7/1/2010	3,234,000	38,902,000	(35,668,000)	8.3%	n/a	n/a
7/1/2009	1,911,000	36,645,000	(34,734,000)	5.2%	n/a	n/a
7/1/2008	1,384,000	34,026,000	(32,642,000)	4.1%	n/a	n/a

Schedule of Employer Contributions

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Actual Contribution</i>	<i>Percentage Contributed</i>
2014 ¹	\$ 3,552,000	\$ 3,552,000	100.0%
2013	3,566,000	3,764,700	105.6%
2012	3,463,000	4,697,236	135.6%
2011	3,328,867	3,258,700	97.9%
2010	3,058,297	2,618,700	85.6%

¹ Adopted Budget.

Investment Policies and Procedures

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Town of Groton's operating and working capital funds are invested under the responsibility and authority of the Town of Groton Treasurer. Currently, the Town's short-term investments consist of: (1) various certificates of deposit with Connecticut banks; (2) the State of Connecticut Short Term Investment fund; (3) the State of Connecticut Tax-Exempt Proceeds fund; and (4) Cutwater Asset Management (an investment fund managed by Cutwater Asset Management Municipal Investors Service Corporation, which, according to Cutwater, invests only in (i) high grade short-term federal securities and variable rate obligations backed by federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the Program's custodial bank to be held for the benefit of the Pool's participants).

The Town's investment policies and investments related to the Town's Retirement Fund are available upon request to the Director of Finance.

Assessment Practices

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion on the Grand List is the responsibility of the Assessor. The Grand List represents the total of assessed value for all taxable real and personal property located within the Town as of October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last revaluation. The Town of Groton had a general property revaluation effective October 1, 2011. The next revaluation of the Grand List is scheduled for October 1, 2016.

Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the pro-ration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

The Town of Groton has been designated as a Targeted Investment Community by the State of Connecticut due to its reliance on the defense industry. As a Targeted Investment Community, the Town maintains an Enterprise Zone through which the Town may offer a range of incentives to promote business relocation and expansion projects within the zone. Some of the State and local incentives include: corporate tax credits, property tax abatements, exemption from certain state sales and use taxes, state grants for the creation of new full-time jobs, job training and placement assistance, as well as other local incentives such as deferrals of taxes on business plant and equipment (personal property). These incentives generally provide financial relief or increase the capital/leverage available to businesses, thus reducing the overall cost of business.

On occasion, the Town has offered tax abatement incentives to promote development in areas outside the Enterprise Zone. Tax abatements provided are in accordance with state statutes and must be approved by the Town Council.

Tax Collection Procedure

Property taxes are levied on all taxable property each year. The assessment date or Grand List date is October 1. When the mill rates are set, prior to the beginning of the fiscal year, taxes are calculated on the net assessments. The fiscal year begins July 1 and ends the following June 30. Real estate and personal property tax bills over \$100 for the Town and Groton Sewer District are payable in two installments - July 1 and January 1. Real estate and personal property taxes of less than \$100 are

due in full in July. All District and Political Subdivision taxes are due in full in July. Motor Vehicle taxes are due in full, regardless of the amount, on July 1. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor certificates of corrections, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed twice yearly, with interest charged at the rate of one and one-half percent per month, eighteen percent per annum. In accordance with State law, any monies received by the Tax Collection Office must be applied to the oldest outstanding tax first. Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. A Uniform Commercial Code lien is filed with the Secretary of State each year on delinquent Personal Property accounts. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years. The obligation to pay on delinquent accounts does not cease until fifteen years has passed from the date they became due.

Comparative Assessed Valuations

(Thousands of Dollars)

Town of Groton								
<i>Grand List as of 1-Oct</i>	<i>Residential Real Property</i>	<i>Commercial & Industrial Property</i>	<i>Land and Other Property</i>	<i>Personal Property</i>	<i>Motor Vehicles Property</i>	<i>Gross Taxable Grand List</i>	<i>Less Exemptions</i>	<i>Net Taxable Grand List¹</i>
2013 ²	\$ 2,218,828	\$ 1,140,644	\$ 76,433	\$446,431	\$221,200	\$4,103,536	\$ 205,212	\$3,898,324
2012	2,212,968	1,147,046	78,817	419,881	216,669	4,075,381	218,018	3,857,363
2011 ³	2,211,044	1,148,272	79,939	512,177	222,949	4,174,381	236,104	3,938,277
2010	2,377,563	1,222,967	87,040	449,628	204,404	4,341,602	231,000	4,110,602
2009	2,362,100	1,220,965	90,875	464,028	197,184	4,335,152	231,220	4,103,932
2008	2,345,563	1,215,002	94,479	528,515	195,983	4,379,542	272,172	4,107,370
2007	2,340,537	1,175,784	79,948	560,878	204,497	4,361,644	669,384	3,692,260
2006 ⁴	2,317,116	1,177,308	82,610	536,897	190,854	4,304,785	1,109,638	3,195,147
2005	1,343,138	865,827	49,718	515,071	200,815	2,974,569	254,868	2,719,701
2004	1,316,715	845,101	57,788	537,173	177,915	2,934,692	353,766	2,580,926

¹ Reflects State of Connecticut Manufacturing Equipment Exemptions which became effective on the 10/1/91 Grand List and for 2006 reflects additional exemptions (certificates of correction) since the Grand List was signed prior to Town Council action of phase-in of the 10/01/06 revaluation. Motor Vehicles are adjusted for military exemptions

² Before Board of Assessment Appeals action.

³ Year of Revaluation. The Town's 10/1/11 revaluation was fully implemented.

⁴ Year of Revaluation. The Town's 10/1/06 revaluation was phased-in over a three year period. Without the phase-in, the Net Taxable Grand List as of 10/1/06 would have been \$4,049,712,213.

Source: Town Officials.

(Thousands of Dollars)

Groton Sewer District

<i>Grand List as of 1-Oct</i>	<i>Residential Real Property</i>	<i>Commercial & Industrial Property</i>	<i>Land and Other Property</i>	<i>Personal Property</i>	<i>Motor Vehicles Property</i>	<i>Gross Taxable Grand List</i>	<i>Less Exemptions</i>	<i>Net Taxable Grand List</i> ¹
2013 ²	\$ 1,865,373	\$ 450,227	\$ 67,483	\$ 90,863	\$ 174,067	\$ 2,648,013	\$ 46,836	\$2,601,177
2012	1,860,736	454,533	69,952	88,994	170,188	2,644,403	45,117	2,599,286
2011 ³	1,859,775	451,472	70,759	96,702	175,970	2,654,678	46,734	2,607,944
2010	1,983,569	516,550	76,247	92,258	160,608	2,829,232	47,460	2,781,772
2009	1,968,894	513,892	80,075	97,077	154,689	2,814,627	42,908	2,771,719
2008	1,953,709	510,251	83,553	94,320	152,966	2,794,799	46,097	2,748,702
2007	1,947,778	507,138	72,936	87,827	159,021	2,774,700	387,805	2,386,895
2006 ⁴	1,926,767	506,447	75,278	78,304	145,890	2,732,686	706,504	2,026,182
2005	1,116,007	326,890	45,003	71,688	157,743	1,717,331	45,051	1,672,280
2004	1,092,351	315,842	49,101	64,069	135,686	1,657,049	28,492	1,628,557

¹ Reflects State of Connecticut Manufacturing Equipment Exemptions which became effective on the 10/1/91 Grand List and for 2006 reflects additional exemptions (certificates of correction) since the Grand List was signed prior to Town Council action of phase-in of the 10/01/06 revaluation. Motor Vehicles are adjusted for military exemptions.

² Before Board of Assessment Appeals action.

³ Year of Revaluation. The Town's 10/1/11 revaluation was fully implemented.

⁴ Year of Revaluation. The Town's 10/1/06 revaluation was phased-in over a three year period. Without the phase-in, the Net Taxable Grand List as of 10/1/06 would have been \$4,049,712,213.

Source: Town Officials.

Exempt Property

	<i>Assessed Value</i>
<i>Public</i>	<i>\$(000)s</i>
United States of America	\$ 452,965
State of Connecticut	230,163
Municipal	224,014
Sub-Total Public	\$ 907,142
 <i>Private</i>	
Scientific, educational, historical, charitable	\$ 21,784
Cemeteries	5,637
General Hospital (Pequot Medical Center)	6,011
Churches	27,331
Veteran's Organizations	454
Volunteer Fire Companies	4,843
Hospitals & Sanitariums	9,906
Miscellaneous	7,850
Sub-Total Private	83,816
Total Exempt	\$ 990,958
Percent Compared to Net Taxable Grand List ¹	25.42%

¹ Based on 10/1/13 Net Taxable Grand List of \$3,898,324,166 (before Board of Assessment Appeals action).

Source: Assessor's Office, Town of Groton.

Real Property Tax Levies and Collections

Town of Groton

<i>Grand List of 10/1</i>	<i>Fiscal Year Ending 6/30</i>	<i>Net Taxable Grand List (In Thousands)</i>	<i>Mill Rate</i>	<i>Adjusted Tax Levy</i>	<i>Percent</i>	<i>Uncollected</i>	
					<i>Annual Levy Collected at End of Fiscal Year</i>	<i>Annual Levy Uncollected at End of Fiscal Year</i>	<i>Annual Levy Uncollected as of 6/30/13</i>
2013 ¹	2015	\$ 3,898,324	20.72	\$80,773,277	N/A	N/A	N/A
2012	2014	3,857,363	20.72	80,465,951	N/A	N/A	N/A
2011 ²	2013	3,938,277	20.22	80,232,312	98.5 %	\$ 1,240,779	\$ 1,240,779
2010	2012	4,110,602	18.89	77,540,497	97.8	1,672,312	615,819
2009	2011	4,103,932	18.42	76,287,974	98.1	1,445,186	322,296
2008	2010	4,107,370	17.95	73,703,362	98.1	1,408,141	175,227
2007	2009	3,692,260	19.27	71,553,729	98.1	1,339,168	93,213
2006 ²	2008	3,195,147	21.21	68,586,441	98.2	1,271,676	48,427
2005	2007	2,719,701	24.05	65,828,369	98.1	1,233,179	26,721
2004	2006	2,580,926	22.95	59,700,130	98.3	985,778	8,928

¹ Based on Town Manager's Proposed Budget. Grand List is before Board of Assessment Appeals action.

² Revaluation.

Source: Tax Collector and Assessor, Town of Groton.

Groton Sewer District

<i>Grand List of 10/1</i>	<i>Fiscal Year Ending 6/30</i>	<i>Net Taxable Grand List (In Thousands)</i>	<i>Mill Rate</i>	<i>Adjusted Tax Levy</i>	<i>Percent</i>	<i>Uncollected</i>	
					<i>Annual Levy Collected at End of Fiscal Year</i>	<i>Annual Levy Uncollected at End of Fiscal Year</i>	<i>Annual Levy Uncollected as of 6/30/13</i>
2013 ¹	2015	\$ 2,601,177	0.25	\$ 650,294	N/A	N/A	N/A
2012	2014	2,599,286	0.25	612,097	N/A	N/A	N/A
2011 ²	2013	2,607,944	0.25	610,003	98.7 %	\$ 7,786	\$ 7,786
2010	2012	2,781,772	0.25	658,606	98.2	11,617	4,337
2009	2011	2,771,719	0.29	760,894	98.6	10,939	3,130
2008	2010	2,748,702	0.28	731,491	98.5	10,965	1,598
2007	2009	2,386,895	0.33	744,955	98.6	10,441	921
2006 ²	2008	2,026,182	0.39	745,099	98.8	8,894	674
2005	2007	1,672,280	0.75	1,157,674	98.9	13,004	742
2004	2006	1,628,557	0.75	1,131,645	99.1	10,096	274

¹ Based on Town Manager's Proposed Budget. Grand List is before Board of Assessment Appeals action.

² Revaluation.

Source: Tax Collector and Assessor, Town of Groton.

Largest Taxpayers

Town of Groton

<i>Name of Taxpayer</i>	<i>Nature of Business</i>	<i>Net Assessed Value</i>	<i>Percent of Net</i>	
			<i>Taxable Grand List¹</i>	<i>Estimated Taxes Due²</i>
Pfizer Incorporated ³	Pharmaceutical	\$ 511,942,340	13.13%	\$ 10,607,445
Electric Boat Corporation	Submarine Mfg./R&D	255,281,330	6.55%	5,289,429
LCOR Groton Apartments LLC.....	Ledges Apartments	21,400,150	0.55%	443,411
Exit 88 Hotel LLC.....	Mystic Marriott Hotel	18,710,270	0.48%	387,677
Groton Development Associates Ltd. ..	Country Glen Apartments	17,533,460	0.45%	363,293
ELK La Triumphe LLC.....	LaTriumphe Apartments	14,732,470	0.37%	305,257
CW Groton Square LLC.....	Shopping Center	14,518,000	0.38%	300,813
Groton Estates LLC	Colonial Manor	12,186,670	0.31%	252,508
Branford Manor Associates.....	Apartments	10,932,390	0.28%	226,519
Groton Shoppers Mart LLP	Shopping Center	10,743,550	0.28%	222,606
Total		\$ 887,980,630	22.78%	\$ 18,398,958

¹ Based on a 10/1/13 Net Taxable Grand List of \$3,898,324,166 (before Board of Assessment Appeals action).

² Based on a 20.72 mill rate proposed for the 2014-15 budget for the Town.

³ Pfizer Inc. is in the process of demolishing a vacant 750,000 square foot former research facility in an attempt to consolidate its operations at the Groton Campus. The building is expected to be razed prior to the setting of the October 1, 2014 Grand List which will be effective for Fiscal Year 2015-16. The Town estimates that the loss in tax revenue will be approximately \$2 million.

Note: Pfizer, Inc. and General Dynamics (the parent company of Electric Boat Corporation) are SEC reporting companies and information concerning these companies can be obtained through the SEC's EDGAR system.

Source: Town of Groton.

Groton Sewer District

<i>Name of Taxpayer</i>	<i>Nature of Business</i>	<i>Net Assessed Value</i>	<i>Percent of Net</i>	
			<i>Taxable Grand List¹</i>	<i>Estimated Taxes Due²</i>
LCor Groton Apartments LLC.....	Ledges Apartments	\$ 21,400,150	0.82%	5,350
Exit 88 Hotel LLC.....	Mystic Marriott Hotel	18,710,270	0.72%	4,678
Groton Development Associates Ltd. ..	Country Glen Apartments	17,533,460	0.67%	4,383
ELK La Triumphe LLC.....	LaTriumphe Apartments	14,732,470	0.57%	3,683
CW Groton Square LLC.....	Shopping Center	14,518,000	0.56%	3,630
Pfizer Inc.....	Pharmaceutical	13,792,060	0.53%	3,448
Groton Shoppers Mart LLP.....	Groton Shopping Plaza	10,743,550	0.41%	2,686
Mall Inc.....	Shopping Center	9,621,620	0.37%	2,405
Harvest Windham Falls Estates.....	Assisted Living Facility	9,570,680	0.37%	2,393
Cedar Groton LLC.....	Shopping Center	8,941,420	0.34%	2,235
Total		\$ 139,563,680	5.37%	34,891

¹ Based on a 10/1/12 Net Taxable Grand List of \$2,601,177,231 (before Board of Assessment Appeals action).

