

Official Statement dated April 4, 2018

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 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; 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 for individuals; however, for tax years beginning before January 1, 2018, interest on the Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal alternative minimum tax for certain corporations; 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. (See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein).

Town of Groton, Connecticut

\$6,690,000

General Obligation Bonds, Issue of 2018

Dated: Date of Delivery

Due: April 15, as shown herein

The Bonds are payable from taxes levied on taxable property in the entire area of the Town. Interest on the Bonds will be payable on October 15, 2018 and semiannually thereafter on April 15 and October 15 in each year until 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, respectively, 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 subject to optional redemption prior to maturity as described herein. (See "Optional Redemption" herein).

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
2019	\$ 670,000	4.000 %	1.550 %	399352U35	2024	\$ 670,000	4.000 %	2.150 % *	399352U84
2020	670,000	5.000	1.650	399352U43	2025	670,000	3.000	2.300 *	399352U92
2021	670,000	5.000	1.780	399352U50	2026	670,000	3.000	2.400 *	399352V26
2022	670,000	5.000	1.930	399352U68	2027	670,000	3.000	2.530 *	399352V34
2023	670,000	5.000	2.060	399352U76	2028	660,000	3.000	2.650 *	399352V42

* - Priced assuming redemption on April 15, 2023 however any such redemption is at the option of the Town (see "Optional Redemption" herein).

Janney Montgomery Scott LLC

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 18, 2018.

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" 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 Municipal 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 C, 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.

BOND COUNSEL
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Hartford, Connecticut
(860) 275-0100

MUNICIPAL ADVISOR
INDEPENDENT BOND AND
INVESTMENT CONSULTANTS LLC

Madison, Connecticut
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BOND SALE SUMMARY

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

Issuer:	Town of Groton, Connecticut (the "Town").
Issue:	\$6,690,000 General Obligation Bonds, Issue of 2018 (the "Bonds").
Dated Date:	April 18, 2018.
Principal Due:	Serially, April 15, 2019 – April 15, 2028.
Interest Due:	April 15 and October 15 in each year, commencing October 15, 2018.
Denominations:	\$5,000 or integral multiples thereof.
Purpose and Authority:	The 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 Bonds <u>are</u> subject to redemption prior to maturity. See "Optional Redemption" herein.
Security:	The 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 Bonds have been rated "AA" by Fitch Ratings ("Fitch"), "Aa2" with a negative outlook by Moody's Investors Service ("Moody's") and "AA+" by S&P Global Ratings ("S&P"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" with a negative outlook 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 affirmed as "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 C to this Official Statement.
Bank Qualification:	The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, 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 Bonds in book-entry-only form will be made on or about April 18, 2018 against payment in Federal Funds.
Issuer Official:	Questions regarding the Town and this Official Statement should be directed to Ms. Cindy Landry, Finance Director, Town of Groton, 45 Fort Hill Road, Groton, Connecticut 06340-4394. Telephone: (860) 441-6690.

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 its municipal advisor, in connection with the sale of \$6,690,000 General Obligation Bonds, Issue of 2018 (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 cover of this Official Statement, payable on October 15, 2018 and semiannually thereafter on April 15 and October 15 in each year until maturity as set forth on the 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 last business day of March and September in each year. 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 opinion on the Bonds will be rendered by Day Pitney LLP in substantially the form set forth in Appendices B to this Official Statement, respectively.

Redemption Provisions

Optional Redemption

The Bonds maturing on April 15, 2024 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after April 15, 2023, 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 15, 2023 and thereafter.....	100%

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.

Use of Proceeds

<i>Project</i>	<i>Authorized Amount</i>	<i>Prior Debt / Grants / Pay downs</i>	<i>The Bonds</i>	<i>Authorized but Unissued Debt</i>
Road Maintenance and Rehabilitation Program.....	\$ 11,200,000	\$ 4,506,779	\$ 6,690,000	\$ 3,221

Ratings

The Bonds have been rated "AA" by Fitch Ratings ("Fitch"), "Aa2" with a negative outlook by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Ratings ("S&P"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" with a negative outlook 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 affirmed as "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 may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds 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 Bonds shall **NOT** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.

Book-Entry-Transfer System

The Bonds will be issued by means of a book-entry transfer system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York.

Unless otherwise noted, the description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC participants or beneficial owners of the Bonds, confirmation and transfer of beneficial ownership interest in the Bonds and other bond-related transactions by and between DTC, the DTC participants and beneficial owners of the Bonds is based solely on information provided on DTC's website and presumed to be reliable. Accordingly, neither the Town nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company of 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 and will be deposited with DTC.

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

Purchases of the 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 confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in the 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.

The Bonds are subject to optional redemption prior to maturity. Redemption notices shall be sent to DTC in accordance with the Notice of Redemption (see "Notice of Redemption" herein). 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 Bonds 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 its agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue the use of the system of the book-entry-only 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 obtained from sources that the Town believes to be reliable but 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.

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, the 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.

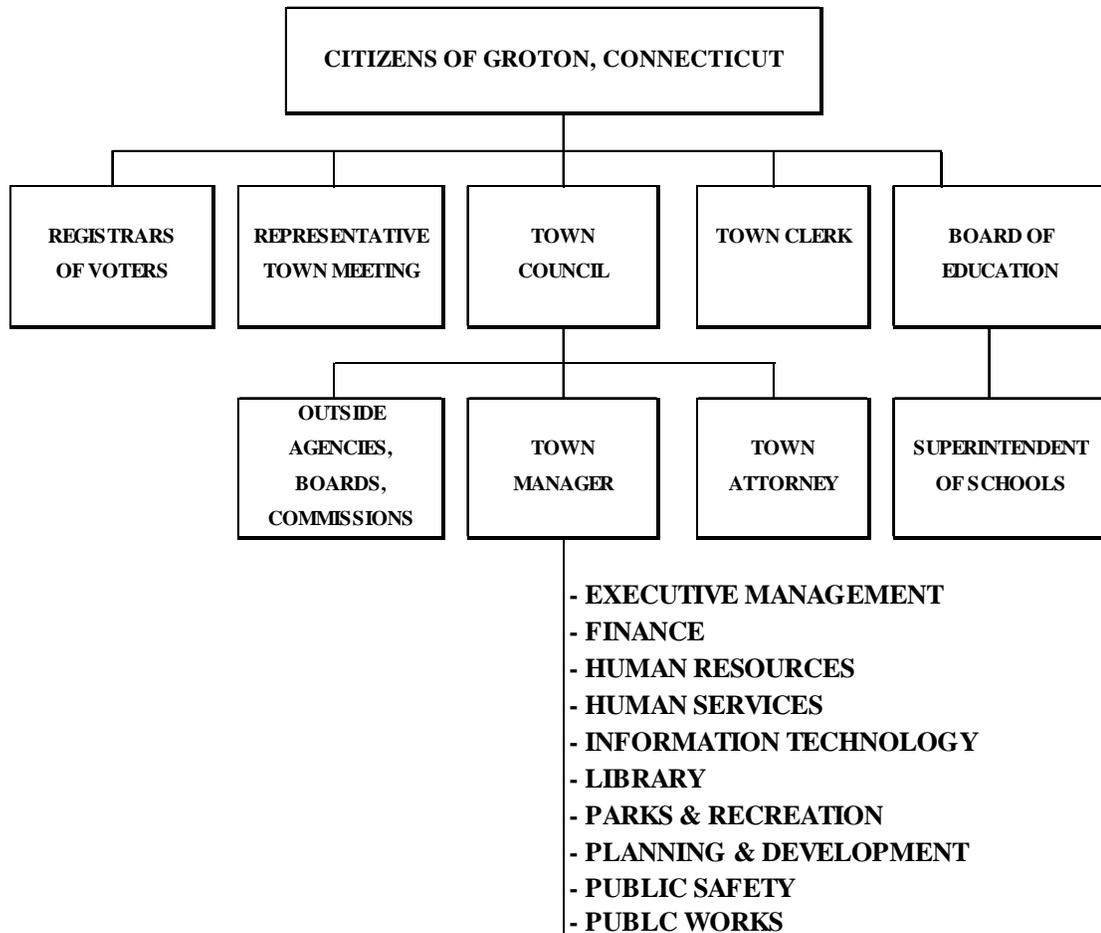
The Town Manager is appointed by and is directly responsible to the Council and serves for no definite term, but at the pleasure of the Council. The Manager has the power to appoint and dismiss his staff, subject to the merit system. The Town Manager is responsible for preparation of the general government 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.....	Patrice Granatosky.....	Appointed	11/2019	5 months
Town Manager.....	John M. Burt.....	Appointed	Indefinite	9 months
Finance Director.....	Cindy R. Landry.....	Appointed	Indefinite	36 years
Director of Planning & Development....	Jonathan J. Reiner.....	Appointed	Indefinite	3 years
Public Works Director	Gary Schneider.....	Appointed	Indefinite	34 years
Chief of Police	Louis J. Fusaro, Jr.....	Appointed	Indefinite	2 years
Town Clerk.....	Betsy Moukawsher.....	Elected	11/2021	8 years
Superintendent of Schools	Dr. Michael H. Graner...	Appointed	Indefinite	4 years
Treasurer/Accounting Manager	Delia E. Morrison.....	Appointed	Indefinite	10 months

Resumes of Principal Municipal Officials

Patrice Granatosky was chosen to serve as Mayor by the Groton Town Council in December 2017. Prior to her appointment as Mayor, Ms. Granatosky served ten terms on the Town's Representative Town Meeting, including several terms as chair of the RTM Finance Committee. Patrice is a member of the School Advisory Board for Sacred Heart School in Groton, Technology and Curriculum Committees. She served on the Executive Council of the State Vocational Federation of Teachers. Ms. Granatosky currently teaches Civics and Contemporary Issues at Ella Grasso Technical High School in Groton. She has a B.A. in History and an M.S. in Instructional Technology.

John Burt has served as Town Manager since July 2017. Prior to Groton, Mr. Burt spent eleven years as the County Administrator for Otsego County, Michigan. He also served in Berrien County, Michigan for nine years, the last few as its Planning Director. His responsibilities in Groton include serving as its Chief Executive Officer and is directly responsible to the Council for the administration of all departments led by appointed officials including 9-1-1 Dispatch/Emergency Management, Information Technology, the Finance Department, Human Resources, the Groton Public Library, Parks and Recreation, Planning and Development, Police and Public Works. Additionally, the Town Manager is responsible for ensuring that all laws and ordinances governing the Town are faithfully executed. He received a B.S. degree from Central Michigan University in 1994 and a M.A. degree from Western Michigan University in 1996.

Cindy R. Landry has served the Town since 1982 and was appointed to the position of Finance Director in 2014. Prior to that Ms. Landry held the positions of Treasurer/Accounting Manager and 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.

Delia E. Morrison was appointed to the position of Treasurer/Accounting Manager in May of 2017. She has previous employment experience in municipal accounting and auditing, as well as tax services. Ms. Morrison holds a Bachelor of Science Degree in Business Administration from the University of Rhode Island in addition to receiving a Certificate in Forensic Accounting from Post University.

Jonathan J. Reiner, AICP, currently serves as the Director of the Office of Planning and Development Services for the Town of Groton. Mr. Reiner has held this position for almost 4 years. Prior to coming to Groton, Mr. Reiner had been working as a municipal planner for over fifteen years. Mr. Reiner holds a Bachelors of Arts degree with a double major in Marine Affairs and Political Science from the University of Rhode Island. Mr. Reiner also received a Masters of Community Planning and a Masters in Marine Affairs, both from URI.

Gary Schneider was appointed the Director of Public Works on December 1, 1991. Mr. Schneider 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.

Louis J. Fusaro, Jr. was formally appointed as Chief of Police and assumed command of the department in July of 2015. Chief Fusaro oversees the administration and operations of approximately 70 sworn officers and 20 civilian staff members. Prior to his current position, Chief Fusaro was a Major with the Connecticut State Police, having held a variety of command positions in his over 21 years of service. His last assignment was as the Director, Office of Counterterrorism/Connecticut Intelligence Center within the Division of Emergency Management and Homeland Security. He also concurrently served as the Commanding Officer of the Connecticut State Police Emergency Services Unit. He previously commanded State Police Barracks in Colchester and Montville, before his assignment to Eastern District Headquarters as the Major Crime Squad Commander, and later Deputy District Commander. Chief Fusaro holds a Bachelor of Arts degree from The Citadel, The Military College of South Carolina and a Master's degree in Criminal Justice Administration from Western New England University. He is a graduate of the 236th Session of the FBI National Academy, the U. S. Secret Service Dignity Protection Seminar, and the Naval Postgraduate School, Center for Homeland Defense and Security's Executive Leader's Program and Fusion Center Leader's Program. Chief Fusaro also serves as Lieutenant Colonel in the Connecticut Army National Guard and he is an adjunct faculty member at Mitchell College in New London, CT.

Betsy Moukawsher was elected to a four-year term of office in 2009, re-elected in 2013 and, 2017. Ms. Moukawsher has employment experience in human resources, government contracts and owning/operating a small business with twenty-two employees. Currently, Ms. Moukawsher is studying toward CT Municipal Certification and completing Advance Education course work with MMC, IIMC and CCM.

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.

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, 2016 Grand List. The next revaluation will be conducted for the October 1, 2021 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: 5,993 residential sewer use accounts, and approximately 400 commercial accounts which are billed monthly based on water consumption; 12 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 square foot building was constructed. In 1996, after receiving voter approval, the building was extensively renovated and 13,700 square feet 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 newly renovated tech 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. In 2017, the local history room was expanded to house the growing collection. The video production facility supports cable casting, streaming video and a YouTube channel to air public meetings and other municipal programs.

The facility presently houses 157,000 books, DVDs, audiobooks, CDs 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 32,000 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 of Planning and Development Services (OPDS) is comprised of three divisions: Planning, Inspection Services, and Economic and Community Development. OPDS provides town staff support to land use commissions, long-term planning, building inspection, zoning, wetland and blight code enforcement, economic and business development, and community development.

The department acts as a liaison with Federal, State and local agencies. It regulates and promotes development activities on behalf of the Town and provides planning and technical staff assistance to town departments, boards or commissions and political subdivisions as needed. The department's mission is to guide development through the sound and orderly use of land, the conservation of energy and resources, to promote the economic well-being of the community, and to ensure the safe occupation of buildings, structures, and uses. The department is also responsible for enhancing the character and quality of the town's neighborhoods and preserving opportunities for healthy and sustainable environments that contribute to a high quality of life for all people who live, work and visit Groton.

Planning: This division is responsible for the comprehensive planning, zoning and environmental protection activities of the Town. It provides professional staff support for all land use commissions and coordinates development reviews. The division inspects developments as they are under construction for compliance with land use and environmental approvals. It conducts long range planning projects including the development of the Capital Improvement Program and the Plan of Conservation and Development. The division conducts special studies and develops grant applications. It provides technical support to commissions, town departments and the public regarding environmental protection, climate change and the impacts of sea level rise.

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, Blight Ordinance, and the Town's Property Maintenance Code. The Staff also processes Building Code of Appeals, Housing Code of Appeals, and Historic District Commission applications.

Economic and Community Development: Groton's Economic and Community Development division is responsible for encouraging the continued economic well-being of the Groton community through the retention of existing businesses, enticement of new businesses, housing, and the promotion of Groton for investment, work, living and exploring. 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 building a "sense of place." Recent major promotional successes include a stand-alone economic development website, new Groton branding, and a promotional video. This division is also responsible for carrying out the Town's Community Development Block Grant (CDBG) Program including the promoting of affordable housing. Community Development activities include the funding of programs for large scale ADA and energy efficiency renovations in Groton's public and private housing authorities benefiting low and moderate income elderly residents, first time homeowners, road reconstruction, parks, public buildings (new and improvements), and rehabilitation of private residential properties. To date, the Town has been awarded more than \$11 million in state and federal funds. Other grant opportunities and projects also include the Electric Vehicle Grant, Neighborhood Assistance Act Tax Credit, and Wayfinding Sign Programs. The division also leads efforts to redevelop key publicly owned properties by attracting interested and qualified private developers for special opportunities. The redevelopment of such properties allows Groton to expand its grand list with lands that previously did not generate revenue.

Parks and Recreation

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

Recreation Division: The responsibilities of Recreation Services include 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 include 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.

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. 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, emergency telecommunications, emergency management and the education of young people in the areas of drug and alcohol abuse prevention. The five 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; (4) Detective which conducts investigations relating to Major Crimes, Narcotics, crimes of violence, and other complex/sensitive criminal matters; and (5) Emergency Management and Dispatch.

The Town of Groton Police Department employs sixty-seven full-time sworn police officers, two full-time Animal Control Officers, one part-time assistant Animal Control Officer 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, five Investigators/Youth Officers, forty-one Patrol Officers, twelve dispatchers and two part-time Supernumerary Officers. There are also two civilian managers: the Emergency Management Director and the Police Support Specialist.

While the Police Department maintains jurisdiction throughout the Town, it does not operate in two political subdivisions. The City of Groton and Groton Long Point Association provide their own police protection. However, for fiscal year 2018, the Town of Groton will fund the police budgets of both political subdivisions. The Town of Groton will fund approximately 45% of the City of Groton's police budget and approximately 36% of the Groton Long Point Association's police budget.

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 Next-Generation 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 residents 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.

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: The Administration Division provides support to all operating divisions of the Public Works Department by providing oversight and direction to staff, setting and enforcing policies, managing human resource matters, staff development and training, budget development and control, and fiscal management to ensure services are being provided effectively and efficiently. Staff is the first to respond to citizen requests for services and to questions and concerns. The Department administers combined operating budgets of nearly \$15.5 million that includes the management of other funds, such as the Solid Waste, Sewer Operating, and Fleet Reserve Funds.

Engineering: The Engineering Division contributes to citizen safety and quality of life by providing properly designed, constructed and inspected public facilities and right-of-way infrastructure. It also supports other Town departments when undertaking capital improvement projects and site plan reviews. It's 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.

Other primary duties of the division are:

- Develops, awards and administers public works construction and professional services contracts
- Assists in assuring compliance with department and Town standards for Site and Subdivision development
- Monitors easements and land acquisition for public use
- Prepares technical reports on public infrastructure

Roads and Streets: Roads and Streets is dedicated to enhancing the citizen's quality of life by maintaining, repairing and replacing streets and other related infrastructure. The Division is responsible for the installation, maintenance, repair and revitalization of streets, bridges, retaining walls, guardrails, tree trimming and mowing within the right-of-way, traffic signs and markings, traffic signals, graffiti removal, street sweeping and snow removal from streets within the Town's jurisdiction.

The Division is responsible for:

- 187 lane miles of roadway.
- Installation, repair and preventative maintenance of traffic signals (5), street name signs (1,500) and regulatory signs (3,400).
- Maintaining traffic, pavement and curb markings.
- Maintaining the right of way, including asphalt pavement, asphalt and concrete curbs and sidewalks involving patching and replacement.
- Repairing and maintaining storm drainage system consisting of 914 outfalls of which 82 discharge to impaired waters, 81 miles of pipe and 4,014 catch basins.
- Providing support to other departments for special maintenance requests.

The Town owns all of the streetlights in the Eversource area of service. In this service area, the Department is responsible not only for the electricity, but also for the maintenance of the streetlights. In the Groton Utilities service area, the utility owns the streetlights and is responsible for the maintenance. Thus, only the electricity for the operation of these lights is funded. The conversion of streetlights from high pressure sodium (HPS) to LED in the Eversource area (1,100 units) was completed in May 2017. Although the energy costs will decrease by an estimated 70%, the Department must repay a loan of \$583,000 for the capital equipment and installation over the next three years.

Solid Waste: Solid Waste is responsible for the management and disposal of approximately 25,000 tons of municipal solid waste and 530 tons of bulky waste generated within the Town. The staff operates a leaf composting facility, and a residential transfer station. The transfer station site is designed to maintain a smooth traffic flow pattern, increase the sorting area for bulky wastes, and allow better sorting of additional wastes. Brush and yard waste, leaves, appliances and scrap metal are separated in the outdoor materials storage area. Sizes of the storage areas can be adjusted with seasonal fluctuations in quantity of materials dropped off.

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 permitted commercial transfer stations. The Town has entered into a Municipal Solid Waste Management Services 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.

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.

Public Buildings: Public Buildings provides ongoing maintenance, repair and custodial services for over thirty-nine (39) Town-owned buildings and structures, totaling 402,060 square feet, (excluding the Board of Education Facilities) allowing Town employees, Groton residents, and the general public to have access to clean and safe public buildings. The Division ensures the efficient operation of facilities, provides after hour emergency support, and supports building automation and utility management.

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 the Board of Education.

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 respond 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.

Information Technology

Information Technology (IT): Information Technology manages all of the Town's software applications, hardware, Geographic Information System (GIS), and the Town's Wide Area Network (WAN). This includes firewalls, switches, servers, fiber connections and VoIP phone system. The department is responsible for writing, maintaining, and updating software applications as well as installing, upgrading, and repairing PCs, laptops, printers and peripherals throughout the Town. To ensure compatibility with the existing computer infrastructure, all potential software and hardware purchases are evaluated before they are made. The department coordinates PC application training to Town employees in the Town's computer training room.

Utilities

Electricity: Electric power is provided by Eversource 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 Frontier Communications.

Political Subdivisions

The City of Groton: The City of Groton (until 1964, the Borough of Groton) 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 comprise 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.

Mumford Cove Association: The Mumford Cove is a private homeowners association located adjacent to Groton Long Point, bordered by Noank, Connecticut's Haley's Farm nature preserve, Palmer's Cove, and Fisher's Island Sound. The neighborhood was first developed in the late 1960s and includes private tennis courts, a beach, marina, boat launch, picnic grounds and a playground. The Mumford Cove Association contracts with the Noank Fire district for fire protection and taxes residents for the cost of this service. The Town collects the taxes and remits them to the Noank Fire district.

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 Marshal, 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 economic outlook for Groton has been improving over the past year. Fueled by a dramatic upsurge in hiring at the General Dynamics Electric Boat Division, and the Town Council's consistent support of economic development projects, the Town has seen a significant increase in development inquiries and activity.

Non-Residential

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

General Dynamics - Electric Boat: Electric Boat has announced that over the next 5-10 years it expects to hire between 8,000 - 10,000 new employees to work at its Groton facility. Additionally, Electric Boat has announced that it will invest approximately \$1.5 billion at its facilities in Groton and Quonset Point, Rhode Island. The facility investment and hiring are direct results of Electric Boat securing federal contracts for the construction of eighteen (18) Columbia class attack submarines. The new hiring is also related to turnover from existing position retirements and attrition. According to Electric Boat, the net gain in employees at the Groton facility is expected to be between 3,000 - 4,000 new positions.

Pfizer: Pfizer's largest Research and Development (R&D) division is located in Groton. Pfizer currently employs over 3,000 employees and over 2,000 contract workers in Groton.

Downtown Mystic: Mystic is a major northeastern tourist destination and the village is a significant contributor to the Town's grand list. New regulatory changes have been made to simplify business development in Mystic. This has translated to growth including the development of Central Hall mixed-use development currently under construction on West Main Street.

Airport Business Park, Mystic Business Park, and other Industrial development: A number of new industries have recently moved to or expanded near the Groton-New London Airport or at other smaller industrial parks. The Airport Business Park (Leonard Drive) is nearing capacity with growth coming from new businesses including Beer'd Brewery, Mystic Cheese, Thayer-Mahan (an undersea technology military company), and Kongsberg (a maritime navigations system company). Doncasters has expanded its manufacturing operation in the downtown to accommodate demand for aerospace components used for engines.

Other Significant Initiatives and Developments

The Town proposes to sell certain excess publically-owned properties. These properties are not presently on the Town's grand list, but are expected to be significant tax contributors to the Town. Major investment is expected at the following sites:

Mystic Education Center: Mystic Education Center is a 77 acre parcel of land with buildings totaling approximately 175,000 square feet. A Request for Proposal for redevelopment was released and development proposals are being submitted. Estimated construction budgets range from \$30 - \$100 million.