² Based on a 0.25 mill rate proposed for the 2014-15 budget for the Town.

Source: Town of Groton.

Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Revenues are recorded when measurable and available to finance current operations. Town revenues are summarized for fiscal years ended 2009-2013 in "Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis) - General Fund" herein.

Property Tax Revenues

<i>Fiscal Year</i>	<i>General Fund Revenues</i>	<i>Property Tax Revenues</i>	<i>Property Taxes Revenues as a Percentage of General Fund</i>
2014 ¹	\$ 119,953,958	\$ 80,251,142	66.9%
2013	128,803,319	81,691,813	63.4%
2012	123,676,477	77,709,085	62.8%
2011	123,214,945	78,333,574	63.6%
2010	120,062,813	74,812,435	62.3%
2009	121,351,153	71,813,206	59.2%
2008 ²	139,332,690	68,736,649	49.3%
2007	114,233,924	66,389,842	58.1%
2006	107,274,564	60,183,373	56.1%
2005	103,071,872	56,888,737	55.2%

¹ Adopted budget.

² Includes \$26,158,636 in on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.

Source: Annual audited financial statements for fiscal years 2005-2013; adopted budget fiscal year 2014.

Intergovernmental Revenues

<i>Fiscal Year</i>	<i>General Fund Revenues</i>	<i>Federal & State Aid</i>	<i>Aid As a Percentage Of General Fund Revenue</i>
2014 ¹	\$ 119,953,958	\$ 34,570,971	28.8%
2013	128,803,319	44,883,513	34.8%
2012	123,676,477	43,940,965	35.5%
2011	123,214,945	42,525,983	34.5%
2010	120,062,813	42,969,276	35.8%
2009	121,351,153	46,927,346	38.7%
2008 ²	139,332,690	66,139,757	47.5%
2007	114,233,924	44,986,210	39.4%
2006	107,274,564	43,164,855	40.2%
2005	103,071,872	43,580,461	42.3%

¹ Adopted budget. Budgetary basis, excludes on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund.

² Includes \$26,158,636 in on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.

Source: Annual audited financial statements for fiscal years 2005-2013; adopted budget fiscal year 2014.

Expenditures

<i>Fiscal Year</i>	<i>Education</i>	<i>Public Safety</i>	<i>Public Works</i>	<i>General Services</i>	<i>Debt Service</i>
2014 ¹	61.4%	5.5%	5.3%	3.7%	3.7%
2013	65.1%	5.1%	5.0%	3.5%	3.6%
2012	64.7%	5.1%	4.9%	3.3%	4.1%
2011	64.0%	5.2%	5.5%	3.6%	4.2%
2010	64.4%	5.2%	6.0%	3.8%	4.1%
2009	63.5%	5.4%	6.5%	3.8%	4.3%
2008	70.0% ²	4.6%	5.4%	3.2%	3.0%
2007	65.6%	5.5%	6.0%	3.9%	2.8%
2006	65.5%	5.4%	6.6%	3.9%	2.4%
2005	65.2%	5.8%	6.1%	4.0%	2.5%

¹ *Adopted budget.*

² *Includes \$26,158,636 in on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.*

Source: Annual audited financial statements for fiscal years 2005-2013; adopted budget fiscal year 2014.

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Comparative General Fund Operating Statement
Budget and Actual (Budgetary Basis)

	<i>Fiscal Year 2012-2013</i>			<i>Fiscal Year</i>
	<i>Revised Budget</i>	<i>Actual Operations</i>	<i>Variance Favorable (Unfavorable)</i>	<i>2013-14 Adopted Budget</i>
REVENUES				
Property taxes, interest and liens.....	\$79,981,815	\$ 81,474,843	\$ 1,493,028	\$ 80,251,142
Licenses and permits.....	204,254	175,081	(29,173)	149,928
Interest on investments.....	88,000	62,931	(25,069)	52,000
Intergovernmental - Federal.....	3,459,971	4,361,536	901,565	3,425,323
Intergovernmental - State.....	32,895,300	32,601,401	(293,899)	31,145,648
Charges for current services.....	1,085,918	1,149,139	63,221	1,032,430
Schools, library and recreation fees..	319,432	338,553	19,121	307,192
Other revenue.....	461,606	496,323	34,717	640,704
TOTAL REVENUES	<u>118,496,296</u>	<u>120,659,807</u>	<u>2,163,511</u>	<u>\$117,004,367</u>
EXPENDITURES				
Current:				
General government.....	1,013,448	956,648	56,800	\$ 944,863
General services.....	4,456,636	4,284,362	172,274	4,494,587
Public safety.....	6,591,736	6,266,790	324,946	6,642,955
Public works.....	6,298,231	6,091,779	206,452	6,331,130
Planning and development.....	1,190,578	1,141,519	49,059	1,151,201
Health and human services.....	565,741	562,534	3,207	582,392
Community services.....	3,517,203	3,401,385	115,818	3,517,628
Nondepartmental.....	8,829,299	8,578,002	251,297	8,838,784
Education.....	72,645,500	72,634,763	10,737	73,662,715
Outside agencies.....	2,043,565	2,038,103	5,462	2,085,937
Subdivisions.....	5,228,394	5,228,234	160	5,024,079
Debt service.....	4,583,440	4,243,628	339,812	4,427,687
Contingency.....	-	-	-	350,000
TOTAL EXPENDITURES	<u>116,963,771</u>	<u>115,427,747</u>	<u>1,536,024</u>	<u>118,053,958</u>
Excess (deficiency) of revenues over expenditures.....	<u>1,532,525</u>	<u>5,232,060</u>	<u>3,699,535</u>	<u>(1,049,591)</u>
Other financing uses:				
Appropriation of Fund Balance.....	-	-	-	2,013,860
Transfers in.....	811,013	1,024,659	213,646	935,731
Transfers out.....	<u>(3,932,597)</u>	<u>(3,932,597)</u>	-	<u>(1,900,000)</u>
Total other financing uses.....	<u>(3,121,584)</u>	<u>(2,907,938)</u>	<u>213,646</u>	<u>1,049,591</u>
Net Change in Fund Balance.....	<u>\$ (1,589,059)</u>	<u>2,324,122</u>	<u>\$ 3,913,181</u>	<u>\$ -</u>
Fund Balance - Beginning of year....		<u>10,932,268</u>		
Encumbrances cancelled.....		<u>79,836</u>		
Fund Balance - End of year.....		<u>\$ 13,336,226</u>		

Sources: Annual audited financial statement; Groton Finance Department.

Comparative Balance Sheets - General Fund

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
ASSETS					
Cash and cash equivalents.....	\$ 18,960,973	\$ 19,442,735	\$ 19,819,135	\$ 18,286,950	\$ 19,361,411
Receivables, net:.....					
Property taxes.....	1,733,748	2,083,049	2,504,544	3,844,700	3,983,484
Other receivable.....	2,151,648	333,777	693,973	2,014,873	-
Due from other funds.....	1,502,206	190,947	-	-	1,815,440
Other assets.....	<u>577</u>	<u>76</u>	<u>200</u>	<u>9,714</u>	<u>9,957</u>
TOTAL ASSETS.....	<u>\$24,349,152</u>	<u>\$22,050,584</u>	<u>\$23,017,852</u>	<u>\$24,156,237</u>	<u>\$25,170,292</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued items.....	\$ 6,795,495	\$ 8,084,379	\$ 7,448,596	\$ 8,598,752	\$ 8,456,038
Due to other funds.....	-	-	100	-	-
Deferred revenue.....	<u>1,760,699</u>	<u>2,065,213</u>	<u>2,378,914</u>	<u>2,810,594</u>	<u>2,093,670</u>
TOTAL LIABILITIES.....	<u>8,556,194</u>	<u>10,149,592</u>	<u>9,827,610</u>	<u>11,409,346</u>	<u>10,549,708</u>
 FUND BALANCES					
Reserved for:.....	-	-	-	-	-
Encumbrances.....	3,289,619	2,139,367	-	-	-
Prepaid expenditures.....	-	-	-	-	-
Unreserved:.....	-	-	-	-	-
General fund.....	12,503,339	9,761,625	-	-	-
Nonspedable.....	-	-	-	-	-
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	-	-	3,029,419	3,325,543	3,003,114
Unassigned.....	<u>-</u>	<u>-</u>	<u>10,160,823</u>	<u>9,421,348</u>	<u>11,617,470</u>
TOTAL FUND BALANCES.....	<u>15,792,958</u>	<u>11,900,992</u>	<u>13,190,242</u>	<u>12,746,891</u>	<u>14,620,584</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$24,349,152</u>	<u>\$22,050,584</u>	<u>\$23,017,852</u>	<u>\$24,156,237</u>	<u>\$25,170,292</u>

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
REVENUES					
Property taxes, interest and lien fees.....	\$ 71,813,206	\$ 74,812,435	\$ 78,333,574	\$ 77,709,085	\$ 81,691,813
Licenses and permits.....	229,903	203,543	219,643	172,551	175,081
Intergovernmental - State.....	40,473,266	34,883,447	33,769,265	39,856,061	40,387,709
Interest on investments.....	432,137	149,936	128,689	87,081	64,457
Intergovernmental - Federal.....	6,454,080	8,085,829	8,756,718	4,084,904	4,495,804
Charges for current services.....	1,042,088	1,008,535	1,045,037	961,240	1,153,580
Schools, library and recreation.....	455,396	433,701	383,922	328,918	338,553
Other revenues.....	451,077	485,387	578,097	476,637	496,322
TOTAL REVENUES.....	<u>121,351,153</u>	<u>120,062,813</u>	<u>123,214,945</u>	<u>123,676,477</u>	<u>128,803,319</u>
EXPENDITURES					
Current:					
General government.....	966,301	992,409	1,078,740	1,035,562	991,575
General services.....	4,589,704	4,624,308	4,397,592	4,319,947	4,315,863
Public safety.....	6,442,723	6,404,464	6,354,202	6,316,598	6,338,941
Public works.....	7,763,799	7,438,420	6,801,065	6,045,599	6,257,089
Planning and development.....	1,209,680	1,259,708	1,107,830	1,103,737	1,201,607
Health and human services.....	618,332	596,165	558,639	537,609	562,602
Community services.....	4,277,775	4,109,777	3,820,985	3,429,052	3,359,237
Education.....	76,365,187	79,363,536	78,536,129	79,722,039	80,996,988
Subdivisions.....	5,092,447	4,964,012	4,740,354	4,883,336	5,228,234
Non-departmental ¹	5,954,633	6,518,577	7,999,321	8,589,044	8,743,450
Outside agencies.....	1,782,982	1,887,719	2,013,541	2,034,066	2,021,350
Debt service.....	5,197,868	5,077,517	5,136,523	5,044,146	4,440,354
Capital Outlay.....	-	-	118,172	71,164	29,528
TOTAL EXPENDITURES.....	<u>120,261,431</u>	<u>123,236,612</u>	<u>122,663,093</u>	<u>123,131,899</u>	<u>124,486,818</u>
Excess (deficiency) of revenues over expenditures.....	<u>1,089,722</u>	<u>(3,173,799)</u>	<u>551,852</u>	<u>544,578</u>	<u>4,316,501</u>
Other financing sources (uses):					
Issuance of capital lease.....	-	43,613	-	-	-
Operating transfers in.....	650,837	670,251	729,556	797,972	1,027,913
Operating transfers out.....	(1,680,493)	(1,432,031)	(834,475)	(1,963,764)	(3,667,447)
Refunding bonds issued.....	-	-	-	16,305,000	19,060,000
Payments to refunded bond escrow agent....	-	-	-	(17,441,838)	(21,100,105)
Premiums/discounts on bond issuance.....	-	-	-	1,314,701	2,236,831
Total other financing sources (uses).....	<u>(1,029,656)</u>	<u>(718,167)</u>	<u>(104,919)</u>	<u>(987,929)</u>	<u>(2,442,808)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	60,066	(3,891,966)	446,933	(443,351)	1,873,693
Fund Balance - Beginning of year.....	<u>15,732,892</u>	<u>15,792,958</u>	<u>12,743,309¹</u>	<u>13,190,242</u>	<u>12,746,891</u>
Fund Balance - End of year.....	<u>\$ 15,792,958</u>	<u>\$ 11,900,992</u>	<u>\$ 13,190,242</u>	<u>\$ 12,746,891</u>	<u>\$ 14,620,584</u>

¹ Restated

Source: Annual audited financial statements.

SECTION VI - ADDITIONAL INFORMATION

Litigation

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

Availability of Continuing Disclosure Information

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached hereto as Appendix D to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events within 10 days after the occurrence of such events; and (iii) timely notice of a failure by the Town to provide the required annual financial information with respect to the Bonds on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). In the last five years, the Town has not failed to meet any of its undertakings under such agreements.

Financial Advisor

The Town has retained Independent Bond and Investment Consultants LLC ("IBIC LLC") of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds. Although IBIC LLC has assisted in the preparation of the Official Statement, IBIC LLC is not obligated to undertake, and has not undertaken an independent verification of or assumed responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. IBIC LLC is a MSRB and SEC registered municipal advisor and is not engaged in the business of providing investment advice, underwriting, trading or distributing municipal or other public securities.

Documents Accompanying Delivery of the Bonds

Upon the delivery of the Bonds, the purchaser will be furnished with the following:

1. Signature and No Litigation Certificates, signed by the Town Manager and the Finance Director stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town, signed by the Town Manager and the Finance Director which will be dated the date of delivery and attached to a signed copy of the Official Statement, certifying that to the best of said officials' knowledge and belief, at the date that bids on the Bonds were accepted, the descriptions and statements in the Official Statement relating to the Town of Groton and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. Receipts for the purchase prices of the Bonds;
4. The approving opinions of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut substantially in the form set forth in Appendices B and C hereto;
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix D;
6. Within seven business days after the award, the Town will furnish the purchaser of the Bonds fifty (50) copies of the Official Statement as prepared by the Town.

Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinions or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

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

Additional information may be obtained upon request from the Finance Office at (860) 441-6690 or from Independent Bond and Investment Consultants LLC at (203) 245-9603.

TOWN OF GROTON, CONNECTICUT

BY: /s/ MARK R. OEFINGER
Mark R. Oefinger, *Town Manager*

BY: /s/ SALVATORE M. PANDOLFO
Salvatore M. Pandolfo, *Director of Finance*

Dated: April 2, 2014

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF GROTON CONNECTICUT

Table of Contents

June 30, 2013

	<u>Page</u>
<i>Independent Auditors' Report</i>	A-1
<i>Exhibit:</i>	
<i>General Purpose Financial Statements:</i>	
Management Discussion and Analysis	A-4
I Statement of Net Assets	A-17
II Statement of Activities	A-18
III Balance Sheet - Government Funds	A-19
IV Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	A-21
V Statement of Net Assets - Proprietary Funds	A-23
VI Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	A-24
VII Statement of Cash Flows - Proprietary Funds	A-25
VIII Statement of Net Assets - Fiduciary Funds	A-26
IX Statement of Changes in Fund Net Assets - Fiduciary Funds	A-27
Notes to General Purpose Financial Statements	A-28
RSI-1 General Fund Schedule of Revenues and Other Financing Sources - Budget and Actual	A-60
RSI-2 General Fund Schedule of Expenditures and Other Financing Sources – Budget and Actual	A-63

Appendix A - Financial Statements - is taken from the Comprehensive Annual Report of the Town of Groton for the Fiscal Year ending June 30, 2013 as presented by the Auditors. This appendix does not include all schedules or the management transmittal letter made in such report. A copy of the complete report is available upon request to the Finance Officer, Town of Groton, Connecticut.

BlumShapiro

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Independent Auditors' Report

To the Members of the Town Council
Town of Groton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Groton, 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 Groton, 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. 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, each major fund and the aggregate remaining fund information of the Town of Groton, 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 A-3 through A-15 and the budgetary comparison information on pages A-59 through A-63 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 18, 2013

Introduction:

Management's Discussion and Analysis provides a narrative discussion of the Town's financial activities as a whole for the year ended June 30, 2013 with comparisons to the prior year, where appropriate. The information complements the data presented in the basic financial statements. Its purpose, along with the material in the Letter of Transmittal, is to enhance the reader's understanding of the Town's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars (ooo's).

Financial Highlights:

- The assets of the Town of Groton exceeded its liabilities at the close of the most recent fiscal year by \$197,590 (net assets). Of this amount, \$35,517 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,546. This increase is mainly attributable to an increase in capital assets and a reduction in long term liabilities.
- As of the close of the current fiscal year, the Town of Groton's governmental funds reported combined ending fund balances of \$28,815.
- For the fiscal year ended June 30, 2013, the unassigned fund balance for the General Fund was \$11,617 or 9.7% of total General Fund expenditures on a budgetary basis. The Town Council has an adopted policy for the maintenance of a minimum unassigned fund balance be "maintained in an amount equal to at least seven and one-half (7.5%) percent of the annual general fund expenditures".
- The Town of Groton's total debt decreased by \$4,827 (8.2%) during the current fiscal year. This was mainly due to decreases (\$4,215) in the principal amounts due on bonds for general government obligation debt and decreases (\$612) in the loan payment due to the State's Clean Water Fund.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the Town of Groton's basic financial statements. The Town of Groton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information and a statistical section. The statistical section provides comparisons of selected information beginning with FYE 2004 through the current audited fiscal year.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Groton's finances, in a manner similar to a private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Uncollected taxes and earned but unused vacation leave are examples of these types of items.

The governmental activities of the Town of Groton include education, general government services, public safety, public works, planning and development, health/human services and community services. Property taxes, charges for services and state and federal grants finance most of these activities. Although the Town maintains no business-type activities, the Town does maintain three internal service funds that consist of the Fleet Reserve Fund, Health Insurance Fund and the Workers' Compensation Fund and numerous special revenue funds.

The government-wide financial statements (statement of net position and statement of activities) can be found on Exhibits I and II.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Groton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Groton maintains thirty individual non-major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Improvements Fund which are considered to be major funds. Twenty-three special revenue funds, three Capital Project Funds, a Debt Service Fund and three Permanent Funds are combined into aggregate funds in this presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Groton adopted an annual appropriated budget for its General Fund and, in addition, budgetary comparisons have been provided for the following nonmajor governmental funds: Special Library, Golf Course, Sewer Operating, Solid Waste, Mumford Cove District, Revaluation, Computer Replacement, Groton Sewer District and Recreation & Senior Activities.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on Exhibits III and IV.

Proprietary Funds. The Town of Groton maintains one type of proprietary funds; internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town of Groton's various functions. The Town of Groton uses three internal service funds to account for its fleet of vehicles, health insurance and workers' compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on Exhibits V through VII.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support services to the Town's constituency. The Town has nine fiduciary funds; one pension trust fund, one Other Post-Employment Benefit trust fund (OPEB), four private purpose trust funds and three agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on Exhibits VIII and IX.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Included in the notes is the information concerning the Town of Groton's funding obligation to provide pension benefits to its employees. The Notes to the Financial Statements can be found on pages 28-59 of this report.

Other Information. Required supplemental information for the General Fund is provided immediately following the Notes to the Financial Statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found beginning on page 65 of this report.

Government-Wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. Town of Groton governmental activity assets exceeded liabilities by \$197,590 on June 30, 2013.

**Town of Groton
Net Position (\$000's)**

	Governmental Activities	
	2013	2012
Current assets	\$ 55,340	\$ 59,759
Capital assets, net of accumulated depreciation	216,397	214,210
Total assets	271,738	273,969
Long-term liabilities outstanding	62,667	66,773
Other liabilities	11,481	13,152
Total liabilities	74,148	79,925
Net Position:		
Net investment in capital assets	161,737	155,539
Restricted	336	247
Unrestricted	35,517	38,258
Total Net Position	\$ 197,590	\$ 194,044

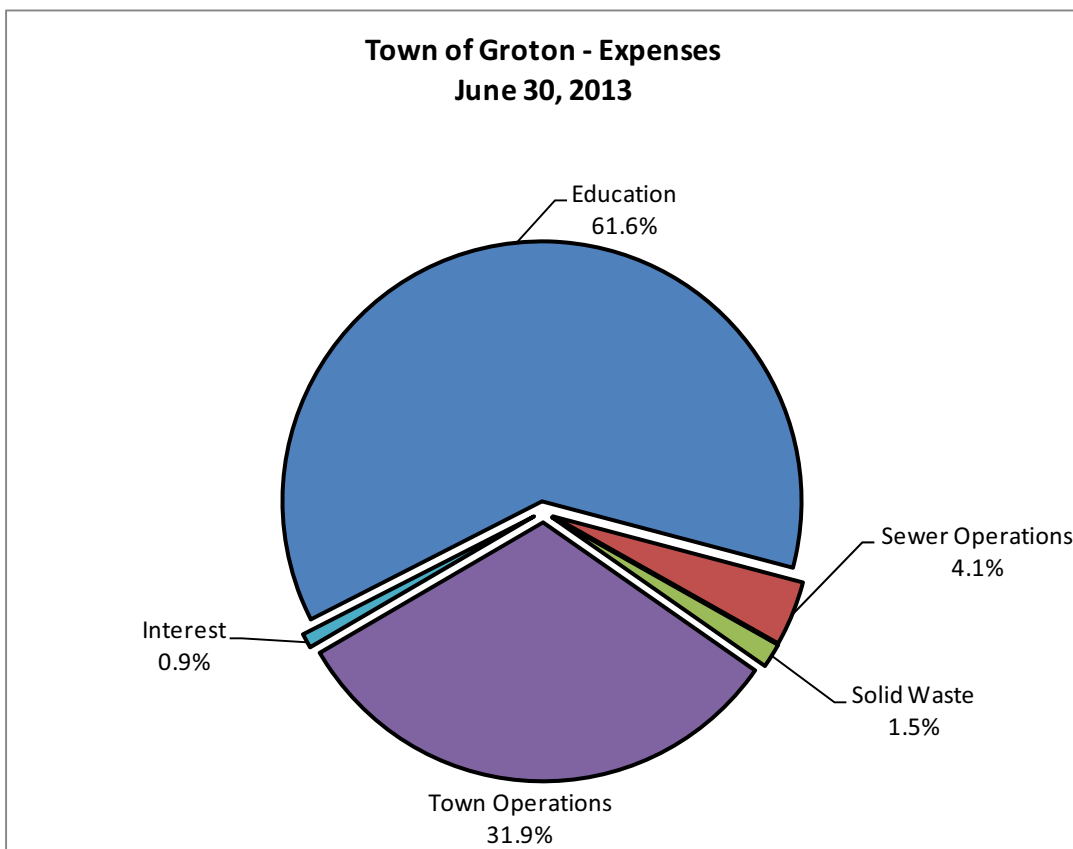
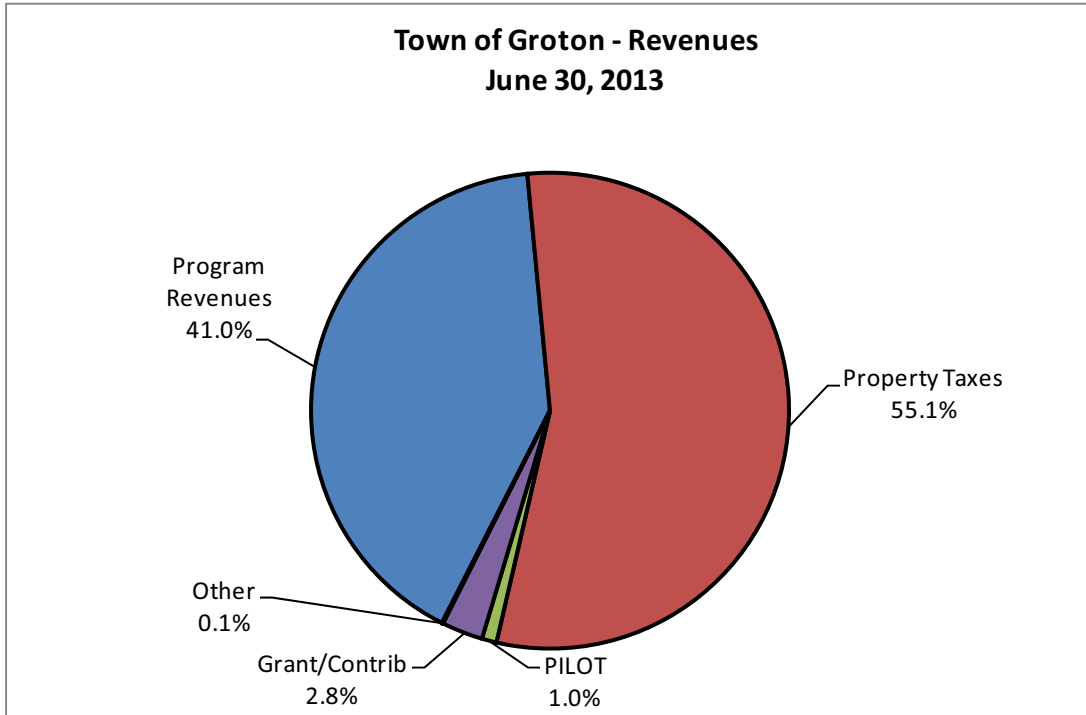
By far the largest portion of the Town of Groton's net position (82%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Groton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Groton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets (\$35,517) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Groton is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and proprietary activities. The current year increases in investment in capital assets reflects a reduction in bonds and loans payable.

Governmental Activities. Approximately 55.1% of the revenues were derived from property taxes, followed by 34.8% from grants and contributions, then 9% from other program revenues, 1% from payments in lieu of taxes and finally less than 1% of the Town's revenue in this fiscal year was derived from investment earnings.

**Town of Groton
Change in Net Position (\$000's)**

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 13,352	\$ 13,323
Operating grants and contributions	43,654	45,277
Capital grants and contributions	3,667	6,164
General revenues:		
Property taxes	81,627	79,098
Payments in lieu of taxes	1,480	1,623
Grants and contributions (not restricted)	4,144	3,849
Other unrestricted investment earnings	127	129
Total revenues	<u>148,051</u>	<u>149,463</u>
Expenses:		
General government/services	8,530	9,061
Public safety	12,296	12,371
Public works	13,629	17,352
Planning and development	1,831	1,641
Human service	2,715	2,743
Community services	7,107	6,798
Board of Education	89,023	87,769
Sewer operations	5,864	4,925
Solid waste	2,200	2,287
Interest on long-term debt	1,310	2,640
Total expenses	<u>144,505</u>	<u>147,587</u>
Increase in Net Position	3,546	1,876
Net Position July 1	<u>194,044</u>	<u>192,168</u>
Net Position June 30	<u>\$ 197,590</u>	<u>\$ 194,044</u>



Major revenue factors for all Governmental Funds included:

- ◆ Total revenues were \$1,412 lower in 2013 when compared to 2012 or a decrease of 0.9%.
- ◆ Grants and Contributions were less in 2013 as the Town realized less in State and Federal grants.
- ◆ Property tax revenues recorded for fiscal year 2013 increased mainly due to an increase in the amount of current and prior year taxes and interest and lien fees received. The Town's tax rate increased from 18.89 mills to 20.22 mills but due to the 2011 revaluation of real estate that impacted that mill rate, most property owners saw a decrease in taxes owed.
- ◆ Investment earnings decreased by \$2 from the prior fiscal year to \$127 for the fiscal year ended June 30, 2013. The reduction to interest and dividend earnings was the result of lower interest rates on investments and less funds available for investment purposes.

For Governmental Activities, 61.6% of the Town's expenses relate to education, 9.4% relate to public works, 8.5% relate to public safety, 5.9% to general government/services, 4.9% to community services and the remainder relates to planning & development, human services, sewer operations, solid waste and interest on long term debt.

Major expense factors for all Governmental Funds include:

- ◆ Total expenses were \$3,082 lower in 2013 when compared to 2012 or a decrease of 2.1%.
- ◆ Town Operations expenses were \$3,858 lower in 2013 when compared to 2012 or a decrease of 7.7%.
- ◆ Education expenses were \$1,254 higher in 2013 when compared to 2012 or an increase of 1.4%
- ◆ Decreases/increases in Sewer Operations, Solid Waste and Interest on Long Term Debt accounted for a decrease of \$478 in expenses over 2011 or a decrease of 4.8%.

Business-Type Activities. The Town does not maintain any business-type activities at the present time.

Financial Analysis of the Government's Funds:

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

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

As of the end of the current fiscal year, the Town of Groton's governmental funds reported combined ending fund balances of \$28,815, a decrease of \$380 in comparison with the prior year. Of this amount, \$11,367 constitutes unassigned fund balance. The remainder of fund balance is assigned to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) restricted by bond ordinances, 3) for holding of trust principal, or 4) constrained for a specific purpose.

General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,617, which is included in the total fund balance of \$14,621. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.7% of total general fund expenditures, while total fund balance represents 12.2% of that same amount.

The total fund balance of the Town of Groton's General Fund increased by \$1,874 during the current fiscal year. The unassigned fund balance increased by \$2,196. Key factors in the total fund balance increase of \$1,874 are as follows:

- ◆ Revenues were \$2,377 more than budgeted mainly due to increases in general property taxes and Federal funding.
- ◆ Expenditures were under budget by \$1,536 due to unexpended funds in Town Operations, Debt Service and Contingency.
- ◆ With revenues over budget and expenditures under budget, the \$1,589 of fund balance applied to FYE 2013 was not required to balance the FYE 2013 budget.
- ◆ The reserve for encumbrances was reduced by \$866 reflecting the town's continued efforts to tighten up its procedure for handling encumbrances.
- ◆ The amount designated for the subsequent year budget was increased from \$1,589 to \$2,014.

Capital Improvements Fund. This fund has a total fund balance of \$5,694, down from \$6,506 in the prior year. The decrease is mainly explained by the increase in Capital Outlays.

Proprietary Funds. The Town of Groton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets amounted to \$812 for the Fleet Reserve Fund, \$6,450 for the Health Insurance Fund and a deficit of \$699 for the Workers' Compensation Fund that includes the liability for heart and hypertension claims. The total decrease in net assets for the internal service funds was \$2,321 mainly due a decrease in the Health Insurance Fund.

General Fund Budgetary Highlights:

There was no difference between the original budget and the final budget because there were no supplemental appropriations made during the fiscal year. Transfers of \$266 occurred from the Contingency function to other functions within the General Fund.