Groton Heights: Groton Heights is a 30,000 square foot former school building located on 2 acres adjacent to Fort Griswold. The property is strategically located close to I-95, the railroad station and Electric Boat/General Dynamics. It is expected that the property will be rehabilitated and converted into either market rate housing or professional offices. The zoning was recently changed, and a Request for Proposal is expected to be issued in spring 2018.

529 Gold Star Highway: This is a 12 acre parcel of Town-owned land with great potential for redevelopment. The Town is completing final negotiations for its use.

Center Groton: A large area on Route 184, including a Town-owned park, is anticipated to be the future home to a mixed-use development including about 350 market rate apartments/townhomes, retail and offices. It is slated for groundbreaking in 2019. Budget estimates exceed \$50 million.

Groton Gateway: A project located at the intersection of I-95 and Route 12 that integrates the Town's former Seely School and an abutting property owner's commercial property. The vision is to transform the properties into a major mixed-use development.

Residential and Institutional

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

Branford Manor Redevelopment: A 442-unit Section 8 housing development under renovation by Related LLC. The project includes a tax stabilization agreement authorized under the City and Town Development Act (CGS 7-498) to stabilize taxes at a 3% increase per year for 20 years. The total project value is estimated at \$18.5 million.

Groton Multi-Family Apartments: 147 units of new apartments under construction on Route 12. The units will be marketed to new Electric Boat and Navy Base employees. Other apartment developers are meeting with staff to find other sites to build new apartments in Groton. The appraisal estimate for the project is \$10 million.

10 Fort Hill Road: 19 condominiums under development. The developer estimates the cost of construction to be \$3.5 million.

Amerco U-Haul: Located at 187 Gold Star Highway, this recently completed project includes a new 973 unit climate controlled self-storage which is U-Haul's only 5-story building in the United States. Approximately \$5.5 million was invested in this project.

Major Initiatives

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. The Town Council and RTM through their respective actions extended the authorization through November 2022, allowing sufficient time to complete the program.

Water Pollution Control Facility: At a November 2015 referendum voters approved an \$8,230,000 sewer bond authorization to provide funding for two major pump-station projects in the Town of Groton's Water Pollution Control Division including:

Rehabilitation of the Fishtown Road Pump Station: This project consists of a major rehabilitation and renewal of the Fishtown Road Pump Station. This system collects wastewater discharges from residences, businesses and a middle school and pumps the wastewater under pressure through the collection system for treatment. A contract was awarded in June of 2017 and construction began in the fall of 2017.

Refurbishment of the Effluent Pump Station: This project involves major work at the Water Pollution Control Facility (WPCF). The WPCF collects, treats, disinfects and discharges the wastewaters of the Town of Groton. This project consists of renovation and renewal of the effluent pump station, flood resiliency modifications, and replacement of significant underground piping and valve infrastructure. Currently, the design and engineering effort is being conducted by consulting engineers. Construction is anticipated to occur in calendar year 2018.

School Projects, Groton 2020: To address the findings of an educational needs assessment, the School Facilities Initiatives Task Force, formed in January 2013, developed a plan to succeed a previous Phase II school facilities plan, which failed at referendum. Using the Middle School Educational Specification that was provided by the Board of Education, in August 2014, the Task Force developed the Groton 2020 Plan. This plan includes one middle school for grades six to eight, located adjacent to the Town's high school. Based on declining enrollments, the Board of Education determined that only one middle school is required to serve the Town. The plan also includes the renovation of the two existing middle schools to serve the students of three aging elementary schools, Claude Chester, Pleasant Valley, and SB Butler, which would no longer be required for educational purposes. (Note: Pleasant Valley School was closed in June 2017 and the students reassigned to address budget issues.) The Groton 2020 Plan addresses important diversity and consolidation issues, responds to declining enrollments, and provides the delivery of a cost effective educational program.

The Groton 2020 Plan calls for the new middle school to be built on the Merritt property, a 35 acre site adjacent to the high school. Since the Merritt property was originally purchased for recreational purposes with a Department of Energy and Environmental Protection (DEEP) grant and is deed-restricted for open space and recreation, the use of this land for the school construction requires the Town to provide an equivalent parcel for conversation in its place. The Town has identified what it believes to be an equivalent parcel and DEEP has approved the land swap. However, the State of Connecticut Attorney General recently opined that court approval will be required to change the restricted use of the land for school construction. The Town is currently working with the Attorney General's office to obtain the necessary court approval, however, there currently is no estimate of the time required to obtain said approval. The Construction of a middle school on the Merritt property would provide considerable efficiency due to its proximity to the high school. The two vacated elementary schools will be returned to the Town for future disposition. The Public Works Department has selected a program management firm to assist the Department in the selection of an Architect and Construction Manager-Risk for the middle school project. It is envisioned that the selection of the firms and award of the contracts will occur in late 2017. The projected cost estimate for Groton 2020 is approximately \$184.5 million with a portion of this to be a grant from the State. The project was approved by the voters at a November 2016 Referendum.

Energy Efficiency and Conservation: The project converting the existing High Pressure Sodium (HPS) street and parking lot lights to Light-Emitting Diode (LED) technology was completed in September 2017. The Town contracted with Tanko Lighting, Inc. to complete the conversion. The Town Council approval for the \$583,000 project, the installation phase of the project will commence. Over 25% of the project costs were paid for by incentives provided by Eversource and Groton Utilities. Completion of this project is expected to reduce costs related to both energy and maintenance by approximately 70%.

The Public Works Department has been pursuing installation of a solar farm on the closed Flanders Road Landfill since 2011. In January 2016 the Town signed a Letter of Intent with Green Harbor Energy allowing them access to the property for development of a solar farm on a portion of the 65 acre property for two years. The completed initial installation is expected to be up to five Megawatts which could power approximately 800 homes.

The Public Works Department also initiated discussions with Eversource related to supplying natural gas to Town Facilities, initially the Town Hall Annex Complex. These discussions culminated in Eversource extending gas lines to the complex and additionally providing natural gas service to nearby neighborhoods. A project is being developed to allow the Town to take advantage of the cost savings by converting selected Town facilities to natural gas from oil. The high school, which is across the street from the Annex, will be able to connect as soon as the gas line is complete.

The Public Works Department is continuing to evaluate for applicability of other energy efficiency and cost saving measures. These include micro grid potential for Town facilities, smaller solar installations for individual or groups of Town facilities, and other technologies as they become available.

Airport Development Zone (ADZ): The Town submitted an application to the State of Connecticut Department of Economic and Community Development in 2016 seeking approval for an ADZ. This designation allows for the community to attract more business investment activity within a two-mile radius from the airport through a tax incentive program. Tax exemptions granted only pertain to the increased value of the improvement up to 80% of that improved value for five years. The State of Connecticut Department of Economic and Community Development approved the Groton ADZ in early 2017.

Economic Development Marketing: The Town has been working on implementing the marketing of the Town of Groton. A stand-alone Economic Development Website was launched in October 2017 and a new "Guide to Doing Business in Groton" is in its final phase of development. This guide is intended to help new business owners through the process of opening a business in Groton. A Wayfinding Signage master plan is also in development. The Signage master plan is intended to help to orient travelers (motor vehicle, bicyclists, and pedestrians) throughout Groton with cohesive signage.

Small Cities Community Development Block Grants: This is an \$800,000 grant with a match from Mystic River Homes for \$163,000. The grant was awarded in August of 2017. The grant is administered through a three party relationship with the Town's Economic and Community Development Division, Mystic River Homes, and ECHO. Once the contracts are signed, bidding will commence for a general contractor and the project will get underway.

Regulatory Overhaul: The Department of Planning and Development Services has been working with the Zoning Commission on a complete re-write of our Zoning Regulations. The Regulations have not been completely overhauled in over 30 years. This is a major multi-year effort and is expected to be completed during 2018.

LoCIP Grant: Planning staff has received a Local Transportation Capital Improvement Program (LoCIP) grant for the Kings Highway/Bridge Street Intersection. The Town's Economic Development strategy identified this area as needing roadway improvements to help establish a gateway to Groton and to spur business development with better traffic patterns. Electric Boat recently purchased the old Caldor plaza, substantially renovated the building for professional offices, and moved approximately 700 employees to that building. The Town appropriated funds in the FYE 2017 CIP budget to complete the design of the project. The grants require that the municipality pays for the design and permitting of the project, and the Regional Council of Government's may grant the municipality funding for the construction of the project. Design is currently underway.

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Municipal Employees

(Full-time)

<i>Fiscal Year</i>	2018	2017	2016	2015	2014¹
General Government	259	259	267	266	269
Board of Education	822	817	758	733	641
Total	1,081	1,076	1,025	999	910

¹ Excludes 72 part-time para-professionals and contract tutors. As a result of regulatory changes related to the Affordable Care Act coming into effect in January 2014, those part-time employees were reclassified as full-time employees going forward.

Source: Town Officials.

Municipal Employees by Category

The following is a breakdown by category of full-time Town employees for fiscal year ending 2018:

<i>Department</i>	<i>Full-time Positions</i>
Information Services	7
Human Resources	4
Emergency Communications	14
Library	20
Parks & Recreation	20
Finance	19
Golf Course ¹	6
Human Services	8
Planning and Development	14
Public Safety	73
Public Works	46
Town Clerk	5
Town Manager	3
Water Pollution Control Authority ¹	20
Board of Education	804
Total	1,063

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.

Municipal Employee Bargaining Organizations

<u>General Government</u>	<u>Union Representation</u>	<u>Posititons Covered</u>	<u>Current Contract Expiration Date</u>
Clerical/ Professional	Groton Municipal Employees Association, CILU Local 62..	81	June 30, 2019
Police.....	Groton Police Union Association Local 3428 of Council 15 AFSCME.....	68	June 30, 2020
Public Works/Maintenance..	United Steel Workers of America AFL-CIO #9411.....	51	June 30, 2017 ¹
Supervisors.....	Local 818 of Council 4 AFSCME.....	5	June 30, 2019
Dispatchers.....	Groton Telecommunicators Assoc/ United Electrical Local 222, CILU Local 86.....	13	June 30, 2018
Non-union	Non-represented employees.....	41	N/A
<u>Board of Education</u>			
Teachers.....	Groton Educational Association	444	August 31, 2019
Custodians.....	Groton Custodial and Maintenance Association.....	51	June 30, 2020
Para-Professionals.....	Groton Para - Professional Association.....	199	June 30, 2019
Secretaries.....	Groton School Secretaries Association.....	16	June 30, 2018
Administrators.....	Groton School Administrators.....	23	June 30, 2020
Non-union	Non-represented employees.....	71	N/A
	Total	<u>1,063</u>	

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

¹ In arbitration

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 six 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

<u>School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>Type of Construction</u>	<u>Enrollment 10/1/2017</u>	<u>Rated Capacity</u> ¹
Charles Barnum.....	Pre K-5	1965, 1970, 1990	21	Masonry	366	420
Claude Chester.....	Pre K-5	1952, 1956, 1965	27	Masonry	367	460
Catherine Kolnaski.....	Pre K-5	2008	25	Masonry	438	460
Mary Morrisson.....	Pre K-5	1963, 1990	24	Masonry	441	480
Northeast Academy.....	Pre K-5	2008	22	Masonry	416	400
Pleasant Valley ²	Pre K-5	1994	25	Masonry/wood	-	380
S.B. Butler	Pre K-5	1952, 1962, 1993	21	Masonry	318	420
Cutler Middle.....	6-8	1960, 1962, 1968	38	Masonry	471	510
West Side Middle.....	6-8	1956, 1994	17	Masonry	450	510
Fitch Senior High	9-12	1953, 1958, 1963, 1967, 1971, 1981, 1989, 2008	92	Masonry	1,043	1,360
Total.....					<u>4,310</u>	<u>5,400</u>

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

² Beginning in school year 2017-2018 Pleasant Valley School was closed and students were shifted to the remaining six elementary schools.

Source: School Business Manager

School Enrollments

<u>School Year</u>	<u>Historical</u>			<u>Total</u>
	<u>PreK-5</u>	<u>6-8</u>	<u>9-12</u>	
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
2014-2015	2,513	934	1,089	4,536
2015-2016	2,442	950	1,093	4,485
2016-2017	2,390	953	1,089	4,432
2017-2018	2,346	921	1,043	4,310
	<u>Projected</u>			
2019-2020	2,347	951	1,152	4,450
2020-2021	2,435	904	1,083	4,422
2021-2022	2,475	853	1,075	4,403
2022-2023	2,485	843	1,066	4,394
2023-2024	2,476	878	1,047	4,401

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

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<i>Year</i>	<i>New London</i>			<i>State of Connecticut</i>		
	<i>Town of Groton</i>	<i>% Change</i>	<i>County</i>	<i>% Change</i>	<i>Connecticut</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
2016	39,763	(0.88)	272,033	(0.74)	3,588,570	0.40

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.....	2,702	6.8	13,893	5.1	188,812	5.3
5 - 9 years.....	2,090	5.3	15,088	5.5	210,557	5.9
10 - 14 years.....	1,650	4.1	15,980	5.9	228,543	6.4
15 - 19 years.....	2,765	7.0	17,841	6.6	252,522	7.0
20 - 24 years.....	4,622	11.6	20,515	7.5	242,007	6.7
25 - 34 years.....	6,828	17.2	34,640	12.7	438,471	12.2
35 - 44 years.....	4,205	10.6	31,430	11.6	439,606	12.3
45 - 54 years.....	4,882	12.3	40,705	15.0	545,977	15.2
55 - 59 years.....	2,282	5.7	20,130	7.4	263,778	7.4
60 - 64 years.....	2,165	5.4	18,002	6.6	223,274	6.2
65 - 74 years.....	2,952	7.4	24,758	9.1	303,959	8.5
75 - 84 years.....	1,721	4.3	13,046	4.8	163,137	4.5
85 years and over.....	899	2.3	6,005	2.2	87,927	2.5
Total.....	39,763	100.0	272,033	100.0	3,588,570	100.0
 Median Age (Years).....	 33.7		 40.9		 40.6	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2012-2016

Selected Wealth and Income Indicators

	<i>Town of Groton</i>	<i>New London County</i>	<i>State of Connecticut</i>
Per Capita Income, 2010	\$30,789	\$33,029	\$36,613
Per Capita Income, 2016	\$35,810	\$35,531	\$39,906
Median Family Income, 2010	\$67,461	\$80,702	\$84,558
Median Family Income, 2016	\$78,620	\$83,925	\$91,274
Percent Below Poverty, 2016	6.4%	7.3%	7.3%

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2012-2016

Income Distribution

Income	Town of Groton		New London County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000.....	343	3.6	2,217	3.2	29,623	3.3
\$10,000 to \$14,999.....	96	1.0	1,189	1.7	17,060	1.9
\$15,000 to \$24,999.....	601	6.3	3,754	5.4	44,354	5.0
\$25,000 to \$34,999.....	664	6.9	4,693	6.8	54,456	6.1
\$35,000 to \$49,999.....	926	9.7	6,499	9.4	81,300	9.1
\$50,000 to \$74,999.....	1,927	20.1	12,165	17.5	137,336	15.4
\$75,000 to \$99,999.....	1,381	14.4	10,377	14.9	124,033	13.9
\$100,000 to \$149,999.....	2,023	21.1	14,938	21.5	186,214	20.8
\$150,000 to \$199,999.....	902	9.4	7,828	11.3	96,075	10.7
\$200,000 or more.....	722	7.5	5,764	8.3	123,962	13.9
Total.....	9,585	100.0	69,424	100.0	894,413	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-2016.

Educational Attainment

	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	495	1.9	5,056	2.7	103,279	4.2
9th to 12th grade, no diploma.....	986	3.8	10,859	5.8	139,653	5.7
High School graduate (includes equivalency).....	7,494	28.9	58,209	30.8	673,220	27.3
Some college, no degree.....	5,362	20.7	37,862	20.1	427,232	17.3
Associate degree.....	1,890	7.3	15,556	8.2	184,426	7.5
Bachelor's degree.....	5,329	20.5	33,597	17.8	524,370	21.3
Graduate or professional degree.....	4,378	16.9	27,577	14.6	413,949	16.8
Total.....	25,934	100.0	188,716	100.0	2,466,129	100.0
Total high school graduate or higher (%).....	94.3		91.6		90.1	
Total bachelor's degree or higher (%).....	37.4		32.4		38.0	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-2016.

Employment by Industry

Sector	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining..	103	0.6	776	0.6	7,209	0.4
Construction	750	4.0	7,024	5.2	101,497	5.7
Manufacturing	3,452	18.6	17,546	13.0	190,713	10.6
Wholesale trade	366	2.0	2,247	1.7	45,110	2.5
Retail trade	2,269	12.2	14,950	11.1	193,853	10.8
Transportation and warehousing, and utilities	652	3.5	5,756	4.3	66,516	3.7
Information.....	189	1.0	1,916	1.4	42,374	2.4
Finance, insurance, real estate, rental & leasing...	611	3.3	5,824	4.3	163,765	9.1
Professional, scientific, management, administrative, and waste mgmt services.....	1,817	9.8	11,978	8.9	206,042	11.5
Education, health and social services.....	4,186	22.5	33,155	24.6	474,976	26.5
Arts, entertainment, recreation, accommodation and food services.....	2,780	15.0	22,139	16.5	153,754	8.6
Other services (except public administration).....	405	2.2	4,521	3.4	81,588	4.5
Public Administration.....	995	5.4	6,713	5.0	66,291	3.7
Total Labor Force, Employed.....	18,575	100.0	134,545	100.0	1,793,688	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-2016.

Major Employers

<i>Name of Employer</i>	<i>Nature of Business</i>	<i>Employees</i>
Electric Boat Corporation.....	Submarines	7,901 ¹
U.S. Navy Submarine Base.....	Military Base	7,800 ²
Pfizer, Inc.....	Pharmaceuticals	6,500 ³
Town of Groton.....	Municipality	1,081
Air National Guard TASMG.....	Helicopter Repair	640 ⁴
Fairview Retirement Community.....	Senior Living	260
PCC Structurals	Manufacturer	242 ⁵
City of Groton	Municipality	226 ⁶
Mystic Marriott.....	Hotel/Conference Center	219 ⁷
Total.....		24,869

¹ Includes 7,808 full-time, 5 part-time and 88 contracted employees.

² Includes military and civilian employees and contractors.

³ Includes Contractors.

⁴ The Theater Aviation Sustainment Maintenance Group ("TASMG") includes 250 full-time, 390 part-time reservists assigned to the unit.

⁵ Includes 218 full-time and 24 contracted employees.

⁶ Includes 219 full-time and 7 part-time City of Groton employees.

⁷ Includes 137 full-time, 29 part-time and 53 on-call employees.

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

Employment Data¹

<i>Period</i>	<i>Town of Groton</i>		<i>Percentage Unemployed</i>			
	<i>Labor Force</i>	<i>Unemployed</i>	<i>Town of Groton</i>	<i>New London Labor</i>	<i>State of Connecticut</i>	<i>United States</i>
January 2018	18,415	807	4.4 %	5.2 %	5.3 %	4.5 %
<i>Annual Average</i>						
2017	18,171	596	4.0 %	4.6 %	4.7 %	4.4 %
2016	18,401	830	4.5	5.1	5.1	4.9
2015	18,396	977	5.3	6.0	5.7	5.3
2014	18,533	1,110	6.0	7.1	6.6	6.2
2013	18,658	1,382	7.4	8.2	7.8	7.4
2012	19,014	1,529	8.0	8.8	8.3	8.1
2011	19,415	1,650	8.5	9.2	8.8	9.0
2010	19,663	1,667	8.5	9.2	9.1	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

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>Ending 6/30</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>
2018 ¹	4	\$ 710,000	1	\$ 27,400	311	\$ 6,370,587	316	\$ 7,107,987
2017	12	3,383,287	4	6,935,379	533	12,359,154	549	22,677,820
2016	12	3,570,500	4	988,850	591	26,836,100	607	31,395,450
2015	36	8,383,224	5	885,400	555	10,976,975	596	20,245,599
2014	44	9,203,000	3	902,700	493	9,169,937	540	19,275,637
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

¹ As of December 31, 2017.

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>
2018 ¹	1	\$ 750,000	-	\$ -	129	\$ 3,961,478	130	\$ 4,711,478
2017	5	420,675	2	1,220,000	279	12,364,026	286	14,004,701
2016	5	510,000	5	16,293,407	258	10,382,439	268	27,185,846
2015	9	824,850	3	2,536,081	220	7,035,203	232	10,396,134
2014	5	679,400	-	-	356	6,570,136	361	7,249,536
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

¹ As of December 31, 2017.

Source: Building Office, City of Groton.

Combined Values

<i>Groton Long Point</i>			<i>(Town of Groton, City of Groton, Groton Long Point)</i>		
<i>Fiscal Year</i> <i>Ending 6/30</i>	<i>Total Residential</i>		<i>Fiscal Year</i> <i>Ending 6/30</i>	<i>Total Value</i>	
	<i>No.</i>	<i>Value</i>		<i>No.</i>	
2018 ¹	51	\$ 3,441,004	2018 ¹	497	\$ 15,260,469
2017	74	3,289,516	2017	909	39,972,037
2016	98	3,992,241	2016	973	62,573,537
2015	76	3,974,527	2015	904	34,616,260
2014	86	5,274,088	2014	987	31,799,261
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

¹ As of December 31, 2017.

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

Housing Inventory

<i>Type</i>	<i>Town of Groton</i>	
	<i>Units</i>	<i>Percent</i>
1-unit, detached.....	8,185	45.1
1-unit, attached.....	1,534	8.5
2 units.....	1,432	7.9
3 or 4 units.....	1,902	10.5
5 to 9 units.....	1,496	8.3
10 to 19 units.....	815	4.5
20 or more units.....	2,171	12.0
Mobile home.....	596	3.3
Boat, RV, van, etc.....	-	-
Total Inventory.....	18,131	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-2016.

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>
2014 to later.....	5	0.0	111	0.1	2,460	0.2
2010 to 2013.....	233	1.3	1,256	1.0	14,673	1.0
2000 to 2009.....	2,303	12.7	11,197	9.2	104,308	7.0
1990 to 1999.....	2,067	11.4	11,255	9.3	113,584	7.6
1980 to 1989.....	2,683	14.8	16,154	13.3	190,755	12.8
1970 to 1979.....	2,549	14.1	16,693	13.7	200,614	13.4
1960 to 1969.....	2,361	13.0	15,816	13.0	201,812	13.5
1950 to 1959.....	2,036	11.2	14,416	11.9	225,824	15.1
1940 to 1949.....	1,081	6.0	5,748	4.7	105,566	7.1
1939 or earlier.....	<u>2,813</u>	<u>15.5</u>	<u>28,780</u>	<u>23.7</u>	<u>334,202</u>	<u>22.4</u>
Total Housing Units.....	18,131	100.0	121,426	100.0	1,493,798	100.0
Percent Owner Occupied.....	46.9		66.1		66.5	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-2016.

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.....	350	4.7	2,820	4.0	24,343	2.7
\$50,000 to \$99,999.....	318	4.2	2,164	3.1	29,703	3.3
\$100,000 to \$149,999.....	731	9.7	6,421	9.2	81,158	9.0
\$150,000 to \$199,999.....	1,296	17.2	13,652	19.5	139,979	15.5
\$200,000 to \$299,999.....	2,203	29.3	22,881	32.6	246,071	27.3
\$300,000 to \$499,999.....	1,654	22.0	16,082	22.9	233,345	25.9
\$500,000 to \$999,999.....	826	11.0	4,863	6.9	104,952	11.7
\$1,000,000 or more.....	<u>143</u>	<u>1.9</u>	<u>1,253</u>	<u>1.8</u>	<u>40,672</u>	<u>4.5</u>
Total.....	7,521	100.0	70,136	100.0	900,223	100.0
Median Sales Price.....	\$247,100		\$241,500		\$269,300	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-2016.