During the year, actual revenues and other financing sources on a budgetary basis amounted to \$121,684 which was over the adopted budget by \$2,377. The majority of this increase can be attributed to an increase in property tax revenue and Federal revenues.

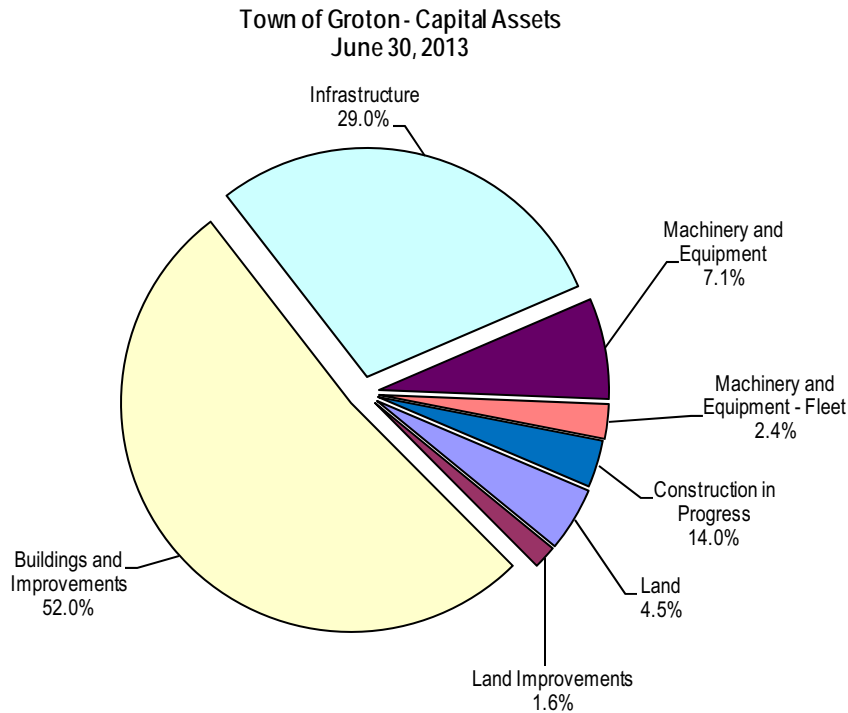
Actual expenditures were under budget by \$1,536 with town operations returning \$929 and \$184 was left unspent in the Contingency function and \$340 was unspent in the debt service function due to the refunding of bonds.

Capital Asset and Debt Administration:

Capital Assets. The Town of Groton's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$335,640. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the Town of Groton's investment in capital assets for the current fiscal year was 2.9% mainly which reflects the purchase of equipment at the Water Pollution Control Facility, acceptance of roads in various subdivisions, road resurfacing and vehicle purchases.

**Town of Groton, Connecticut
Capital Assets (\$000's)**

	Governmental Activities	
	2013	2012
Land	\$ 15,173	\$ 13,836
Land improvements	5,519	5,130
Buildings and improvements	174,380	173,739
Infrastructure	97,449	95,166
Machinery and equipment	23,786	22,364
Machinery and equipment - fleet	8,170	7,745
Construction in progress	11,163	8,076
Total	\$ 335,640	\$ 326,056



Major capital asset expenditures during the current fiscal year included the following:

- Regarding the use of the State's Local Capital Improvement Project (LoCIP) funds, there were no major amounts (over \$50) expended.

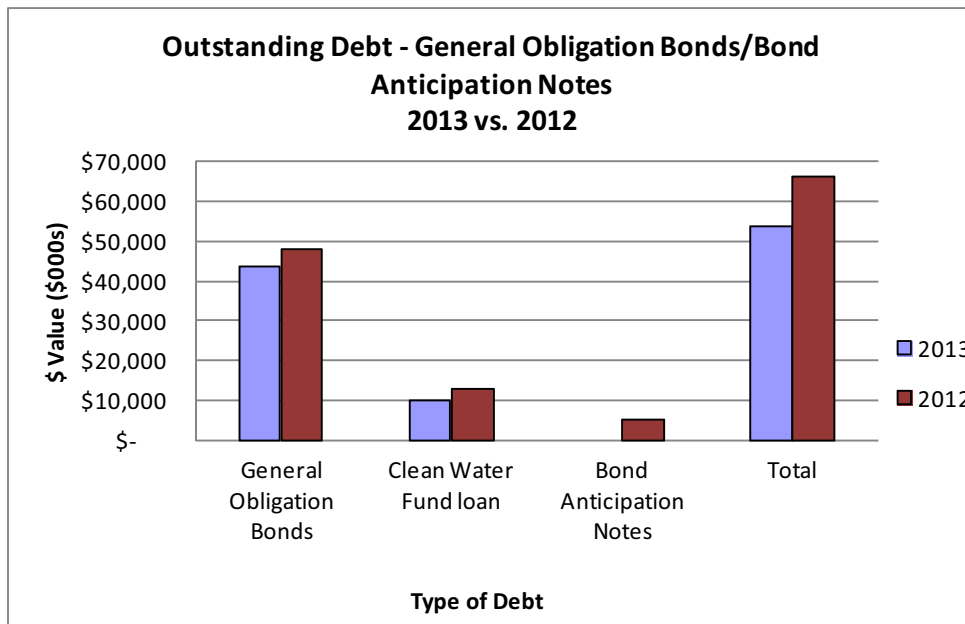
- Regarding the use of local capital funds, the following major amounts (over \$50) were expended:
 - Bridge Construction: \$91
 - Middle School Modifications: \$795
 - Mystic Streetscapes Project: \$2,129
 - Mystic Streetscapes Project-Phase2: \$54
 - Open Space Acquisition: \$75
 - Pavement Management Program: \$616
 - Pavement Management Program-City: \$440
 - Pavement Management Program-GLP: \$190
 - Recreational Facilities Improvement: \$59
 - Schools-Asbestos: \$347
 - Schools-S. B. Butler: \$124
 - Schools-Security: \$215
 - Town/Fire Ems Radio System: \$165
 - Water Pollution Control Facility; Facility Renovations: \$961
 - Water Pollution Control Facility; Sewer Line Replacements: \$402

Additional information on the Town of Groton's capital assets can be found in Note 3D on pages 41-42 and on pages 93 through 95 of this report.

Outstanding Debt. At the end of the current fiscal year, the Town of Groton had total debt outstanding of \$53,828. Of this amount, \$48,633 comprises debt backed by the full faith and credit of the government and \$5,195 is special assessment/fee debt for which the government is liable in the event of default by the property owners subject to the assessment.

**Town of Groton, Connecticut
Outstanding Debt (\$000's)
General Obligation Bonds/Bond Anticipation Notes**

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 43,775	\$ 47,990
Clean Water Fund loan	10,053	10,665
Total	\$ 53,828	\$ 58,655



The Town of Groton's general obligation bonds have decreased \$4,827 or 8.2% during the current fiscal year mainly due to no new bonds being issued, bonds being paid down and the Clean Water fund principle being reduced due to loan payments made to the State.

For FYE 2013, the Town of Groton's bond rating was maintained at an "AA" rating with Fitch Ratings and Standard & Poor's and at an "Aa2" rating with Moody's Investors Service.

The overall statutory debt limit for the Town of Groton is equal to seven times annual receipts from taxation or \$669,064. As of June 30, 2013, the Town recorded total indebtedness of \$56,413 related to Governmental Activities, well below its statutory debt limits.

Additional information on the Town of Groton's long-term debt can be found in Note 3H-I on pages 46-49 of this report.

Economic Factors and Next Year's Budgets and Rates:

- As of June 2013, the Town had an unemployment rate of 8.7% as compared to the New London County rate of 8.2%, the state's average rate of 8.1% and the national average of 8.1%.
- New London County has an employed labor force of approximately 132,637 residents.
- Inflationary trends in the region compare similarly to national indices.

Grand List decreases by 2.1%:

The October 1, 2012 net adjusted taxable Grand List fell 2.1% from last year's after appeals were heard by the Board of Assessment Appeals. The net adjusted grand list now totals \$3,857,363. The combined assessment of the top 10 taxpayers comprises 23.5% of the town's net grand list.

Net real estate remained unchanged to about \$3.389 billion.

Net residential **real estate** assessments increased 0.1%, from about \$2,247 billion to \$2,249 billion. This year, with the decrease in the personal property portion of the grand list, the residential real estate's share of the entire net grand list increased slightly - from 57% of the 2011 grand List to 58.3% of the 2012 grand list. Net commercial real estate increased this year, increasing 0.2% to \$574 million. The net assessment for industrial property which includes Pfizer and EB, was reduced by \$2,145 or 0.4%.

Seventeen single-family homes were started for the October 1, 2012 grand List, compared to 13 last year.

The **personal property** grand list decreased in both the gross and net assessments. Netting out at a 21.7% reduction, the grand list fell from \$353 to \$276. The majority of the reduction is attributable to a drop in the declared business assets at Pfizer, Inc.

In addition to the drop in Pfizer Inc.'s assets, both the number of personal property assessment penalties and the assessed value of the penalties fell this year, also reflecting a downturn in the economy as businesses struggle to remain open and active. The final number of accounts for the 2012 grand list was 1,995 accounts, down from 2,114 active accounts on the 2011 personal property grand list.

The net assessment on personal property now comprises 7.2% of the grand list, compared to 9 percent of the 2011 grand list.

The **motor vehicles** portion of the grand list, adjusted for military exemptions dropped 2.5% this year, falling from \$197,354 in 2011 to \$192,352 in 2012. The National Auto Dealer Association August 2012 annual report indicates that the year-over-year value for used passenger cars has fallen slightly while passenger trucks & large SUV's have shown to be desired in the used car market. Passenger registrations make up 73% of the list, and the NADA report confirms the drop in the grand list. There were 268 fewer motor vehicles registered in town for 2012.

The net assessment on motor vehicles comprises 5.0% of the grand list, similar to the 2011 grand list.

Other Information:

During the fiscal year ended June 30, 2013, the Town of Groton's General Fund received 30.4% of its total revenues from intergovernmental sources, i.e., the State of Connecticut and the Federal Government. With the completion of operations, the General Fund's unassigned fund balance for FYE 2013 is at 9.7% of operating expenses which is above the minimum acceptable guideline set by the Town Council. With a reliance on property taxes, 67.0% of the General Fund revenues are derived from general property taxes, any reduction in other revenues would necessitate either a use of a portion of the fund balance, a property tax increase or a reduction in services in subsequent fiscal years or some combination of all three.

During the current fiscal year, the unassigned fund balance in the General Fund increased to \$11,617. The Town Council has assigned \$2,014 of the total fund balance to fund the 2014 fiscal year budget.

Requests for Information:

This financial report is designed to provide a general overview of the Town of Groton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Groton Town Hall, 45 Fort Hill Road, Groton, CT 06340.

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 41,122,309
Investments	2,980,000
Receivables (net of allowances for collection losses):	
Property taxes	3,134,299
Special assessments	629,123
Accounts	988,841
Federal and state governments	2,942,945
Other	373,658
Due from fiduciary fund	728,284
Other assets	476,000
Net pension asset	1,019,760
Net other postemployment benefit asset	697,729
Capital assets, nondepreciable	26,335,737
Capital assets, net of accumulated depreciation	190,061,598
Restricted assets:	
Cash	133,685
Investments	113,858
Total assets	<u>271,737,826</u>
Liabilities:	
Accounts payable and accrued liabilities	10,441,908
Unearned revenue	1,039,444
Noncurrent liabilities:	
Due within one year	5,308,494
Due in more than one year	57,358,194
Total liabilities	<u>74,148,040</u>
Net Position:	
Net investment in capital assets	161,736,383
Restricted for:	
Trust, nonexpendable	336,163
Unrestricted	<u>35,517,240</u>
Total Net Position	<u>\$ 197,589,786</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF GROTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
Governmental activities:					
General government/services	\$ 8,529,609	\$ 1,158,126	\$ 401,443	\$ 1,101,343	\$ (5,868,697)
Public safety	12,295,551	398,165	11,670	211,076	(11,674,640)
Public works	13,628,816	745,253	366,012	2,354,749	(10,162,802)
Planning and development	1,830,563	159,644	53,621		(1,617,298)
Health and human services	2,715,295	135,357	52,434		(2,527,504)
Community services	7,107,094	2,010,172	84,026		(5,012,896)
Education	89,023,978	1,042,262	42,629,153		(45,352,563)
Sewer operations	5,863,816	5,291,252	55,534		(517,030)
Solid waste management	2,199,954	2,411,917			211,963
Interest on long-term debt	1,310,199				(1,310,199)
Total Governmental Activities	<u><u>\$ 144,504,875</u></u>	<u><u>\$ 13,352,148</u></u>	<u><u>\$ 43,653,893</u></u>	<u><u>\$ 3,667,168</u></u>	<u><u>(83,831,666)</u></u>
General revenues:					
Property taxes					81,627,072
Payments in lieu of taxes					1,479,465
Grants and contributions not restricted to specific programs					4,144,285
Unrestricted investment earnings					126,718
Total general revenues					<u><u>87,377,540</u></u>
Change in net position					3,545,874
Net Position at Beginning of Year					<u><u>194,043,912</u></u>
Net Position at End of Year					<u><u>\$ 197,589,786</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 16,381,411	\$ 6,663,679	\$ 9,163,299	\$ 32,208,389
Investments	2,980,000		113,858	3,093,858
Receivables, net	3,983,484	1,058,120	2,070,129	7,111,733
Due from other funds	1,815,440			1,815,440
Other assets	9,957		20,735	30,692
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 25,170,292</u>	<u>\$ 7,721,799</u>	<u>\$ 11,368,021</u>	<u>\$ 44,260,112</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,456,038	\$ 508,729	\$ 999,898	\$ 9,964,665
Due to State			7,208	7,208
Due to other funds		1,517,160	298,280	1,815,440
Deferred revenues	2,093,670	1,453	1,562,887	3,658,010
Total liabilities	<u>10,549,708</u>	<u>2,027,342</u>	<u>2,868,273</u>	<u>15,445,323</u>
Fund balances:				
Nonspendable			268,278	268,278
Restricted		5,694,457	2,215,000	7,909,457
Committed			6,266,751	6,266,751
Assigned	3,003,114			3,003,114
Unassigned	11,617,470		(250,281)	11,367,189
Total fund balances	<u>14,620,584</u>	<u>5,694,457</u>	<u>8,499,748</u>	<u>28,814,789</u>
Total Liabilities and Fund Balances	<u>\$ 25,170,292</u>	<u>\$ 7,721,799</u>	<u>\$ 11,368,021</u>	<u>\$ 44,260,112</u>

(Continued on next page)