Breakdown of Land Use

<i>Developed Land</i>		<i>2016</i>	
<i>Land Use Category</i>	<i>Acreage</i>	<i>%</i>	
Residential	5,908	29.0	
Commercial	697	3.4	
Industrial	627	3.1	
Public, and Semi-Public	1,859	9.1	
<i>Total Developed Uses.....</i>	9,091	44.6	
<i>Undeveloped Land</i>		<i>2016 ¹</i>	
<i>Land Use Category</i>	<i>Acreage</i>	<i>%</i>	
Recreation and Open Space	8,724	42.8	
Other Uses (agricultural, Water and Vacant)	2,562	12.6	
<i>Total Undeveloped Uses</i>	11,286	55.4	
<i>Total Land Area</i>	20,377	100.0	

¹ Includes Roads/Parking.

Source: Groton Planning Department Land Use Summary.

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SECTION IV – INDEBTEDNESS

Principal Amount of Indebtedness

As of April 18, 2018 (Pro Forma)

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Bonds Outstanding</u>	<u>Fiscal Year Maturity</u>
12/13/11	Refunding Public Improvement - Lot A	2.00 - 5.00	\$ 5,675,000	1,897,000	2025
12/13/11	Refunding School - Lot A	2.00 - 5.00	10,630,000	6,653,000	2029
12/13/11	Refunding Sewer ¹ - Lot B	2.00 - 3.75	2,710,000	1,890,000	2029
03/12/13	Refunding Public Improvement - Lot A	3.00 - 4.00	6,752,000	5,415,000	2030
03/12/13	Refunding School - Lot A.....	3.00 - 4.00	12,308,000	9,970,000	2030
03/12/13	Refunding Sewer ¹ - Lot B	3.00 - 4.00	2,020,000	1,535,000	2028
04/09/14	Public Improvement - Lot A	2.00 - 4.00	8,945,000	6,410,000	2034
04/09/14	Public Improvement - Lot B	2.00 - 2.23	375,000	75,000	2019
04/10/18	Public Improvement	3.00 - 4.00	<u>6,690,000</u>	<u>6,690,000</u>	2028
	Grand Total		<u>\$ 56,105,000</u>	<u>\$ 40,535,000</u>	

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 18, 2018 (Pro Forma)

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2017.....	\$ 83,050,787
Total Tax Collections (including interest and lien fees) of coterminous municipalities ¹	14,891,622
Reimbursement for Revenue Loss On:	
Tax relief for elderly freeze.....	2,000
Base for Debt Limitation Computation	<u>\$ 97,944,409</u>

Debt Limitation:	General		Urban		
	Purpose	Schools	Sewers	Renewal	Past Pension
2 1/4 times base	\$220,374,920	\$ -	\$ -	\$ -	\$ -
4 1/2 times base.....	-	440,749,841	-	-	-
3 3/4 times base.....	-	-	367,291,534	-	-
3 1/4 times base.....	-	-	-	318,319,329	-
3 times base.....	-	-	-	-	293,833,227
Total Debt Limitation	220,374,920	440,749,841	367,291,534	318,319,329	293,833,227

Indebtedness:

Outstanding Debt: ²

Bonds.....	\$ 13,797,000	\$ 16,623,000	\$ 3,425,000	\$ -	\$ -
The Bonds (This Issue).....	6,690,000	-	-	-	-
State of Connecticut CWF PLO.....	-	-	7,093,207	-	-
Authorized & Unissued	3,221	183,799,093	8,230,000	-	-
Underlying Debt: ^{1, 3}				-	-
Bonds & Serial Notes.....	4,215,075	-	6,333,000	-	-
Authorized & Unissued.....	906,189	-	-	-	-
Total Indebtedness	<u>25,611,485</u>	<u>200,422,093</u>	<u>25,081,207</u>	-	-

Less:

School Grants Receivable	-	(99,799,093)	-	-	-
Sewer Receivables	-	-	(656,591)	-	-

Total Net Indebtedness for Debt

Limitation Calculation	<u>25,611,485</u>	<u>100,623,000</u>	<u>24,424,616</u>	-	-
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Debt Limitation in Excess of

Indebtedness	<u>\$194,763,435</u>	<u>\$340,126,841</u>	<u>\$342,866,918</u>	<u>\$318,319,329</u>	<u>\$293,833,227</u>
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¹ Per Public Act 91-407, Section 12, does not include collections or debt (totaling \$838,909) of Mystic Fire District.

² Excludes capital leases.

³ Excludes \$48,092,000 of enterprise fund long term debt from the City of Groton for outstanding water, electric and broadband bonds and notes.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$685,610,863.

Source: Town Officials.

Debt Statement – Town of Groton

As of April 18, 2018 (Pro Forma)

The Bonds (This Issue).....	\$ 6,690,000
Public Improvement.....	13,797,000
Schools.....	16,623,000
Sewers ¹	3,425,000
State of Connecticut Clean Water Fund PLO ²	7,093,207
Total Long-Term Debt.....	47,628,207
Short-Term Debt	-
Total Direct Debt.....	47,628,207
Less: Sewer Receivables (as of 6/30/2017) ²	(656,591)
Total Net Direct Debt.....	46,971,616
Plus: Underlying Debt ³	11,386,984
Total Overall Net Debt.....	\$ 58,358,600

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 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 in the City of Groton).

³ Excludes enterprise fund debt.

Note: Excludes capital leases.

Current Debt Ratios – Town of Groton

As of April 18, 2018 (Pro Forma)

Population ¹	39,763
Net Taxable Grand List (10/1/16)	\$3,705,520,790
Estimated Full Value (70%)	\$5,293,601,129
Equalized Net Taxable Grand List (10/1/15) ²	\$4,914,736,072
Income per Capita (2016) ¹	\$35,810

	<u>Total</u> <u>Direct Debt</u>	<u>Total Net</u> <u>Direct Debt</u>	<u>Total Overall</u> <u>Net Debt</u>
	\$47,628,207	\$46,971,616	\$58,358,600
Per Capita	\$1,198	\$1,181	\$1,468
Ratio to Net Taxable Grand List.....	1.29%	1.27%	1.57%
Ratio to Estimated Full Value.....	0.90%	0.89%	1.10%
Ratio to Equalized Grand List.....	0.97%	0.96%	1.19%
Debt per Capita to Per capita income.....	3.34%	3.30%	4.10%

¹ U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2012-1016

² Office of Policy and Management, State of Connecticut.

Debt Statement – Town of Groton Sewer District
As of April 18, 2018 (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 (This Issue).....	\$ 6,690,000	\$ 4,508,060
Public Improvement.....	\$ 13,797,000	\$ 9,297,115
Schools.....	16,623,000	11,201,417
Total Town of Groton Debt Applicable to Groton Sewer District ...	\$ 37,110,000	\$ 25,006,592
Groton Sewer Long Term Debt:		
Groton Sewer Operating Fund Bonds ²		\$ 3,425,000
State of Connecticut CWF PLO.....		7,093,207
Total Long-Term Debt.....		35,524,799
Total Direct Debt.....		35,524,799
Less: Sewer Receivable (as of 6/30/2017).....		(656,591)
Total Net Direct Debt.....		34,868,208
Plus: Underlying Debt ³	11,386,984	1,883,984
Total Overall Net Debt.....		\$ 36,752,192

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 10/1/16 or 67.39%, 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 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 18, 2018 (Pro Forma)

Population ¹	30,523
Net Taxable Grand List (10/1/16).....	\$2,525,526,556
Estimated Full Value (70%)	\$3,607,895,080
Equalized Net Taxable Grand List (10/1/15) ²	\$3,311,797,377
Income per Capita (2016) ³	\$35,810

	<u>Total Direct Debt</u>	<u>Total Net Direct Debt</u>	<u>Total Overall Net Debt</u>
	\$35,524,799	\$34,868,208	\$36,752,192
Per Capita.....	\$1,163.87	\$1,142.36	\$1,204.08
Ratio to Net Taxable Grand List	1.41%	1.38%	1.46%
Ratio to Estimated Full Value.....	0.98%	0.97%	1.02%
Ratio to Equalized Grand List.....	1.07%	1.05%	1.11%
Debt per Capita to Per capita Income.....	3.25%	3.19%	3.36%

¹ U.S. Department of Commerce, Bureau of Census, American Community Survey 2012-16, less City of Groton (9,240).

² Represented as the proportionate share of the Town's Net Taxable Grand List (10/1/15) 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, 2012-2016. The Amounts are based on data for entire Town.

Historic Debt Statement

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Population ¹	39,763	39,763	39,986	40,136	40,126
Net taxable grand list	\$3,789,539,000	\$3,808,651,000	\$3,897,603,000	\$3,857,363,000	\$3,938,277,000
Estimated full value.....	\$5,413,627,143	\$5,440,930,000	\$5,568,004,286	\$5,510,518,571	\$5,626,110,000
Equalized net taxable grand list ² ...	\$4,914,736,072	\$5,265,116,792	\$5,435,454,547	\$5,453,605,492	\$5,674,978,734
Per capita income ³	\$35,810	\$35,810	\$35,638	\$34,353	\$33,139
Long-Term Debt:					
General Fund	\$ 33,710,000	\$ 37,390,000	\$ 41,090,000	\$ 44,835,000	\$ 38,580,000
Groton Sewer District.....	11,388,510	12,365,873	13,348,236	14,320,599	15,247,962
Short-Term Debt:					
General Fund.....	\$ -	\$ -	\$ -	\$ -	\$ -
Groton Sewer District	-	-	-	-	-
Total Direct Debt.....	45,098,510	49,755,873	54,438,236	59,155,599	53,827,962
Total Net Direct Debt.....	45,098,510	49,755,873	54,438,236	59,155,599	53,827,962
Underlying Debt (City of Groton)..	5,144,891	5,785,937	6,472,070	6,807,311	7,930,728
Total Overall Net Direct Debt.....	\$ 50,243,401	\$ 55,541,810	\$ 60,910,306	\$ 65,962,910	\$ 61,758,690

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.

Historic Debt Ratios

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Direct Debt:					
Per capita.....	\$1,134.18	\$1,251.31	\$1,361.43	\$1,473.88	\$1,341.47
To net taxable grand list.....	1.19%	1.31%	1.40%	1.53%	1.37%
To estimated full value.....	0.83%	0.91%	0.98%	1.07%	0.96%
To equalized net taxable grand list.....	0.92%	0.95%	1.00%	1.08%	0.95%
Debt per capita to per capita income.....	3.17%	3.49%	3.82%	4.29%	4.05%
Total Net Direct Debt:					
Per capita.....	\$1,134.18	\$1,251.31	\$1,361.43	\$1,473.88	\$1,341.47
To net taxable grand list.....	1.19%	1.31%	1.40%	1.53%	1.37%
To estimated full value.....	0.83%	0.91%	0.98%	1.07%	0.96%
To equalized net taxable grand list.....	0.92%	0.95%	1.00%	1.08%	0.95%
Debt per capita to per capita income.....	3.17%	3.49%	3.82%	4.29%	4.05%
Total Overall Net Debt:					
Per capita.....	\$1,263.57	\$1,396.82	\$1,523.29	\$1,643.48	\$1,539.12
To net taxable grand list.....	1.33%	1.46%	1.56%	1.71%	1.57%
To estimated full value.....	0.93%	1.02%	1.09%	1.20%	1.10%
To equalized net taxable grand list.....	1.02%	1.05%	1.12%	1.21%	1.09%
Debt per capita to per capita income.....	3.53%	3.90%	4.27%	4.78%	4.64%

Outstanding Short-Term Indebtedness

The Town has no outstanding short-term indebtedness.

Overlapping and Underlying Indebtedness

Overlapping/Underlying debt is defined as the proportionate share of debt 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:

<i>District or Association</i>	<i>Outstanding Bonds</i>	<i>Outstanding Notes</i>	<i>Authorized But Unissued Debt</i>
Center Groton Fire District	\$ -	\$ -	\$ -
City of Groton ^{1,2}	9,503,000	-	906,189
Groton Long Point Association.....	347,765	196,199	-
Mystic Fire District.....	-	838,909	-
Noank Fire District.....	-	-	-
Old Mystic Fire District.....	126,916	-	-
Poquonnock Bridge Fire District.....	374,195	-	-
Mumford Cove.....	-	-	-
West Pleasant Valley Fire District.....	-	-	-
Total Net Underlying Debt (applicable to the Town of Groton)	\$ 10,351,876	\$ 1,035,108	\$ 906,189

¹ Excludes \$48,092,000 of enterprise fund long term debt for outstanding water and electric purposes.

² Consists of General Purpose debt in the amount of \$3,170,000 and Sewer debt in the amount of \$6,333,000.

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 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 is receiving reimbursement under the new program for the Groton 2020 School Improvements project.

<i>Project</i>	<i>Total Authorization</i>	<i>Reimbursement Rate</i> ¹	<i>Estimated Grant</i> ²
Groton 2020 School Improvements.....	\$ 184,500,000	57.50%	\$ 100,500,000
Total.....	\$ 184,500,000		\$ 100,500,000

¹ The State of Connecticut has committed to providing a diversity grant for the Cutler Elementary School which covers 80% of eligible costs of the project.

² Estimated grants based upon eligibility of reimbursable project costs. Final eligible costs to be determined at completion of post project audit. To date the Town has received \$700,907 in grants for these projects.

Capital Leases

<i>Fiscal Year</i>	<i>Amount</i>
<i>Ending June 30</i>	
2018	\$ 30,431
2019	20,288
Less amount for interest	(2,150)
	<u>\$ 48,569</u>

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 18, 2018:

<i>Project</i>	<i>Original 2% Loan Amount</i>	<i>Principal Outstanding</i>
CWF PLO 386-C1	\$ 12,121,022	\$ 7,020,092
CWF PLO 386-C2	114,143	73,115
	<u>\$ 12,235,165</u>	<u>\$ 7,093,207</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).

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 2017-18, the Town will contribute \$448,000 to the Capital Reserve Fund consisting of \$448,000 for current projects. The CIP is subject to the approval of the Town Council and the Representative Town Meeting annually.

<u>Proposed Projects \$(000)</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>Total</u>
Board of Education.....	\$ -	\$ 3,749	\$ 8,964	\$ 14,858	\$ 6,615	\$ 8,340	\$ 42,526
<i>General Government:</i>							
Roads	-	2,459	12,645	12,810	2,000	-	29,914
Drainage.....	25	245	125	1,200	-	-	1,595
Sidewalks.....	275	112	250	-	-	-	637
Parks and Recreation.....	-	901	350	250	158	110	1,769
Public Buildings.....	415	1,435	1,410	166	80	3,919	7,425
Technology.....	658	2,132	891	996	120	-	4,797
Economic Development.....	-	170	125	100	100	75	570
Energy Efficiency and Conservation...	75	-	-	-	-	-	75
Water Pollution Control Facility.....	1,369	3,282	2,483	2,999	935	775	11,843
Miscellaneous.....	-	-	-	-	-	-	-
<i>Total General Government.....</i>	<u>2,817</u>	<u>10,736</u>	<u>18,279</u>	<u>18,521</u>	<u>3,393</u>	<u>4,879</u>	<u>58,625</u>
Total Project Costs.....	\$ 2,817	\$ 14,485	\$ 27,243	\$ 33,379	\$ 10,008	\$ 13,219	\$ 101,151
<i>Funding Sources</i>							
Capital Reserve Fund.....	\$ 1,448	\$ 9,128	\$ 12,760	\$ 16,370	\$ 7,073	\$ 12,444	\$ 59,223
General Obligation Bonds.....	-	-	12,000	12,760	-	-	24,760
Other.....	1,369	5,357	2,483	4,249	2,935	775	17,168
Total Funding Sources	\$ 2,817	\$ 14,485	\$ 27,243	\$ 33,379	\$ 10,008	\$ 13,219	\$ 101,151

Authorized but Unissued Debt

<u>Project</u>	<u>Authorization</u>	<u>Bonds/</u>		<u>Debt Authorized but Unissued</u>		
		<u>Grants/</u>	<u>This Issue</u>	<u>General</u>		
		<u>Pay downs</u>	<u>The Bonds</u>	<u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>
Road Rehabilitation & Maintenance.....	\$ 11,200,000	\$4,506,779	\$6,690,000	\$ 3,221	\$ -	\$ -
WPCF Effluent & Fishtown Road Pump Stations....	8,230,000	-	-	-	-	8,230,000
Groton 2020 School Facilities Improvement Plan..	184,500,000	700,907	-	-	183,799,093	-
Totals.....	\$203,930,000	\$5,207,686	\$6,690,000	\$ 3,221	\$183,799,093	\$8,230,000

Combined Schedule of Long Term Debt through Maturity

As of April 18, 2018 (Pro Forma)

<i>Fiscal</i> <i>Year</i>	<i>Groton General Fund</i>		<i>Groton Sewer Debt</i>		<i>Total</i>	<i>Pro-forma (Principal Only)</i>		<i>Cumulative</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>		<i>The Bonds</i>	<i>Total</i>	<i>Principal Retired</i>
2018 ¹	\$ -	\$ -	\$ 102,061	\$ 70,659	\$ 172,720	\$ -	\$ 102,061	0.21
2019	3,285,000	1,043,819	967,363	228,247	5,524,429	670,000	4,922,363	10.50
2020	3,090,000	917,869	967,363	207,350	5,182,582	670,000	4,727,363	20.37
2021	3,070,000	809,581	967,363	186,265	5,033,209	670,000	4,707,363	30.21
2022	3,070,000	699,481	967,363	164,843	4,901,687	670,000	4,707,363	40.04
2023	3,060,000	591,056	967,363	142,933	4,761,352	670,000	4,697,363	49.86
2024	3,050,000	488,313	967,363	120,973	4,626,649	670,000	4,687,363	59.65
2025	2,680,000	383,313	967,363	99,357	4,130,033	670,000	4,317,363	68.67
2026	2,475,000	286,019	967,363	77,391	3,805,773	670,000	4,112,363	77.26
2027	2,425,000	192,181	967,363	55,225	3,639,769	670,000	4,062,363	85.75
2028	1,590,000	120,769	967,363	33,103	2,711,235	660,000	3,217,363	92.47
2029	865,000	82,225	722,363	13,799	1,683,387	-	1,587,363	95.79
2030	720,000	56,950	255,151	1,276	1,033,377	-	975,151	97.83
2031	260,000	40,950	-	-	300,950	-	260,000	98.37
2032	260,000	31,200	-	-	291,200	-	260,000	98.91
2033	260,000	20,800	-	-	280,800	-	260,000	99.46
2034	260,000	10,400	-	-	270,400	-	260,000	100.00
Total	\$30,420,000	\$5,774,926	\$ 10,753,205	\$ 1,401,421	\$ 48,349,552	\$ 6,690,000	\$ 47,863,205	

¹ Includes \$3,650,000 of principal paid and \$2,241,514 of interest paid for the period July 1, 2017 through April 17, 2018.

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, 2017.

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

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, 2016. 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.

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 GMEA, 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 GMEA employees contribute 5% of pay. An actuarial valuation is prepared annually, and as of the most recent actuarial valuation, July 1, 2017, the plan included 671 members. Based on the July 1, 2017 valuation, the Actuarial Required Contribution for fiscal year 2017-18 increased to \$3.3 million and is expected to increase to \$3.4 million for fiscal year 2018-19. See Appendix A, "Notes to the Financial Statements", for additional information regarding the plan.

The Town implemented Government Accounting Standards Board's ("GASB") Statement No. 67 effective fiscal year ending June 30, 2014. In accordance with GASB Statement No. 67, the net position is based on the fair market value as of the end of the fiscal year and the total pension liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. The components of the net pension liability of the Town of Groton Retirement System as of June 30, 2017 were as follows:

	<u>Town & BOE</u>	<u>Ledge Light</u>	<u>Fire</u>	<u>Total</u>
Total pension liability.....	\$ 122,644,163	\$ 692,241	\$ 13,063,971	\$ 136,400,375
Plan fiduciary net position.....	<u>103,583,835</u>	<u>575,415</u>	<u>10,132,682</u>	<u>114,291,932</u>
Net pension liability.....	<u>\$ 19,060,328</u>	<u>\$ 116,826</u>	<u>\$ 2,931,289</u>	<u>\$ 22,108,443</u>
Plan fiduciary net position as a % of total pension liability.....	84.46%	83.12%	77.56%	83.79%

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Town and BOE Net Pension Liability....	\$ 32,671,341	\$ 19,060,328	\$ 7,495,506
Ledge Light Net Pension Liability.....	196,741	116,826	48,466
Fire Net Pension Liability.....	4,553,558	2,931,289	1,575,656

The following represents historical information regarding the Town of Groton Retirement System.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (UAAL) (b) - (a)</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>
7/1/2017	\$117,222,401	\$136,351,845	\$ 19,129,444	86.0%	\$24,059,722	79.5%
7/1/2016	113,334,858	131,547,460	18,212,602	86.2%	23,902,819	76.2%
7/1/2015	109,069,057	125,714,195	16,645,138	86.8%	23,990,468	69.4%
7/1/2014	102,058,326	120,163,310	18,104,984	84.9%	23,447,411	77.2%
7/1/2013	91,148,488	114,542,269	23,393,781	79.6%	25,434,840	92.0%

Schedule of Employer Contributions

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Actual Contribution</i>	<i>Percentage Contributed</i>
2014	\$ 3,478,379	\$ 3,478,379	100.0%
2015	3,613,601	3,613,601	100.0%
2016	2,955,255	2,955,255	100.0%
2017	2,883,207	2,883,207	100.0%
2018 ¹	3,079,807	3,079,807	100.0%

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

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 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 Other Post-Employment Benefits ("OPEB"), the Town began making general fund contributions to OPEB in fiscal year ending 2005.

Based on the July 1, 2017 Valuation, the actuaries estimate that the Town's OPEB unfunded accrued liability is approximately \$40.3 million with an ARC of \$4.28 million for fiscal year 2018-19.

The Town implemented Government Accounting Standards Board's ("GASB") Statement No. 74 effective fiscal year ending June 30, 2017. In accordance with GASB Statement No. 74, the net position is based on the fair market value as of the end of the fiscal year and the total OPEB liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. For the June 30, 2017 measurement, the discount rate used was 7.50%, and the long-term healthcare cost trend rate was 5.47% decreasing to 4.4% over 68 years. Under GASB Statement No. 74, the components of the net OPEB liability of the Town as of June 30, 2017 are as follows:

	2017
Total OPEB liability.....	\$ 56,548,417
Plan fiduciary net position.....	<u>16,695,795</u>
Net OPEB liability.....	<u>\$ 39,852,622</u>
Plan fiduciary net position as a % of total pension liability.....	29.52%

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

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Town's Net OPEB Liability.....	\$ 47,618,048	\$ 39,852,622	\$ 33,494,833

The following represents the net OPEB liability of the Town, calculated using the current healthcare trend rate, as well as what the Town's net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (4.47% decreasing to 3.4%)	Current Rate (5.47% decreasing to 4.4%)	1% Increase (6.47% decreasing to 5.4%)
Town's Net OPEB Liability.....	\$ 32,580,319	\$ 39,852,622	\$ 48,872,115

The following represents historical information regarding the other post-employment benefit funding progress. The Town's most recent complete actuarial valuation was effective July 1, 2016.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (UAAL) (b) - (a)</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>
7/1/2017	\$16,458,363	\$56,749,980	\$ 40,291,617	29.0%	n/a	n/a
7/1/2016	14,699,000	50,018,000	35,319,000	29.4%	\$51,499,000	68.6%
7/1/2015	13,351,000	48,924,000	35,573,000	27.3%	n/a	n/a
7/1/2014	11,636,000	46,371,000	34,735,000	25.1%	\$50,195,000	69.2%
7/1/2013	8,974,000	43,697,000	34,723,000	20.5%	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	\$ 3,552,000	\$ 3,552,000	100.0%
2015	3,694,000	4,050,481	109.7%
2016	3,799,204	3,709,834	97.6%
2017	4,044,025	3,500,259	86.6%
2018 ¹	3,966,559	3,966,559	100.0%

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; and (2) the State of Connecticut Short Term Investment fund.