TOWN OF GROTON, 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 (Exhibit III)		\$ 28,814,789
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 327,469,527	
Less accumulated depreciation	113,995,787	
Net capital assets		213,473,740
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Net pension asset		1,019,760
Net other postemployment benefit asset		697,729
Property taxes and assessments receivable greater than 60 days		2,067,027
Loan receivables greater than 60 days		551,539
Interest receivable on property taxes		781,538
Bond issuance costs		404,917
Internal service funds are used by management to charge the costs of fleet management, health benefits and workers compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		9,486,283
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		(43,775,000)
Bond premium		(3,488,821)
Deferred amounts on refunding		2,659,934
Clean water fund loan payable		(10,052,962)
Interest payable on bonds		(368,574)
Capital lease obligations		(4,103)
Compensated absences		(2,224,610)
Landfill closure costs		(2,453,400)
Net Position of Governmental Activities (Exhibit I)		\$ <u>197,589,786</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes, interest and lien fees	\$ 81,691,813	\$	\$ 647,817	\$ 82,339,630
Assessments			4,375	4,375
Licenses and permits	175,081			175,081
Intergovernmental - state	40,387,709	2,415,770	3,707,916	46,511,395
Interest on investments	64,457	13,315	29,759	107,531
Intergovernmental - federal	4,495,804		1,308,551	5,804,355
Charges for current services	1,153,580		3,401,080	4,554,660
Schools, library and recreation fees	338,553			338,553
Sewer use charges			5,291,252	5,291,252
Solid waste management charges			2,411,917	2,411,917
Other revenue	496,322	27,326	594,614	1,118,262
Total revenues	<u>128,803,319</u>	<u>2,456,411</u>	<u>17,397,281</u>	<u>148,657,011</u>
Expenditures:				
Current:				
General government	991,575		275,218	1,266,793
General services	4,315,863			4,315,863
Public safety	6,338,941		543,752	6,882,693
Public works	6,257,089		36,270	6,293,359
Planning and development	1,201,607			1,201,607
Health and human services	562,602		185,569	748,171
Community services	3,359,237		2,147,500	5,506,737
Education	80,996,988		4,314,391	85,311,379
Subdivisions	5,228,234			5,228,234
Sewer operations			4,354,333	4,354,333
Solid waste management			2,199,954	2,199,954
Nondepartmental	8,743,450			8,743,450
Outside agencies	2,021,350		330,459	2,351,809
Debt service	4,440,354		1,512,702	5,953,056
Capital outlay	29,528	7,423,163	1,443,923	8,896,614
Total expenditures	<u>124,486,818</u>	<u>7,423,163</u>	<u>17,344,071</u>	<u>149,254,052</u>
Revenues over (under) Expenditures	<u>4,316,501</u>	<u>(4,966,752)</u>	<u>53,210</u>	<u>(597,041)</u>
Other Financing Sources (Uses):				
Transfers in	1,027,913	4,230,000	92,447	5,350,360
Transfers out	(3,667,447)	(75,000)	(1,607,913)	(5,350,360)
Refunding bonds issued	19,060,000		2,020,000	21,080,000
Payments to refunded bond escrow agent	(21,100,105)		(2,099,295)	(23,199,400)
Premiums/discounts on bond issuance	2,236,831		99,891	2,336,722
Total other financing sources (uses)	<u>(2,442,808)</u>	<u>4,155,000</u>	<u>(1,494,870)</u>	<u>217,322</u>
Net Change in Fund Balances	1,873,693	(811,752)	(1,441,660)	(379,719)
Fund Balances at Beginning of Year	<u>12,746,891</u>	<u>6,506,209</u>	<u>9,941,408</u>	<u>29,194,508</u>
Fund Balances at End of Year	<u>\$ 14,620,584</u>	<u>\$ 5,694,457</u>	<u>\$ 8,499,748</u>	<u>\$ 28,814,789</u>

(Continued on next page)

TOWN OF GROTON, 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 of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (379,719)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	9,671,601
Depreciation expense	(7,427,257)
Loss on disposal of capital assets	(145,470)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes and assessments collected after 60 days	(724,896)
Interest income on property taxes	7,963
Revenue on loan receivables greater than 60 days	44,999

Change in pension asset	(2,286)
Change in other postemployment benefit asset	207,240

The issuance of long-term debt (e.g., bonds) 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, however, 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 deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.

Accrued interest on bonds	221,114
Principal payments on bonds	25,295,000
Principal payments on Clean Water Fund loan payable	612,363
Principal payments on capital leases	7,773
Bond proceeds	(21,080,000)
Bond premium	(2,225,812)
Deferred amounts on refunding	1,401,054
Landfill closure payments	168,200
Bond issuance costs	201,816

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(75,534)
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The net expense of certain activities of internal service funds is reported in governmental activities	<u>(2,232,275)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 3,545,874</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 14,785,938
Other revenue	83,189
Total operating revenues	<u>14,869,127</u>
Operating Expenses:	
Operating expenses	765,092
Claims	14,642,286
Depreciation	561,590
Administration	1,194,106
Total operating expenses	<u>17,163,074</u>
Operating Loss	<u>(2,293,947)</u>
Nonoperating Revenues:	
Interest on investments	19,187
Gain on disposal of capital assets	42,485
Net nonoperating revenues	<u>61,672</u>
Change in Net Position	(2,232,275)
Net Position at Beginning of Year	<u>11,718,558</u>
Net Position at End of Year	<u>\$ 9,486,283</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 14,854,428
Cash paid to other funds	(728,284)
Cash paid to vendors	(801,154)
Cash paid to beneficiaries	(15,813,220)
Net cash used in operating activities	<u>(2,488,230)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of property and equipment	(650,113)
Proceeds from sale of property and equipment	42,485
Net cash used in capital and related financing activities	<u>(607,628)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>19,187</u>
Net Decrease in Cash and Cash Equivalents	(3,076,671)
Cash and Cash Equivalents - Beginning of Year	<u>12,124,276</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,047,605</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (2,293,947)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	561,590
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,699)
(Increase) decrease in due from other funds	(728,284)
(Decrease) increase in accounts payable	(36,062)
(Decrease) increase in claims payable	23,172
Net Cash Used in Operating Activities	<u>\$ (2,488,230)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,385,921	\$ 1,706,495	\$ 137,968	\$ 1,498,714
Investments, at fair value:				
Mutual funds	93,724,162	7,963,459		
Accounts receivable	10,483	43,494		
Total assets	<u>95,120,566</u>	<u>9,713,448</u>	<u>137,968</u>	<u>1,498,714</u>
Liabilities:				
Due to employees/others	79,200		300	
Claims incurred but not reported		261,096		
Due to contractors/developers				1,230,923
Due to student groups				224,344
Due to other funds		728,284		
Due to fire districts				43,447
Other liabilities	9,556	11,457		
Total liabilities	<u>88,756</u>	<u>1,000,837</u>	<u>300</u>	<u>1,498,714</u>
Net Position:				
Held in Trust for Benefits and Other Purposes	<u>\$ 95,031,810</u>	<u>\$ 8,712,611</u>	<u>\$ 137,668</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:			
Contributions:			
Employer	\$ 3,258,317	\$ 3,764,700	\$
Plan members	1,281,364	2,766,503	
Other additions			12,250
Total contributions	<u>4,539,681</u>	<u>6,531,203</u>	<u>12,250</u>
Investment income:			
Net appreciation in fair value of investments	10,230,578	748,713	
Interest and dividends			248
	<u>10,230,578</u>	<u>748,713</u>	<u>248</u>
Less investment expenses:			
Investment management fees	333,781	557,012	
Net investment income	<u>9,896,797</u>	<u>191,701</u>	<u>248</u>
Total additions	14,436,478	6,722,904	12,498
Deductions:			
Benefits	<u>5,472,084</u>	<u>4,266,932</u>	<u>22,778</u>
Change in Net Position	8,964,394	2,455,972	(10,280)
Net Position - Beginning of Year	<u>86,067,416</u>	<u>6,256,639</u>	<u>147,948</u>
Net Position - End of Year	<u>\$ 95,031,810</u>	<u>\$ 8,712,611</u>	<u>\$ 137,668</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Groton, Connecticut (the Town) was incorporated in 1705. The Town operates under a Council/Representative Town Meeting/Manager form of government and provides the following services as authorized by its Charter: public safety, public works, planning and development, human services, community services, education, sewer and solid waste disposal, and general governmental services. The accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These criteria have been considered, and there are no agencies or entities that should be presented with the Town.

B. Basis of Presentation

The financial statements of the Town have been prepared in conformity with 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 of the Town's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (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, the exception being interfund services provided and used. These services are not eliminated in the process of consolidation.

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 expenses that are clearly identifiable with a specific function or segment. Indirect expenses were also classified to the appropriate functions. 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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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 are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds use the accrual basis of accounting but have no measurement focus because they report only assets and liabilities.

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

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

Expenditures are generally 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.

The Town reports the following major governmental funds.

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

The *Capital Improvements Fund* accounts for individual capital project authorizations. The major sources of revenue for this fund are State and Federal grants and bond proceeds.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Additionally, the Town reports the following fund types:

Internal Service Funds are used to account for employee health insurance, workers' compensation insurance and the use and replacement of motor vehicles provided to other departments of the Town.

Private Purpose Trust Funds are used to account for resources legally held in trust for scholarships, low-income residents and youth and family services.

The *Pension Trust Fund* is used to account for the accumulation of resources to be used for retirement benefits.

The *OPEB Trust Fund* is used to account for the accumulation of resources to be used for other post-employment benefits.

Agency Funds are used to account for monies that the Town holds as a custodian for student groups, contractors/developers and its fire districts.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Cash and Cash Equivalents

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.

D. Investments

Investments are recorded at fair value based on quoted market prices.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

E. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building improvements	20
Distribution and collection systems	50-100
Public domain infrastructure	50
System infrastructure	30
Land improvements	20
Machinery and equipment	5-20

In the governmental fund financial statements, capital outlay (assets) are reported as expenditures, and no depreciation is recorded.

F. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Town accrues compensated absences as they are earned by employees if the leave is attributable to past service and it is probable that the employer will compensate the employee by cash payments at termination or retirement. The amount of this estimated obligation at June 30, 2013 is recorded in the government-wide financial statements since the benefits are to be funded from future financial resources and will be paid from the General Fund, Golf Course Fund or Sewer Operations Fund, as may be appropriate.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

G. 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 or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs 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.

H. Pension Accounting

Pension Trust Fund

The Pension Trust Fund is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings.

Governmental Funds

The net pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net pension asset is recorded in the government-wide financial statements. In prior years, the General Fund has been used to liquidate the net pension obligation.

Funding Policy

The Town funds the contributions to its pension plan based on the actuarially required calculation.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

I. Other Post Employment Benefits (OPEB) Accounting

OPEB Trust Fund

The OPEB Trust Fund is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings.

Governmental Funds

The net OPEB obligation (asset), the cumulative difference between annual OPEB cost and the Town's contributions to the plan since 2008, is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 45. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net OPEB asset is recorded in the government-wide financial statements. In prior years, the General Fund has been used to liquidate the net OPEB obligation.

Funding Policy

The Town funds the contributions to its OPEB plan based on the actuarially required calculation.

J. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as committed or assigned fund balance, depending on the nature of the restriction, for GAAP purposes, as they do not constitute expenditures or liabilities, and reported as expenditures for budgetary purposes as they do not constitute expenditures or liabilities.

K. Fund Equity and Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category includes all capital assets, including infrastructure, less accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted Net Position - This category includes net position with restrictions 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 category represents the net position of the Town that is not restricted for any project or other purpose by third parties.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

In the fund financial statements, fund balances of governmental funds are classified in the following categories:

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

Restricted Fund Balance - This balance 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 balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Groton Town Council resolution).

Assigned Fund Balance - For all governmental funds other than the General Fund, this balance 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 Executive Management or the Town Council, which have been delegated authority to assign amounts by the Town Charter.

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

The Town Council has an adopted policy that a minimum unassigned fund balance be maintained in an amount equal to at least seven and one-half percent (7.5%) of the annual general fund expenditures.

L. Property Taxes

Property taxes are assessed as of October 1, levied on the following July 1, and billed and due in two installments, July 1 and January 1. Taxes less than \$50 are due in full on July 1. Motor vehicle taxes are due in one installment on July 1, and supplemental motor vehicles taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are filed by the last day of the fiscal year.

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Not later than March 15th, the Town Manager submits proposed budgets for the General Fund, Special Revenue Funds (including Special Library Fund, Golf Course Fund, Sewer Operating Fund, Solid Waste Fund, Mumford Cove Fund, Revaluation Fund, Computer Replacement Fund and Rec & Senior Activities Fund) and the Debt Service (Groton Sewer District) Fund to the Town Council.

After one public hearing and numerous public meetings, the Town Council, on or before April 28th, recommends these budgets, as revised, to the Representative Town Meeting (RTM). The RTM reviews and takes final action on each function's budget no later than May 25th. These appropriations become the legal level of control. Following RTM approval of a final budget, the Town Council shall determine the final tax rate on or before June 9th. The Town Council must authorize all transfers of legally budgeted amounts between functions, with RTM authorization required on all transfers over \$10,000. In this process, function budget accounts serve as the legal level of control. Transfers within functions are not necessary. Additional appropriations may only be made by the Town Council and RTM in accordance with Town Charter provisions. For the year ended June 30, 2013, there were no additional appropriations.

Formal budgetary integration of these budgets is employed as a management control device in the General Fund. Formal budgetary integration is not employed in other funds (other than the Special Revenue Funds listed above) because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

All unencumbered appropriations lapse at year-end, except for those appropriations in the Capital Projects Fund. Appropriations for these amounts are continued until completion of the applicable projects, which often last more than one fiscal year but cannot exceed five (5) years.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major differences between the budget and GAAP bases are as follows:

- Taxes collected within 60 days subsequent to June 30 are recognized as revenue for GAAP purposes during the current year, compared to recognition in the year received for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued, and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year, whereas they are shown as a reservation of fund balance under the GAAP basis of accounting.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

- State of Connecticut payments on behalf of the Town teachers for the State teacher retirement system are reported for GAAP purposes only.
- The revenues and expenditures for budgeted funds that do not meet the definition for inclusion in the GAAP financial statements as special revenue funds are included in the General Fund, in accordance with GASB Statement No. 54.
- Portions of Federal Emergency Management Administration grants that represented reimbursement for overtime costs were credited to expenditures.

B. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2013:

Nonmajor Funds:		
Sewer Construction	\$	(250,281)
Internal Service:		
Workers' Compensation		(698,678)

The Sewer Construction deficit will be funded with future financing. The Internal Service Fund deficit will be funded on a current basis with future premiums.

3. DETAILED NOTES ON ALL FUNDS

A. 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, that is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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.

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits will not be returned. The Town does not have a deposit policy for custodial credit risk; however, 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*, \$35,208,358 of the Town's bank balance of \$40,656,726 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 31,733,593
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>3,474,765</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 35,208,358</u></u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Cash Equivalents

At June 30, 2013, the Town's cash equivalents amounted to \$11,299,097. The following 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.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management - Connecticut CLASS Plus	AAAm
Bank of America, N.A. Cash Management Assets	Not rated

Investments

As of June 30, 2013, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Certificates of deposit	*	\$ 2,980,000	\$ <u>2,224,000</u>	\$ <u>756,000</u>	\$ <u>-</u>
Other Investments:					
Common stock	N/A	4,934			
Mutual funds	N/A	<u>101,796,545</u>			
Total Investments		<u>\$ 104,781,479</u>			

N/A - Not Applicable

* Subject to coverage by Federal Depository Insurance and Collateralization

Investment Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment 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 counterparties, or by their trust department or agents, that were not in the Town's name.