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, 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.

Motor Vehicle Property Tax Rate

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. The State of Connecticut's 2017-2019 biennium budget legislation amended that statute to provide that (1) for the assessment year October 1, 2016 (the fiscal year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 (the fiscal year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The amendment raised the mill rate cap for the assessment year October 1, 2016 from 32 mills to 39 mills.

For the fiscal year ending June 30, 2018, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 39 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 39 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013 (the fiscal year ending June 30, 2015), and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 39 mills. For the fiscal year ending June 30, 2019, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

Tax Collection Procedures

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 lien-ed 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 List</i>
2016 ¹	\$ 2,086,240	\$ 1,104,522	\$ 59,904	\$ 445,161	\$ 223,490	\$ 3,919,317	\$ 213,796	\$ 3,705,521
2015	2,236,806	1,055,059	71,888	412,077	221,983	3,997,813	208,274	3,789,539
2014	2,227,839	1,057,982	73,948	443,906	223,311	4,026,986	218,335	3,808,651
2013	2,218,334	1,140,644	76,206	446,431	221,200	4,102,815	205,212	3,897,603
2012	2,212,968	1,147,046	78,817	419,881	216,669	4,075,381	218,018	3,857,363
2011 ¹	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

¹ Year of Revaluation.

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>
2016 ¹	\$ 1,741,075	\$ 499,457	\$ 52,440	\$ 115,152	\$ 173,638	\$ 2,581,762	\$ 56,236	\$ 2,525,526
2015	1,879,733	457,649	63,076	105,908	177,245	2,683,611	61,305	2,622,306
2014	1,872,014	452,063	65,003	93,744	175,440	2,658,264	47,315	2,610,949
2013	1,864,879	450,227	67,265	90,862	174,067	2,647,300	46,836	2,600,464
2012	1,860,736	454,533	69,952	88,994	170,188	2,644,403	45,117	2,599,286
2011 ¹	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

¹ Year of Revaluation.

Source: Town Officials.

Tax Exempt Property

Public	Assessed Value
	\$(000)s
United States of America.....	\$ 751,409
State of Connecticut	272,644
Municipal.....	209,942
Sub-Total Public	\$ 1,233,995
Private	
Scientific, educational, historical, charitable	\$ 30,913
Cemeteries.....	5,245
General Hospital (Pequot Medical Center)	6,316
Churches.....	27,753
Veteran's Organizations.....	480
Volunteer Fire Companies.....	4,541
Hospitals & Sanitariums.....	-
Miscellaneous.....	10,638
Sub-Total Private	85,886
Total Exempt	\$ 1,319,881
Percent Compared to Net Taxable Grand List ¹	0.04%

¹ Based on 10/1/16 Net Taxable Grand List of \$3,705,520,790 (after Board of Assessment Appeals action).

Source: Assessor's Office, Town of Groton.

Real Property Tax Levies and Collections

Town of Groton							
Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List (In Thousands)	Mill Rate	Adjusted Tax Levy	Percent	Uncollected	
					Annual Levy Collected at End of Fiscal Year	Annual Levy Uncollected at End of Fiscal Year	Annual Levy Uncollected as of 6/30/17
2016 ¹	2018	\$ 3,705,521	23.63	\$88,529,605	N/A	N/A	N/A
2015	2017	3,789,539	21.73	82,404,142	98.8 %	\$ 972,191	\$ 972,191
2014	2016	3,808,651	20.95	79,533,483	98.6	1,125,881	287,027
2013	2015	3,897,603	20.13	78,060,622	98.5	1,160,192	291,239
2012	2014	3,857,363	20.72	80,265,647	98.7	1,066,688	71,256
2011 ¹	2013	3,938,277	20.22	80,232,312	98.5	1,240,779	38,449
2010	2012	4,110,602	18.89	77,540,497	97.8	1,672,312	51,457
2009	2011	4,103,932	18.42	76,287,974	98.1	1,445,186	40,988
2008	2010	4,107,370	17.95	73,703,362	98.1	1,408,141	38,955
2007	2009	3,692,260	19.27	71,553,729	98.1	1,339,168	19,690

¹ 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 6/30/17</i>
2016 ¹	2018	\$ 2,525,526	0.27	\$ 641,560	N/A	N/A	N/A
2015	2017	2,622,306	0.25	615,504	99.4 %	\$ 3,681	\$ 3,681
2014	2016	2,610,949	0.25	602,085	99.0	6,296	1,104
2013	2015	2,600,464	0.25	610,293	99.0	5,863	668
2012	2014	2,599,286	0.25	609,302	99.1	5,661	319
2011 ¹	2013	2,607,944	0.25	610,003	98.7	7,786	135
2010	2012	2,781,772	0.25	658,606	98.2	11,617	152
2009	2011	2,771,719	0.29	760,894	98.6	10,939	116
2008	2010	2,748,702	0.28	731,491	98.5	10,965	66
2007	2009	2,386,895	0.33	744,955	98.6	10,441	64

¹ 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 Taxable Grand List¹</i>
Pfizer Incorporated.....	Pharmaceutical Mfg./R&D....	\$ 356,689,014	9.63%
Electric Boat Corporation	Submarine Mfg./R&D.....	281,815,120	7.61%
LCOR Groton Apartments LLC.....	Ledges Apartments.....	27,845,860	0.75%
Exit 88 Hotel LLC.....	Mystic Marriott Hotel.....	20,001,160	0.54%
Groton Development Associates Ltd.	Country Glen Apartments.....	19,920,670	0.54%
ELK La Triumphe LLC.....	LaTriumphe Apartments.....	16,266,880	0.44%
CW Groton Square LLC.....	Shopping Center.....	18,480,000	0.50%
Winterfell Windham Falls.....	Windal Falls Elderly Apts.....	14,886,410	0.40%
Branford Manor Associates.....	Apartments.....	13,300,000	0.36%
Groton Shoppers Mart LLP.....	Shopping Center.....	14,863,530	0.40%
Total		\$ 784,068,644	21.17%

¹ Based on a 10/1/16 Net Taxable Grand List of \$3,705,520,790 (after Board of Assessment Appeals action).

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 Taxable Grand List¹</i>
LCor Groton Apartments LLC.....	Ledges Apartments.....	\$ 27,845,860	1.10%
Exit 88 Hotel LLC.....	Mystic Marriott Hotel.....	20,001,160	0.79%
Groton Development Associates Ltd.....	Country Glen Apartments.....	19,920,670	0.79%
ELK La Triumphe LLC.....	LaTriumphe Apartments.....	16,266,880	0.64%
CW Groton Square LLC.....	Shopping Center.....	18,480,000	0.73%
Winterfell Windham Falls.....	Windhal Falls Elderly Apts.....	14,886,410	0.59%
Groton Shoppers Mart LLP.....	Groton Shopping Plaza.....	14,863,530	0.59%
Mall Inc.....	Shopping Center.....	10,662,990	0.42%
Electric Boat Corporation	Submarine Mfg./R&D.....	11,733,560	0.46%
Groton Assoc of Conn, LP.....	Groton Regency Nursing Home.....	9,992,990	0.40%
Total		\$ 164,654,050	6.52%

¹ Based on a 10/1/16 Net Taxable Grand List of \$2,525,526,556 (after Board of Assessment Appeals action).

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 2013-2017 in "Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis) - General Fund" herein.

Property Tax Revenues

<i>Fiscal Year</i>	<i>Property Taxes Revenues</i>		
	<i>General Fund Revenues</i>	<i>Property Tax Revenues</i>	<i>as a Percentage of General Fund</i>
2018 ¹	\$ 118,897,132	\$ 87,799,970	73.8%
2017	135,088,508	83,180,759	61.6%
2016	126,267,855	80,035,498	63.4%
2015	124,886,980	78,601,542	62.9%
2014	130,721,622	81,882,690	62.6%
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%

¹ Adopted budget.

Source: Audited financial statements for fiscal years 2009-2017; adopted budget fiscal year 2017-18.

Intergovernmental Revenues

<i>Fiscal Year</i>	<i>Aid</i>		
	<i>General Fund Revenues</i>	<i>Federal & State Aid</i>	<i>As a Percentage Of General Fund Revenue</i>
2018 ¹	\$ 118,897,132	\$ 27,776,328	23.4%
2017	135,088,508	48,964,896	36.2%
2016	126,267,855	43,716,941	34.6%
2015	124,886,980	43,397,238	34.7%
2014	130,721,622	46,217,827	35.4%
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%

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

Source: Annual audited financial statements for fiscal years 2009-2017; adopted budget fiscal year 2018

At the time the Town had adopted its fiscal year 2017-18 budget, the State of Connecticut had not yet adopted a biennium budget for the fiscal years ending June 30, 2018 and June 30, 2019. Given the possible reductions in state aid under the Governor's proposed Executive Order which would have taken effect had the Connecticut General Assembly not adopted a budget in October 2017, the Town Council reduced the Manager's proposed budget by \$6.1M from \$125.1 million to \$119.1 million. The Representative Town Meeting further reduced the proposed budget by an additional \$163 thousand to \$118.9 million. On October 26, 2017, the Connecticut General Assembly adopted a biennium budget for the fiscal years ending June 30, 2018 and June 30, 2019 (See Senate Bill No. 1502, June 2017 Special Session). On October 31, 2017, the Governor signed the budget into law. Under the adopted State budget, the Town expected to receive approximately \$6.2 million more in State aid for the fiscal year ending June 30, 2018 than the amount budgeted by the Town. On November 17, 2017, the Office of Policy and Management published the Governor's decision to hold back municipal aid from Connecticut municipalities for the fiscal year ending June 30, 2018. According to this announcement, the total fiscal year 2018 holdback from the Town is \$144 thousand. As a result of the anticipated positive revenue variance for intergovernmental revenues, the Town Council has made supplemental appropriations of \$1.5 million for education and \$350 thousand for contingency.

Municipal Budget Expenditure Cap

Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2017-2019 biennium budget legislation does not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2018 and June 30, 2019, but provides that such funding will resume following July 1, 2019.

Expenditures

<i>Fiscal Year</i>	<i>Education</i>	<i>Public Safety</i>	<i>Public Works</i>	<i>General Services</i>	<i>Debt Service</i>
2018 ¹	63.0%	5.6%	4.8%	3.7%	3.8%
2017	68.0%	4.9%	4.3%	3.2%	3.7%
2016	65.4%	5.2%	4.8%	3.4%	4.0%
2015	64.4%	5.1%	5.1%	3.5%	4.1%
2014	65.1%	5.0%	5.1%	3.5%	3.5%
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%

¹ *Adopted budget.*

Source: Annual audited financial statements for fiscal years 2009-2017; adopted budget fiscal year 2017-18.