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

Concentration of Credit Risk - The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The Town’s investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer’s Short-Term Investment Fund (STIF) and Cutwater Asset Management - Connecticut CLASS Plus Investment. The value of the position in the pools is the same as the value of the pool shares. Regulatory oversight for the State Treasurer’s STIF is provided quarterly by the Investment Advisory Council and the Treasurer’s Cash Management Board. Regulatory oversight for Cutwater Asset Management - Connecticut CLASS Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in “derivative” securities; certificates of deposit; repurchase agreements; and obligations of the United States and agencies of the federal government.

Deposits and investments for retirement and other postemployment benefit funds are also disclosed in Notes 4 and 5.

B. Endowments Received

	<u>Williams Library Trust</u>	<u>Julia Bill Library Trust</u>	<u>Rispoli Scholarship</u>	<u>Total</u>
Original principal received	\$ 20,000	\$ 27,543	\$ 200,000	\$ 247,543
Net appreciation on investments	<u>137,313</u>	<u>20,114</u>	<u>249</u>	<u>157,676</u>
Total Value	<u>\$ 157,313</u>	<u>\$ 47,657</u>	<u>\$ 200,249</u>	<u>\$ 405,219</u>

The original principal received remains in the net position and is restricted for the trust principal. The net appreciation on investments is broken out between restricted and unrestricted net position and is spent based on the original criteria established by the trust. The Town’s policy is to spend only investment income for the purposes of the trust.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

C. Fund Receivables

Receivables at June 30, 2013, including the applicable allowances for collection losses, are as follows:

	General	Capital Improvement	Nonmajor and Other Funds	Total
Property taxes	\$ 2,555,934	\$	\$ 20,327	\$ 2,576,261
Assessments		1,453	581,711	583,164
Intergovernmental	1,506,368	1,047,536	388,732	2,942,636
Accounts receivable	141,182	9,131	323,590	473,903
User fees receivable			1,153,841	1,153,841
Gross receivables	4,203,484	1,058,120	2,468,201	7,729,805
Allowance for collection losses	(220,000)		(168,500)	(388,500)
Net Receivables	\$ 3,983,484	\$ 1,058,120	\$ 2,299,701	\$ 7,341,305

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

	Unavailable	Unearned
General Fund:		
Delinquent property taxes receivable	\$ 2,040,808	\$
Various grants		52,862
Capital Improvements Fund:		
Assessments receivable	1,453	
Nonmajor Governmental Funds:		
Delinquent assessments receivable	24,766	
CDBG loans receivable	551,539	
Various grants		986,582
Total Deferred/Unearned Revenue for Governmental Funds	\$ 2,618,566	\$ 1,039,444

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,835,731	\$ 1,337,426	\$	\$ 15,173,157
Construction in progress	8,075,895	7,423,167	4,336,482	11,162,580
Total capital assets not being depreciated	21,911,626	8,760,593	4,336,482	26,335,737
Capital assets being depreciated:				
Land improvements	5,130,028	388,972		5,519,000
Buildings and improvements	173,738,715	692,228	51,592	174,379,351
Machinery and equipment	22,301,028	1,859,311	437,526	23,722,813
Machinery and equipment - fleet	7,745,007	650,113	225,025	8,170,095
Infrastructure	95,165,896	2,283,227		97,449,123
Machinery and equipment - capital-leased	63,503			63,503
Total capital assets being depreciated	304,144,177	5,873,851	714,143	309,303,885
Less accumulated depreciation for:				
Land improvements	2,799,626	136,401		2,936,027
Buildings and improvements	37,541,755	3,693,673	20,147	41,215,281
Machinery and equipment	12,702,341	758,256	347,253	13,113,344
Machinery and equipment - fleet	4,909,935	561,590	225,025	5,246,500
Infrastructure	53,874,682	2,833,085		56,707,767
Machinery and equipment - capital-leased	17,526	5,842		23,368
Total accumulated depreciation	111,845,865	7,988,847	592,425	119,242,287
Total capital assets being depreciated, net	192,298,312	(2,114,996)	121,718	190,061,598
Governmental Activities Capital Assets, Net	\$ 214,209,938	\$ 6,645,597	\$ 4,458,200	\$ 216,397,335

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:	
General government services	\$ 1,191,792
Public safety	82,485
Public works, including depreciation of general infrastructure assets	2,267,992
General services	49,693
Community services	22,922
Education	2,434,877
Sewer operating	1,323,447
Planning and development	1,900
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of assets	561,590
Golf Course	52,149
Total Depreciation Expense - Governmental Activities	\$ 7,988,847

TOWN OF GROTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Construction Commitments

The Town has the following construction commitments as of June 30, 2013:

	Project Amount
Roads/Streets/Sidewalks:	
Resurfacing and Sidewalks	\$ 138,927
Building Improvements/Modifications:	
Public Buildings	720
WPCF Projects:	
Sewer System	281,552
Land Improvements:	
Land Improvements	1,142

The commitments are being financed with capital reserve and sewer sinking fund monies, general obligation bonds, and state and federal grants.

E. Interfund Receivables, Payables and Transfers

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	\$ 1,517,160
	Nonmajor governmental funds	298,280
		1,815,440
Health Fund	Other Post Employment Benefits Fund	728,284
		\$ 2,543,724

The balance of \$1,815,440 due from other funds to the General Fund represents amounts committed to the General Fund from various special revenue and capital project funds. The balance of \$728,284 due to the Health Fund from the Other Post Employment Benefits Fund represents amounts held in the Other Post Employment Benefits Fund representing contributions to the Health Fund.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Interfund Transfers

Interfund transfers during the year ended June 30, 2013 were as follows:

	Transfers In			
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Transfers Out
Transfers out:				
General Fund	\$	\$ 3,650,000	\$ 17,447	\$ 3,667,447
Capital Improvements Fund			75,000	75,000
Nonmajor funds	1,027,913	580,000		1,607,913
Total Transfers In	\$ 1,027,913	\$ 4,230,000	\$ 92,447	\$ 5,350,360

Transfers are used to account for revenues collected mainly in the General Fund and appropriated to other funds to finance various programs, e.g., Capital Projects, all in accordance with budget authorizations. The purpose of the transfers in to the General Fund were to record revenues received from other funds pertaining to services provided to them by General Fund functions that were determined by the cost allocation plan. Transfers out to the Capital Improvements Fund consisted of budgetary transfers for the replacement of capital assets.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

F. Fund Balance

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

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$	\$	\$ 20,735	\$ 20,735
Endowments			247,543	247,543
Restricted for:				
Grants			76,913	76,913
Bonded capital projects		5,694,457		5,694,457
Debt service			1,612,018	1,612,018
Regional probate court			8,062	8,062
Paving			2,668	2,668
Recreation and senior activities			357,663	357,663
Trust purposes			157,676	157,676
Committed to:				
Community development grant			227,320	227,320
Escrow funds			577,046	577,046
Land acquisition			19,782	19,782
Outside police services			455,783	455,783
Energy conservation			18,306	18,306
Donations			128,869	128,869
Emergency energy			15,546	15,546
Public infrastructure improvements			211,346	211,346
Library			106,063	106,063
Golf course operations			28,363	28,363
Parks & recreation			142,751	142,751
School cafeteria			89,206	89,206
Fitch High School library media			10,391	10,391
Grants			9,616	9,616
Sewer			2,583,223	2,583,223
Solid waste management			1,518,214	1,518,214
Outside agencies			124,258	124,258
Other			668	668
Assigned to:				
Subsequent year's budget	2,013,860			2,013,860
Purchases on order	356,443			356,443
Revaluation	141,313			141,313
Computer replacement	491,498			491,498
Unassigned	<u>11,617,470</u>		<u>(250,281)</u>	<u>11,367,189</u>
Total Fund Balance	<u>\$ 14,620,584</u>	<u>\$ 5,694,457</u>	<u>\$ 8,499,748</u>	<u>\$ 28,814,789</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

G. Leases

Operating Leases

The Town leases buildings and copiers under noncancelable operating leases. The total costs for such leases were \$93,807 for the year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 83,541
2015	124,721
2016	17,695
2017	14,111
2018	12,499
Thereafter	12,116

The Town also leases various buildings, portions of buildings and tracts of land to outside parties for a bargain lease price.

Capital Leases

The Town has entered into three lease agreements as lessee for financing the acquisition of a police booking station and two pieces of field equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 57,661
Less accumulated depreciation	<u>(23,368)</u>
Total	<u>\$ 34,293</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2013 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 4,199
Less amount for interest	<u>(96)</u>
Minimum lease payments	<u>\$ 4,103</u>

H. Long-Term Debt

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>
Bonds and loans payable:					
General obligation bonds	\$ 47,990,000	\$ 21,080,000	\$ 25,295,000	\$ 43,775,000	\$ 3,380,000
Clean Water Fund loan	10,665,325		612,363	10,052,962	612,363
Premium	<u>1,263,009</u>	<u>2,336,722</u>	<u>110,910</u>	<u>3,488,821</u>	
Total	59,918,334	23,416,722	26,018,273	57,316,783	3,992,363
Less deferred amounts on refunded bonds	<u>(1,258,880)</u>	<u>(1,499,400)</u>	<u>(98,346)</u>	<u>(2,659,934)</u>	
Total bonds and loans payable	58,659,454	21,917,322	25,919,927	54,656,849	3,992,363
Landfill post-closure monitoring	2,621,600		168,200	2,453,400	168,200
Capital lease obligations	11,876		7,773	4,103	4,103
Compensated absences	<u>2,149,076</u>	<u>235,344</u>	<u>159,810</u>	<u>2,224,610</u>	<u>149,279</u>
Long-Term Liabilities	<u>\$ 63,442,006</u>	<u>\$ 22,152,666</u>	<u>\$ 26,255,710</u>	<u>\$ 59,338,962</u>	<u>\$ 4,313,945</u>

Liability for compensated absences will be funded through the General Fund, the Golf Course Fund and the Sewer Operating Fund.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Bonds

All bonds are general obligation debt of the Town and are secured by the general revenue raising powers of the Town. However, it is management’s intention that all sewer bonds be serviced by the taxes and sewer assessments of the Groton Sewer District, which are accounted for in the Debt Service Fund. The debt service associated with the Fort Hill sewer rehabilitation project and the current year debt issuance that refunded a portion of this debt will be funded with revenue generated from the Town’s sewer use fee rate within the sewer operating fund.

The Town’s general obligation bonds bear interest at rates from 2% to 6.9% and mature as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2014	\$ 3,380,000	\$ 1,504,688
2015	3,400,000	1,390,800
2016	3,360,000	1,284,725
2017	3,335,000	1,177,625
2018	2,940,000	1,070,000
2019-2023	14,055,000	3,701,450
2024-2028	12,130,000	1,195,700
2029-2030	<u>1,175,000</u>	<u>32,363</u>
	<u>\$ 43,775,000</u>	<u>\$ 11,357,351</u>

Total authorized but unissued long-term debt at June 30, 2013 consists of the following:

	<u>Bonds Authorized Unissued</u>
Senior Center	\$ 2,845,000
School Construction	<u>1,618,137</u>
	<u>\$ 4,463,137</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Category	Debt Limit	Indebtedness	Balance
Public improvement	\$ 215,056,351	\$ 23,233,728	\$ 191,822,623
Schools	430,112,703	27,050,137	403,062,566
Sewers	358,427,252	6,135,000	352,292,252
Urban renewal	310,636,952		310,636,952
Pension deficit	286,741,802		286,741,802

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, including coterminous municipalities, or \$669,064,204. All long-term debt obligations are retired through General Fund, Debt Service Fund and Sewer Operating Fund appropriations.

Indebtedness, in accordance with State statutes, includes long-term debt outstanding in addition to the amount of bonds authorized and unissued against which bonds have been issued to partially finance the project or bond anticipation notes issued and outstanding. Additionally, underlying debt of \$7,925,049 is included in the calculation of indebtedness. Bonds authorized and unissued amounted to \$4,463,137 at June 30, 2013.

Refunding

On March 12, 2013, the Town issued \$19,060,000 of general obligation refunding bonds with interest rates ranging from 3.00% to 4.00% and \$2,020,000 of general obligation sewer refunding bonds with interest rates ranging from 2.75% to 3.00% to advance refund the specified portions of the general obligation bonds listed below.

Original Issuance	Amount Refunded
General Obligation Bonds, November 1, 2006	\$ 2,475,000
General Obligation Bonds - Lot A, October 15, 2007	10,075,000
General Obligation Sewer Bonds - Lot B, October 15, 2007	1,950,000
General Obligation Bonds, October 15, 2009	7,200,000
	\$ 21,700,000

The refunding was undertaken to reduce total debt service payments over the term of the bonds by \$1,652,084 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,445,102. The net proceeds (with premium and after payment of underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded bonds. As a result, the refunded bonds are considered defeased.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Prior Year Defeasance of Debt

In prior years, the Town defeased general obligation bonds and general obligation sewer bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2013, \$13,635,000 of the prior refunded bonds remains outstanding.

Clean Water Fund Loan

During 2008, the Town entered into a project loan agreement with the State of Connecticut for a Clean Water Project. As of June 30, 2013, the Town has received total financing of \$12,235,166. This amount includes the original approved amount of \$9,361,766 and \$2,873,400 of amended funding. The loan bears interest at 2% and is to be repaid over 20 years. Repayments began in November 2010.

Annual debt service payments to the State of Connecticut are as follows:

Fiscal Year	Sewer Construction Fund	
	Principal Payments	Interest Payments
2014	\$ 612,363	\$ 195,446
2015	612,363	183,199
2016	612,363	170,951
2017	612,363	158,704
2018	612,363	146,457
2019-2023	3,061,815	548,578
2024-2028	3,061,815	242,394
2029-2030	867,517	13,013
	\$ 10,052,962	\$ 1,658,742

I. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the Town to place a final cover on two landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. One of the Town's municipal solid waste landfills stopped accepting waste in 1994. The remaining postclosure costs for this site are estimated to be \$1,319,500 (\$101,500 per year for 13 years). The other landfill site stopped accepting waste in the fall of 2001, and its remaining postclosure cost is \$1,133,900 (\$66,700 for 17 years). Actual costs may be higher due to inflation, changes in technology or changes in regulations.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. PUBLIC EMPLOYEE RETIREMENT SYSTEM

A. Plan Description and Provisions

All Town employees (nonunion choose an election at hire), except certified members of the Board of Education, participate in the Town of Groton Retirement System (TGRS), a single-employer defined benefit pension plan administered by the Retirement Board. TGRS provides retirement, disability and death benefits to plan members and beneficiaries. The charter provides the Town Council with the authority to establish and amend benefit provisions, by ordinance, through the Retirement Board. The Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. Stand-alone financial statements are not available.

Under the plan, all full-time employees hired are eligible. Police Officers, BOE Secretaries and Custodians are 100% vested after 10 years of service. Firefighters are 50% vested after 10 years with 3.3% additional after each of the next 15 years. General Government Nonbargaining, CILU, AFSCME, Steelworkers and BOE Central Office Employees are 100% vested after 5 years of service. Benefits are calculated as follows:

Board of Education - School Secretaries: 1.25% of average annual pay (for highest paid 5 years of last 7 years) times the number of years of participation.

Board of Education - Custodians/Maintenance: 1.25% of average annual pay (highest 3 years) times years of service before July 1, 1989 and 1.85% of average annual pay times years of service after June 30, 1989 up to 25 years, plus 1.25% for years of service after 6/30/1989 in excess of 25 years.

CILU: 2.05% of average annual pay (for highest 3 years) times the number of years of continuous service up to 30 years of service and 1.25% of average annual pay times years of continuous service in excess of 30.

Board of Education - Administrative: 2% of average annual pay (for highest 3 years) times the number of years of continuous service up to 25 years of service and 1.25% of average annual pay times years of continuous service in excess of 25.

General Government AFSCME: 2% of average annual pay (for highest 3 years) times the number of years of continuous service, up to 25 years of service and 1.25% of average annual pay times years of continuous service in excess of 25. Benefit is reduced by 2% for each year of age or service that the sum of age and years of service is less than 85.

General Government Nonbargaining: 2% of average annual pay (for highest paid 3 years out of last 5 years) times the number of years of continuous service up to 30 years of service and 1.25% of average annual pay times years of continuous service in excess of 30.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Steelworkers: 2% of average annual pay (for highest 3 years) times the number of years of continuous service, up to 30 years of service and 1.5% of average annual pay times years of continuous service in excess of 30.

Firefighters: 2.75% of average annual pay (highest paid 4 years) times years of continuous service up to 30 years.

Union Police Officers: 2.667% of average annual pay (highest paid 5 years) times the number of years of continuous service up to 30 years of service.

Nonunion Police Officers: 2.667% of average annual pay (highest paid 3 years) times the number of years of continuous service up to 30 years of service.

Maximum benefits are 66-2/3% of average annual pay for members of the General Government, AFSCME and Board of Education. Maximum benefits are 70% of average annual pay for members of the CILU and USWA. Maximum benefits are 75% of average annual pay for Firefighters and General Government Nonbargaining and 80% for Union and Nonunion Police Officers.

B. Funding Policy

Employees other than Police Officers and Firefighters are required to contribute 4% of pay to the Plan. Nonunion Police Officers contribute 7.5%, Union Police Officers 7.75%, Firefighters 6.5% and CILU 5%. Contributions of nonvested employees are returned with interest, if applicable, upon termination or death prior to retirement. The Town funds at least the actuarially determined amounts. Benefits and contributions are established by the Town and may be amended only by the Town Council subject to the terms of collective bargaining agreements with certain unions.

At July 1, 2012, TGRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	213
Terminated employees entitled to benefits but not yet receiving them	23
Active plan members	<u>405</u>
Total	<u><u>641</u></u>

TOWN OF GROTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

C. Method Used to Value Investments

Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchange of investments are recognized on the transaction date.

D. Annual Pension Cost and Net Pension Obligation (Asset)

The Town's annual pension cost and net pension obligation (asset) to the TGRS for the current year were as follows:

Annual required contribution	\$ 3,258,317
Interest on net pension obligation	(81,764)
Adjustment to annual required contribution	<u>84,050</u>
Annual pension cost	3,260,603
Contributions made	<u>3,258,317</u>
Decrease in net pension asset	2,286
Net Pension Asset, July 1, 2012	<u>(1,022,046)</u>
Net Pension Asset, June 30, 2013	<u><u>\$ (1,019,760)</u></u>

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

Actuarial valuation date	7/1/2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level \$ amount, open
Remaining amortization period	30 years
Asset valuation method	5-Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases	Vary by age group
Cost-of-living adjustments	None

*includes an inflation rate of 3.25%

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

E. Trend Information

<u>Fiscal Year End</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2011	\$	2,286,188	95.9%	\$ (1,024,337)
6/30/2012		2,970,766	99.9%	(1,022,046)
6/30/2013		3,260,603	99.9%	(1,019,760)

F. Schedule of Funding Progress and Schedule of Employer Contributions

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>		<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>Funding Excess (Unfunded) (a-b)</u>		<u>Funded Ratio (a/b)</u>		<u>Covered Payroll (c)</u>		<u>Excess Funded AAL as a % of Covered Payroll ((a-b)/c)</u>
7/1/07	\$	82,698,074	\$ 80,107,841	\$ 2,590,233	\$	103.2%	\$	22,370,382	\$	(11.6)%
7/1/08		86,317,508	84,196,700	2,120,808		102.5%		23,647,808		(9.0)%
7/1/09		85,476,282	92,732,994	(7,256,712)		92.2%		24,190,793		30.0%
7/1/10		84,453,080	98,515,524	(14,062,444)		85.7%		24,744,677		56.8%
7/1/11		85,612,289	105,160,036	(19,547,747)		81.4%		25,075,727		78.0%
7/1/12		87,003,117	109,105,111	(22,101,994)		79.7%		24,367,375		90.7%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/08	\$	1,168,188	100.0%
6/30/09		1,367,891	100.0%
6/30/10		1,441,333	100.0%
6/30/11		2,283,892	100.0%
6/30/12		2,968,475	100.0%
6/30/13		3,258,317	100.0%

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

G. Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained the age of 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or has attained any age and has accumulated 35 years of credited services, at least 25 of which are service in the public schools of Connecticut. The financial statements of the plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were \$7,764,069 for the year ended June 30, 2013.

5. POSTEMPLOYMENT HEALTHCARE PLAN - GROTON RETIRED EMPLOYEES HEALTHCARE PLAN

Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Groton Retired Employees Healthcare Plan (GREHP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the GREHP.

Investments are reported at fair value. Investment income is recognized as earned.

Plan Description

The GREHP is a single-employer defined benefit healthcare plan administered by the Town of Groton. The GREHP provides medical and dental benefits to eligible retirees and their spouses as established through negotiations between the Town and the various unions representing the employees. Eligible full-time and part-time employees of the Town may elect to participate in the plan.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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 Trust Fund. The plan does not issue a stand-alone financial report.

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

	<u>Retiree Health Plan</u>
Retired members	225
Spouses of retired members	95
Active plan members	<u>809</u>
Total Participants	<u><u>1,129</u></u>

Funding Policy

The contribution requirements of plan members and the Town/Board of Education are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums as listed below. These are average costs with the actual costs to the retirees based on the employee group they were in when they retired.

Town Employees

The cost per month for Town employees receiving coverage under Anthem Blue Cross Blue Shield is \$874 per month for retiree only coverage and \$1,800 per month for retiree and spouse coverage, to age 65, and \$596 and \$1,396 per month, respectively, thereafter.

Board of Education Employees

The cost per month for Board of Education employees receiving coverage under Anthem Blue Cross is \$756 per month for retiree only coverage and \$1,513 per month for retiree and spouse coverage to age 65. The cost for Medicare eligible employees is \$312 per month for retiree only and \$625 per month for retiree and spouse.

Contributions

For the year ended June 30, 2013, plan members contributed \$2,766,503. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits.

Employer contributions to the plan of \$3,764,700 were made in accordance with actuarially determined requirements. Of this amount, \$1,439,347 represents premium payments, \$546,653 represents implicit rate subsidy and \$1,778,700 was contributed to prefund benefits.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Annual OPEB Cost and Net OPEB Obligations

The Town of Groton’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 (asset):

Annual required contribution	\$ 3,566,000
Interest on net OPEB obligation	(36,787)
Adjustment to annual required contribution	<u>28,247</u>
Annual OPEB cost	3,557,460
Contributions made	<u>3,764,700</u>
Increase in net OPEB asset	(207,240)
Net OPEB Asset, July 1, 2012	<u>(490,489)</u>
Net OPEB Asset, June 30, 2013	<u>\$ (697,729)</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ended June 30, 2013 is presented below.

<u>Fiscal Year End</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2011	\$ 3,328,867	\$ 3,258,700	97.9%	\$ 757,195
6/30/2012	3,449,552	4,697,236	136.2%	(490,489)
6/30/2013	3,557,460	3,764,700	105.8%	(697,729)

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 as required supplementary information following the notes to the financial statements, 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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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 7.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 9% initially, reduced by decrements to an ultimate rate of 5% after four years. The general inflation assumption is 2.5% - 3.0%. Projected salary increases were 4.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2012 was 30 years.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<i>Retiree Medical Program</i>						
7/1/2007	\$	\$ 30,780,000	\$ 30,780,000	0.0%	n/a	n/a
7/1/2008		1,384,000	34,026,000	4.0%	n/a	n/a
7/1/2009		1,911,000	36,645,000	5.0%	n/a	n/a
7/1/2010		3,234,000	38,902,000	8.3%	n/a	n/a
7/1/2011		5,065,000	40,455,000	12.5%	n/a	n/a
7/1/2012		6,433,000	41,378,000	15.5%	52,762,000	66.23%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2011	\$ 3,328,867	97.9%
6/30/2012	3,463,000	135.6%
6/30/2013	3,566,000	105.6%

n/a - The covered payroll is not available.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss, including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health and medical; and natural disasters. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation and employee health and medical claims. Under the Town's current policy, the Health Insurance Fund covers all employee claims up to \$200,000 per claim with a stop-loss policy covering amounts exceeding the limit. The Town also purchases aggregate stop-loss coverage for claims in excess of 125% of expected claim level, which approximates \$10.1 million. The Workers' Compensation Fund covers claims associated with work-related injuries. The Town purchases commercial insurance for claims in excess of coverage provided by the Workers' Compensation Fund with an individual claim maximum of \$300,000 and a \$1,000,000 aggregate maximum per year. Town management has estimated a liability using actuarial methods at June 30, 2013 for claims incurred but not reported to be \$871,750 in the Health Insurance Fund and \$2,455,976 in the Workers' Compensation Fund, which includes heart and hypertension of \$1,869,035. The estimate for claim liability also includes amounts for incremental claim adjustment expenses.

Changes in the claims liability were as follows:

		<u>Liability</u> <u>July 1,</u>		<u>Current Year</u> <u>Claims and</u> <u>Changes in</u> <u>Estimates</u>		<u>Claim</u> <u>Payments</u>		<u>Liability</u> <u>June 30,</u>		<u>Due Within</u> <u>One Year</u>
<u>Health Insurance Fund</u>										
2012 - 2013	\$	801,447	\$	14,001,035	\$	13,930,732	\$	871,750	\$	871,750
2011 - 2012		689,030		12,896,452		12,784,035		801,447		801,447
<u>Workers' Compensation Fund</u>										
2012 - 2013	\$	2,529,494	\$	641,251	\$	714,769	\$	2,455,976	\$	122,799
2011 - 2012		2,496,199		626,561		593,266		2,529,494		126,475

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

B. Contingencies

The Town is currently involved in several litigation matters. In the estimation of the Town's management and legal counsel, the final settlement of these matters will not materially affect the financial condition of the Town.

C. Concentration of Taxes

The Town's two largest taxpayers, based on the October 2011 grand list, comprise 20.4% of the net taxable grand list of the Town and approximately 14.4% of the total General Fund revenues for the year ended June 30, 2013.

TOWN OF GROTON, CONNECTICUT

GENERAL FUND SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Property Taxes (Including Interest and Lien Fees)	\$ 79,981,815	\$ 79,981,815	\$ 81,474,843	\$ 1,493,028
Licenses and Permits:				
Building permits	184,869	184,869	149,983	(34,886)
Sporting licenses	850	850	773	(77)
Dog licenses	8,000	8,000	9,224	1,224
Other licenses and permits	10,245	10,245	14,895	4,650
Building permits - education fee	150	150	130	(20)
State land use fees	140	140	76	(64)
Total licenses and permits	<u>204,254</u>	<u>204,254</u>	<u>175,081</u>	<u>(29,173)</u>
Interest on Investments	<u>88,000</u>	<u>88,000</u>	<u>62,931</u>	<u>(25,069)</u>
Intergovernmental - State:				
General:				
Town aid road	189,622	189,622	183,913	(5,709)
Nuclear safety drill	24,072	24,072	29,800	5,728
Highway illumination	1,619	1,619	1,619	-
Telephone access	161,000	161,000	161,342	342
PILOT Enterprise zone	429,536	429,536	289,558	(139,978)
PILOT - state and tax exemptions	1,204,820	1,204,820	1,189,907	(14,913)
TVCCA - supp. housing program	9,000	9,000	9,000	-
Youth Service Bureau	31,434	31,434	31,434	-
Pequot/Mohegan funds	1,394,298	1,394,298	1,376,364	(17,934)
Manufacturing transition grant	1,374,459	1,374,459	1,296,815	(77,644)
911 Enhancement	165,482	165,482	165,158	(324)
Property tax relief	546,969	546,969	275,771	(271,198)
Miscellaneous state grants	88,670	88,670	198,238	109,568
Board of Education:				
Education cost sharing	25,625,179	25,625,179	25,540,640	(84,539)
Adult education	122,161	122,161	111,262	(10,899)
Instruction for the blind	13,843	13,843	24,833	10,990
Special education	1,167,726	1,167,726	1,230,870	63,144
Transportation - private school	34,308	34,308	25,718	(8,590)
Transportation	283,132	283,132	267,540	(15,592)
Magnet School transportation			161,703	161,703
Nonpublic pupil services	27,970	27,970	29,916	1,946
Total State of Connecticut	<u>32,895,300</u>	<u>32,895,300</u>	<u>32,601,401</u>	<u>(293,899)</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

GENERAL FUND SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Intergovernmental - Federal:				
Pupil impact aid	\$ 3,329,619	\$ 3,329,619	\$ 3,827,570	\$ 497,951
Education - misc. federal funds	115,156	115,156	197,451	82,295
FEMA Reimbursement			295,607	295,607
Public safety - federal funds			15,901	15,901
Emergency management	15,196	15,196	25,007	9,811
Total federal government	<u>3,459,971</u>	<u>3,459,971</u>	<u>4,361,536</u>	<u>901,565</u>
Charges for Current Services:				
Planning Commission fees	16,000	16,000	8,420	(7,580)
Recording instruments	160,000	160,000	175,583	15,583
Conveyance tax	540,000	540,000	567,757	27,757
Planning department - other	1,000	1,000	1,035	35
Collection subdivisions taxes	98,115	98,115	98,115	-
Accident reports	1,674	1,674	1,560	(114)
Dispatch/paramedics services	1,000	1,000	1,000	-
North Stonington - dispatch	52,819	52,819	52,819	-
Stonington ambulance - dispatch	5,000	5,000	5,000	-
Groton Utilities - dispatch	5,000	5,000		(5,000)
Housing Authority shelter rent	50,600	50,600	53,128	2,528
Coordinated Medical Emergency Director	22,832	22,832	22,239	(593)
Board of Education - FHS/ground mowing	50,341	50,341	50,341	-
GIS - revenue	700	700	1,289	589
Vital statistics	6,000	6,000	4,749	(1,251)
Snow/Ice control services	74,837	74,837	106,104	31,267
Total charges for current services	<u>1,085,918</u>	<u>1,085,918</u>	<u>1,149,139</u>	<u>63,221</u>
Schools, Library and Recreation:				
Tuition from other towns	166,317	166,317	171,452	5,135
Other school receipts	54,075	54,075	72,080	18,005
Library fines	28,000	28,000	26,389	(1,611)
Lost and damaged book fees	3,000	3,000	2,529	(471)
Senior Center fees	42,540	42,540	41,271	(1,269)
Park concession and rental	1,500	1,500	1,200	(300)
Library - copier fees	6,000	6,000	6,116	116
Library fees	15,000	15,000	15,266	266
Park rentals	3,000	3,000	2,250	(750)
Total schools, library and recreation	<u>319,432</u>	<u>319,432</u>	<u>338,553</u>	<u>19,121</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

GENERAL FUND SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Other Revenue:				
Court fines	\$ 13,800	\$ 13,800	\$ 16,177	\$ 2,377
Parking tickets	2,850	2,850	2,400	(450)
Aircraft registration fees	20,000	20,000	17,970	(2,030)
Lease fees	110,005	110,005	124,125	14,120
Land record copies	28,000	28,000	29,911	1,911
Vital copies	74,000	74,000	71,947	(2,053)
Miscellaneous	5,000	5,000	37,384	32,384
Dog warden - sold and redeemed	4,450	4,450	4,521	71
Public Works Disposal fees	195,901	195,901	172,192	(23,709)
Returned check fees	1,300	1,300	820	(480)
Sale of capital assets	5,000	5,000	17,693	12,693
Finance Dept. copies	1,300	1,300	1,183	(117)
Total other revenue	<u>461,606</u>	<u>461,606</u>	<u>496,323</u>	<u>34,717</u>
Other Financing Sources:				
Transfers in:				
Golf course	58,157	58,157	58,157	-
Sewer/landfill services	631,079	631,079	631,079	-
Sewer District	115,540	115,540	115,540	-
Mumford Cove	1,037	1,037	1,037	-
Community Investment Act Fund	5,200	5,200	5,200	-
School Construction Projects			213,646	213,646
Total other financing sources	<u>811,013</u>	<u>811,013</u>	<u>1,024,659</u>	<u>213,646</u>
Total Revenues and Other Financing Sources	\$ <u>119,307,309</u>	\$ <u>119,307,309</u>	121,684,466	\$ <u>2,377,157</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	7,764,069
Property tax revenue receivable accrual basis change	216,965
Certain bonds outstanding of the Town were refunded using refunding bonds, which were not recorded for budget purposes, as the transaction nets to zero	21,296,831
Various funds of the Town did not meet the definition of a special revenue fund for GASB 54 purposes and were, therefore, combined with the General Fund on a GAAP basis only	28,207
Elimination of interfund activity between the General Fund and funds combined for GASB 54 purposes	3,255
Portions of Federal Emergency Management Administration grants that represented reimbursement for overtime costs were credited to expenditure	<u>134,270</u>

Total Revenues and Other Financing Sources as Reported on the Statement
of Revenues, Expenditures and Changes in Fund Balances - Governmental
Funds - Exhibit IV\$ 151,128,063

TOWN OF GROTON, CONNECTICUT

GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government:				
Legislative policy	\$ 42,653	\$ 42,653	\$ 37,256	\$ 5,397
Voter registration	146,574	146,574	114,381	32,193
Town Clerk	365,048	369,271	361,224	8,047
Legal services	362,950	454,950	443,787	11,163
Total general government	<u>917,225</u>	<u>1,013,448</u>	<u>956,648</u>	<u>56,800</u>
General Services:				
Executive management	289,124	296,686	289,236	7,450
Financial administration	1,343,683	1,354,169	1,335,185	18,984
Administrative services	2,764,142	2,805,781	2,659,941	145,840
Total general services	<u>4,396,949</u>	<u>4,456,636</u>	<u>4,284,362</u>	<u>172,274</u>
Public Safety:				
Police services	<u>6,582,443</u>	<u>6,591,736</u>	<u>6,266,790</u>	<u>324,946</u>
Public Works	<u>6,244,901</u>	<u>6,298,231</u>	<u>6,091,779</u>	<u>206,452</u>
Planning and Development Services	<u>1,177,531</u>	<u>1,190,578</u>	<u>1,141,519</u>	<u>49,059</u>
Human Services:				
Human services	<u>562,734</u>	<u>565,741</u>	<u>562,534</u>	<u>3,207</u>
Community Services:				
Parks and recreation	1,816,991	1,835,864	1,787,098	48,766
Library	1,674,007	1,681,339	1,614,287	67,052
Total community services	<u>3,490,998</u>	<u>3,517,203</u>	<u>3,401,385</u>	<u>115,818</u>
Nondepartmental:				
Insurance and claims	520,150	520,150	453,977	66,173
Contingency	450,000	183,608		183,608
Self-funded plans	8,125,541	8,125,541	8,124,025	1,516
Total nondepartmental	<u>9,095,691</u>	<u>8,829,299</u>	<u>8,578,002</u>	<u>251,297</u>
Education	<u>72,645,500</u>	<u>72,645,500</u>	<u>72,634,763</u>	<u>10,737</u>
Debt Service:				
Town	1,762,265	1,762,265	1,677,094	85,171
Board of Education	2,821,175	2,821,175	2,566,534	254,641
Total debt service	<u>4,583,440</u>	<u>4,583,440</u>	<u>4,243,628</u>	<u>339,812</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Outside Agencies:				
Regional agencies	\$ 117,692	\$ 119,972	\$ 117,692	\$ 2,280
Ambulance services	117,951	117,951	117,951	-
Health services - cultural agencies	1,598,889	1,598,889	1,595,707	3,182
Probate Court	13,433	16,753	16,753	-
Other libraries	190,000	190,000	190,000	-
Total outside agencies	<u>2,037,965</u>	<u>2,043,565</u>	<u>2,038,103</u>	<u>5,462</u>
Subdivisions:				
City of Groton	4,622,557	4,622,557	4,622,245	312
Groton Long Point	359,825	359,825	359,977	(152)
Fire districts	246,012	246,012	246,012	-
Total subdivisions	<u>5,228,394</u>	<u>5,228,394</u>	<u>5,228,234</u>	<u>160</u>
Total expenditures	<u>116,963,771</u>	<u>116,963,771</u>	<u>115,427,747</u>	<u>1,536,024</u>
Other Financing Uses:				
Transfers out:				
Capital Reserve	3,650,000	3,650,000	3,650,000	-
Revaluation	35,000	35,000	35,000	-
Fleet	165,000	165,000	165,000	-
Computer Replacement	82,597	82,597	82,597	-
Total other financing uses	<u>3,932,597</u>	<u>3,932,597</u>	<u>3,932,597</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 120,896,368</u>	<u>\$ 120,896,368</u>	119,360,344	<u>\$ 1,536,024</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			7,764,069	
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			1,142,818	
Encumbrances for purchases and commitments ordered in the current year that were not received and liquidated in the current year are not reported for GAAP purposes			(356,443)	
Certain bonds outstanding of the Town were refunded using refunding bonds, which were not recorded for budget purposes, as the transaction nets to zero			21,296,831	
Various funds of the Town did not meet the definition of a special revenue fund for GASB 54 purposes and were, therefore, combined with the General Fund on a GAAP basis only			30,078	
Elimination of transfers between General Fund and funds combined for GASB 54 purposes			(117,597)	
Portions of Federal Emergency Management Administration grants that represented reimbursement for overtime costs were credited to expenditure			<u>134,270</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV				<u>\$ 149,254,370</u>

APPENDIX B – OPINION OF BOND COUNSEL AND TAX EXEMPTION - THE LOT A BONDS

The following information has been prepared by Bond Counsel in connection with the \$8,945,000 General Obligation Bonds, Issue of 2014, Lot A (the Lot A Bonds). Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

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

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

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Groton
Groton, Connecticut

We have represented the Town of Groton, Connecticut as Bond Counsel in connection with the issuance by the Town of \$8,945,000 General Obligation Bonds, Issue of 2014, Lot A, dated as of April 16, 2014.

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

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

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

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) the Bonds are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

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

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

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

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

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

The Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds will be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations

.Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

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

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

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

ORIGINAL ISSUE DISCOUNT.

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

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

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Bonds ultimately will be sold to the public. An owner who purchases a Bond with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a the Bond who bought the Bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds and Notes, gain from the sale or other disposition of the Bonds and Notes, the market value of the Bonds and Notes, or the marketability of the Bonds and Notes, or otherwise prevent the owners of the Bonds and Notes from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Bonds or Notes for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Bonds and Notes or the market price for, or marketability of, the Bonds and Notes. No assurance can be given with respect to the impact of future federal, state or local legislation on the Bonds and Notes. Prospective purchasers of the Bonds and Notes should consult their own financial and tax advisers regarding such matters.

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

APPENDIX C - OPINION OF BOND COUNSEL AND TAX STATUS - THE LOT B BONDS

The following information has been prepared by Bond Counsel in connection with the \$375,000 General Obligations Bonds, Issue of 2014, Lot B (Federally Taxable) (the Lot B Bonds). Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

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

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

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Groton
Groton, Connecticut

We have represented the Town of Groton, Connecticut as Bond Counsel in connection with the issuance by the Town of \$375,000 General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable), dated as of April 16, 2014.

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

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

It is our opinion that, under existing statutes and regulations, interest on the Bonds is included in gross income of the owners thereof for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

In the opinion of Bond Counsel, under existing statutes and regulations interest on the Bonds is included in the gross income of the owners thereof for Federal income tax purposes. pursuant to the Internal Revenue Code of 1986, as amended (the "Code").

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Interest payments made with respect to Bonds held by a nonresident alien individual, foreign corporation, or other non-United States person ("foreign person") generally will not be subject to United States withholding tax so long as the withholding agent receives a qualifying statement from the Beneficial Owner of the Bonds or from an organization described in Section 871(h)(5)(B) of the Code that the Beneficial Owner is a foreign person. If, however, a particular Beneficial Owner who is a foreign person is subject to United States withholding tax, for example in the event such person fails to provide the required statement, then interest payments made with respect to that person's Bonds generally would be subject to United States withholding tax. The withholding rate may be reduced or eliminated under a bilateral income tax treaty between the United States and the country of the Beneficial Owner. United States withholding tax will not apply (although United States federal income tax may be due with respect to the interest received) if the interest is effectively connected with the foreign person's conduct of a trade or business within the United States and the withholding agent has received the required form to claim such exemption. If the foreign person is a foreign corporation, it may be subject to a branch profits tax on its earnings and profits from such an effectively connected trade or business, including interest on the Bonds.

The Code requires the payor of interest on the Bonds to provide information to the Internal Revenue Service with respect to such payments. Such amounts will ordinarily not be subject to "backup" withholding of United States federal income tax. However, withholding may be required by reason of the events specified by Section 3406 of the Code and the regulations promulgated thereunder, which include failure of the payee to furnish the payee's correct taxpayer identification number to the payor or issuance of notification by the Internal Revenue Service that such amounts are subject to withholding because of under reporting of interest or dividend income by the payee.

STATE OF CONNECTICUT TAX ON INTEREST.

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

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

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

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Bonds ultimately will be sold to the public. An owner who purchases a Bond with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a the Bond who bought the Bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds and Notes, gain from the sale or other disposition of the Bonds and Notes, the market value of the Bonds and Notes, or the marketability of the Bonds and Notes, or otherwise prevent the owners of the Bonds and Notes from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Bonds or Notes for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Bonds and Notes or the market price for, or marketability of, the Bonds and Notes. No assurance can be given with respect to the impact of future federal, state or local legislation on the Bonds and Notes. Prospective purchasers of the Bonds and Notes should consult their own financial and tax advisers regarding such matters.

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

APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of April 16, 2014 by the Town of Groton, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$8,945,000 General Obligation Bonds, Issue of 2014, Lot A, and \$375,000 General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable), each dated as of April 16, 2014 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

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

"Final Official Statement" means the official statement of the Issuer dated April 2, 2014 prepared in connection with the Bonds.

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

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

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

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

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2013) as follows:

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

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

- (A) amounts of the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,

- (E) calculation of total direct debt, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year, total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (F) ratios of the total direct debt, total net direct debt and total overall net debt of the Issuer to the Issuer's applicable net taxable grand list,
- (G) statement of statutory debt limitation as of the close of the fiscal year, and
- (H) funding status of the pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Issuer's fiscal year currently ends on June 30.

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

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

Section 3. Notice of Certain Events.

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340.

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

Section 8. Miscellaneous.

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

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

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

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

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

TOWN OF GROTON

By _____
Mark R. Oefinger
Town Manager

By _____
Salvatore M. Pandolfo
Director of Finance

APPENDIX E – NOTICE OF SALE - THE LOT A BONDS

**NOTICE OF SALE
\$8,945,000
Town of Groton, Connecticut
General Obligation Bonds, Issue of 2014, Lot A
(BOOK-ENTRY)**

ELECTRONIC BIDS via PARITY® will be received by the Town of Groton, Connecticut at Town Hall, Finance Conference Room, 45 Fort Hill Road, Groton, Connecticut, until **11:00 A.M. (Eastern Daylight Time) on WEDNESDAY,**

APRIL 2, 2014

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

**\$8,945,000 General Obligation Bonds, Issue of 2014, Lot A
Payable annually on April 1 as follows:**

**\$630,000 in 2015
\$635,000 in 2016 through 2024
\$260,000 in 2025 through 2034**

The Bonds will be dated April 16, 2014, with interest payable on October 1, 2014 and thereafter semiannually on each April 1st and October 1st.

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

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

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

Redemption. Bonds maturing on April 1, 2020 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after April 1, 2019, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
April 1, 2019 and thereafter	100%

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

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

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

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

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

Basis of Award. As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to April 16, 2014, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

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

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

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

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and the Bonds are "qualified tax-exempt obligations"; and (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Official Statement. The Town of Groton has prepared a preliminary Official Statement for the Bond issue which is dated March 19, 2014. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

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

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about April 16, 2014 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Copies of the Official Statement may be obtained from Mr. William N. Lindsay, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (telephone: (203) 245-9603) or from Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340 (telephone: (860) 441-6684).

MARK R. OEFINGER,
Town Manager

SALVATORE M. PANDOLFO,
Director of Finance

March 19, 2014

APPENDIX F – NOTICE OF SALE - THE LOT B BONDS

**NOTICE OF SALE
\$375,000
Town of Groton, Connecticut
General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable)
(BOOK-ENTRY)**

ELECTRONIC BIDS via PARITY® will be received by the Town of Groton, Connecticut at Town Hall, Finance Conference Room, 45 Fort Hill Road, Groton, Connecticut, until **11:30 A.M. (Eastern Daylight Time) on WEDNESDAY,**

APRIL 2, 2014

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

**\$375,000 General Obligation Bonds, Issue of 2014, Lot B (Federally Taxable)
Payable either, at the option of the winning bidder, as serial bonds
or as term bonds with mandatory redemptions
annually on April 1 as follows:**

\$75,000 in 2015 through 2019

The Bonds will be dated April 16, 2014, with interest payable on October 1, 2014 and thereafter semiannually on each April 1st and October 1st.

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

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

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

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

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

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

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

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

Basis of Award. As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to April 16, 2014, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

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

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

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

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that under existing statutes, interest on the Bonds is included in gross income of the owners thereof for Federal income tax purposes pursuant to the Internal Revenue Code of 1986 as amended and (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Official Statement. The Town of Groton has prepared a preliminary Official Statement for the Bond issue which is dated March 19, 2014. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about April 16, 2014 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Copies of the Official Statement may be obtained from Mr. William N. Lindsay, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (telephone: (203) 245-9603) or from Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340 (telephone: (860) 441-6684).

MARK R. OEFINGER,
Town Manager

SALVATORE M. PANDOLFO,
Director of Finance

March 19, 2014