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

	<i>Fiscal Year 2016-2017</i>			<i>Fiscal Year</i>
	<i>Revised Budget</i>	<i>Actual Operations</i>	<i>Variance Favorable (Unfavorable)</i>	<i>2017-18 Adopted Budget</i>
REVENUES				
Property taxes, interest and liens.....	\$82,974,393	\$ 82,816,078	\$ (158,315)	\$ 87,799,970
Licenses and permits.....	298,278	303,096	4,818	365,575
Interest on investments.....	95,000	150,645	55,645	125,000
Intergovernmental - Federal.....	3,599,882	3,342,695	(257,187)	3,409,019
Intergovernmental - State.....	31,532,975	31,026,751	(506,224)	24,367,309
Charges for current services.....	1,140,630	1,657,739	517,109	1,685,780
Schools, library and recreation fees....	220,008	282,921	62,913	207,885
Other revenue.....	450,795	590,344	139,549	455,336
Appropriation of Fund Balance.....	-	-	-	481,258
TOTAL REVENUES.....	<u>120,311,961</u>	<u>120,170,269</u>	<u>(141,692)</u>	<u>\$118,897,132</u>
EXPENDITURES				
Current:				
General government.....	1,054,102	799,312	254,790	891,053
General services.....	4,462,037	4,292,833	169,204	4,400,253
Public safety.....	6,742,566	6,486,770	255,796	6,621,975
Public works.....	6,057,212	5,821,760	235,452	5,751,672
Planning and development.....	1,417,364	1,398,183	19,181	1,247,174
Health and human services.....	577,546	547,770	29,776	577,399
Community services.....	3,279,966	3,192,879	87,087	3,234,635
Education.....	76,468,239	76,201,048	267,191	74,900,000
Subdivisions.....	4,984,413	4,982,140	2,273	4,993,439
Nondepartmental.....	8,200,015	8,186,453	13,562	8,278,582
Outside agencies.....	2,020,053	1,946,308	73,745	1,845,751
Debt service.....	4,967,757	4,967,757	-	4,510,538
Contingency	-	-	-	650,000
TOTAL EXPENDITURES.....	<u>120,231,270</u>	<u>118,823,213</u>	<u>1,408,057</u>	<u>117,902,471</u>
Excess (deficiency) of revenues over expenditures.....	<u>80,691</u>	<u>1,347,056</u>	<u>1,266,365</u>	<u>994,661</u>
Other financing uses:				
Transfers in.....	579,596	579,596	-	-
Transfers out.....	<u>(1,326,980)</u>	<u>(1,326,980)</u>	<u>-</u>	<u>(994,661)</u>
Total other financing uses.....	<u>(747,384)</u>	<u>(747,384)</u>	<u>-</u>	<u>(994,661)</u>
Net Change in Fund Balance.....	<u>\$ (666,693)</u>	<u>\$ 599,672</u>	<u>\$ 1,266,365</u>	<u>\$ -</u>

Sources: Annual audited financial statement; Groton Finance Department.

Comparative Balance Sheets - General Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assets					
Cash and cash equivalents.....	\$ 19,361,411	\$ 24,749,142	\$ 22,296,997	\$ 18,673,391	\$ 18,055,283
Investments	-	2,998,000	3,022,000	3,050,000	3,080,120
Receivables, net:.....	3,983,484	2,182,537	3,142,995	2,761,513	2,107,886
Due from other funds.....	1,815,440	-	64,308	-	92,659
Other assets.....	9,957	525	800	9,868	10,568
Total Assets.....	<u>\$25,170,292</u>	<u>\$29,930,204</u>	<u>\$28,527,100</u>	<u>\$24,494,772</u>	<u>\$23,346,516</u>
Liabilities, Deferred Inflows of Resources And Fund Balances					
Liabilities					
Accounts payable and accrued items.....	\$ 8,456,038	\$ 8,504,346	\$ 9,248,700	\$ 9,165,973	\$ 7,973,215
Due to other funds.....	-	1,049,340	-	-	-
Unearned revenues.....	2,093,670	46,630	5,564	-	-
Total Liabilities.....	<u>10,549,708</u>	<u>9,600,316</u>	<u>9,254,264</u>	<u>9,165,973</u>	<u>7,973,215</u>
Deferred inflows of resources					
Unavailable revenue - property taxes.....	-	1,841,044	1,703,184	1,815,754	1,097,815
Unavailable revenue - property taxes interest..	-	-	803,052	723,013	446,539
Total deferred inflows of resources.....	-	1,841,044	2,506,236	2,538,767	1,544,354
Fund Balances					
Nonspendable.....	-	-	-	-	-
Restricted.....	-	-	-	-	-
Committed.....	-	2,700,000	2,700,000	666,693	481,258
Assigned.....	3,003,114	4,346,530	4,556,108	2,026,112	1,889,794
Unassigned.....	11,617,470	11,442,314	9,510,492	10,097,227	11,457,895
Total fund balances	<u>14,620,584</u>	<u>18,488,844</u>	<u>16,766,600</u>	<u>12,790,032</u>	<u>13,828,947</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$25,170,292</u>	<u>\$29,930,204</u>	<u>\$28,527,100</u>	<u>\$24,494,772</u>	<u>\$23,346,516</u>

Source: Annual audited financial statements.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
Property taxes, interest and lien fees.....	\$ 81,691,813	\$ 81,882,690	\$ 78,601,542	\$ 80,035,498	\$ 83,180,759
Licenses and permits.....	175,081	317,422	342,131	434,229	303,096
Intergovernmental - State.....	40,387,709	41,989,519	39,835,612	40,110,080	45,622,201
Interest on investments.....	64,457	70,528	101,698	99,011	152,744
Intergovernmental - Federal.....	4,495,804	4,228,308	3,561,626	3,606,861	3,342,695
Charges for current services.....	1,153,580	1,216,243	1,454,536	1,185,665	1,638,519
Schools, library and recreation.....	338,553	313,187	260,937	293,474	282,921
Other revenues.....	496,322	703,725	728,898	503,037	565,573
Total Revenues.....	<u>128,803,319</u>	<u>130,721,622</u>	<u>124,886,980</u>	<u>126,267,855</u>	<u>135,088,508</u>
Expenditures					
Current:					
General government.....	991,575	947,842	1,129,105	1,378,805	1,147,680
General services.....	4,315,863	4,482,277	4,475,963	4,307,726	4,289,828
Public safety.....	6,338,941	6,348,521	6,533,128	6,647,355	6,482,005
Public works.....	6,257,089	6,411,003	6,466,672	6,201,908	5,788,184
Planning and development.....	1,201,607	1,105,233	1,021,024	1,238,980	1,230,650
Health and human services.....	562,602	580,847	592,923	607,301	547,772
Community services.....	3,359,237	3,490,344	3,345,250	3,312,209	3,185,432
Education.....	80,996,988	82,192,134	81,862,680	84,010,289	90,690,477
Subdivisions.....	5,228,234	5,212,930	5,045,084	4,192,898	4,897,090
Non-departmental.....	8,743,450	8,850,191	9,283,830	9,136,274	8,186,453
Outside agencies	2,021,350	2,006,878	2,065,358	2,099,187	1,946,308
Debt service.....	4,440,354	4,442,287	5,251,249	5,106,382	4,967,757
Capital Outlay.....	29,528	199,702	133,810	125,660	70,823
Total Expenditures.....	<u>124,486,818</u>	<u>126,270,189</u>	<u>127,206,076</u>	<u>128,364,974</u>	<u>133,430,459</u>
Excess (deficiency) of revenues over expenditures.....	<u>4,316,501</u>	<u>4,451,433</u>	<u>(2,319,096)</u>	<u>(2,097,119)</u>	<u>1,658,049</u>
Other financing sources (uses):					
Issuance of capital lease.....	-	134,394	-	-	-
Operating transfers in.....	1,027,913	1,014,411	2,310,285	908,951	579,596
Operating transfers out.....	(3,667,447)	(1,913,433)	(1,713,433)	(2,788,400)	(1,198,730)
Refunding bonds issued.....	19,060,000	-	-	-	-
Payments to refunded bond escrow agent....	(21,100,105)	-	-	-	-
Premiums/discounts on bond issuance.....	2,236,831	181,455	-	-	-
Total other financing sources (uses).....	<u>(2,442,808)</u>	<u>(583,173)</u>	<u>596,852</u>	<u>(1,879,449)</u>	<u>(619,134)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	1,873,693	3,868,260	(1,722,244)	(3,976,568)	1,038,915
Fund Balance - Beginning of year.....	<u>12,746,891</u>	<u>14,620,584</u>	<u>18,488,844</u>	<u>16,766,600</u>	<u>12,790,032</u>
Fund Balance - End of year.....	<u>\$ 14,620,584</u>	<u>\$ 18,488,844</u>	<u>\$ 16,766,600</u>	<u>\$ 12,790,032</u>	<u>\$ 13,828,947</u>

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, but considers disclosure of the following litigation to be appropriate:

John P. Tuohy, et. al v. Town of Groton. This class action, residential property tax appeals from the 2011 Grand List, involves approximately six hundred ten (610) properties located within the Groton Long Point Association ("GLPA"). The plaintiffs claim, in general, that the Town illegally applied an inappropriate adjustment factor to all GLPA properties, resulting in manifestly excessive valuation of those properties. The Town successfully defended the action at the trial court, and the matter is now on appeal to the Connecticut Supreme Court (having been transferred from the Appellate Court). The plaintiffs are current on property tax payments; although the Town feels its arguments and position are strong, should the plaintiffs prevail, the estimated tax refund would be approximately \$4 million, assuming the court grants attorneys' fees.

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 C 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 SEC Rule 15c2-12(b)(5). In the last five years, the Town has not failed to meet any of its undertakings under such agreements with the exception of the filing of certain financial information and operating data for the fiscal years ended June 30, 2012 through and including 2015. In February 2017, it was brought to the Town's attention that it had inadvertently excluded the percentage of the annual tax levy uncollected as well as certain debt ratios for net direct and net overall debt. All other required financial information and operating data were included in the Town's CAFRs for the fiscal years in question. On February 17, 2017 the Town filed a notice of failure to provide annual financial information and operating data and provided the missing information to the Municipal Security Rulemaking Board's Electronic Municipal Market Access system. The Town provided all required financial information and operating data as required for fiscal year ending June 30, 2016 and 2017.

Municipal Advisor

The Town has retained Independent Bond and Investment Consultants LLC ("IBIC LLC") of Madison, Connecticut, as municipal 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. A Signature and No Litigation Certificate, 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. A receipt for the purchase prices of the Bonds;
 4. An approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut substantially in the form set forth in Appendix B;
 5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C;
 6. Within seven business days after the award, the Town will furnish the purchaser of the Bonds with a reasonable number of 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/ John Burt
John Burt, Town Manager

BY: /s/ Cindy R. Landry
Cindy R. Landry, Director of Finance

Dated: April 4, 2018

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF GROTON CONNECTICUT

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June 30, 2017

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Appendix A - Financial Statements - is taken from the Comprehensive Annual Report of the Town of Groton for the Fiscal Year ending June 30, 2017 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

Accounting | Tax | Business Consulting

Independent Auditors' Report

To 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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, 2017 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.

Changes in Accounting Principle

As discussed in Note 6 and Note 4 to the financial statements, respectively, during the fiscal year ended June 30, 2017, the Town adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and GASB Statement No. 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the budgetary comparison information on pages 68 through 72 and the pension and OPEB schedules on pages 73 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Town of Groton, Connecticut as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 13, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of the Town of Groton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Groton, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Groton, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 20, 2017

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, 2017 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 (000's).

Financial Highlights:

- The assets of the Town of Groton exceeded its liabilities at the close of the most recent fiscal year by \$175,616 (net position). Of this amount, \$10,782 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$4,085. This decrease is mainly attributable to a decrease in current assets, decrease in pension projected investment earnings which was offset by a decrease 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 \$26,691.
- For the fiscal year ended June 30, 2017, the unassigned fund balance for the General Fund was \$11,457 or 9.6% of the FYE 2018 Adopted General Fund budget. 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 three-quarters (7.75%) percent of the annual general fund expenditures".
- The Town of Groton's total debt decreased by \$4,657 (9.3%) during the current fiscal year. This was mainly due to a reduction (\$4,045) in the principal amounts due on bonds for general government obligation debt due to debt maturities and decreases (\$612) in the loan payment due to the State's Clean Water Fund.
- The Government Wide statement of net position reflects the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required recognition of the net pension liability.

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 2008 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 twenty-nine **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-five special revenue funds, a Debt Service Fund and three Permanent Funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Groton adopted an annual appropriated budget for its General Fund and, in addition, budgetary comparisons have been provided for the following non-major 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 28-67 of this report.

Other Information. Required supplemental information for the General Fund and pension plans is provided immediately following the Notes to the Financial Statements. The combining statements referred to earlier in connection with non-major 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 84 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 \$175,616 on June 30, 2017.

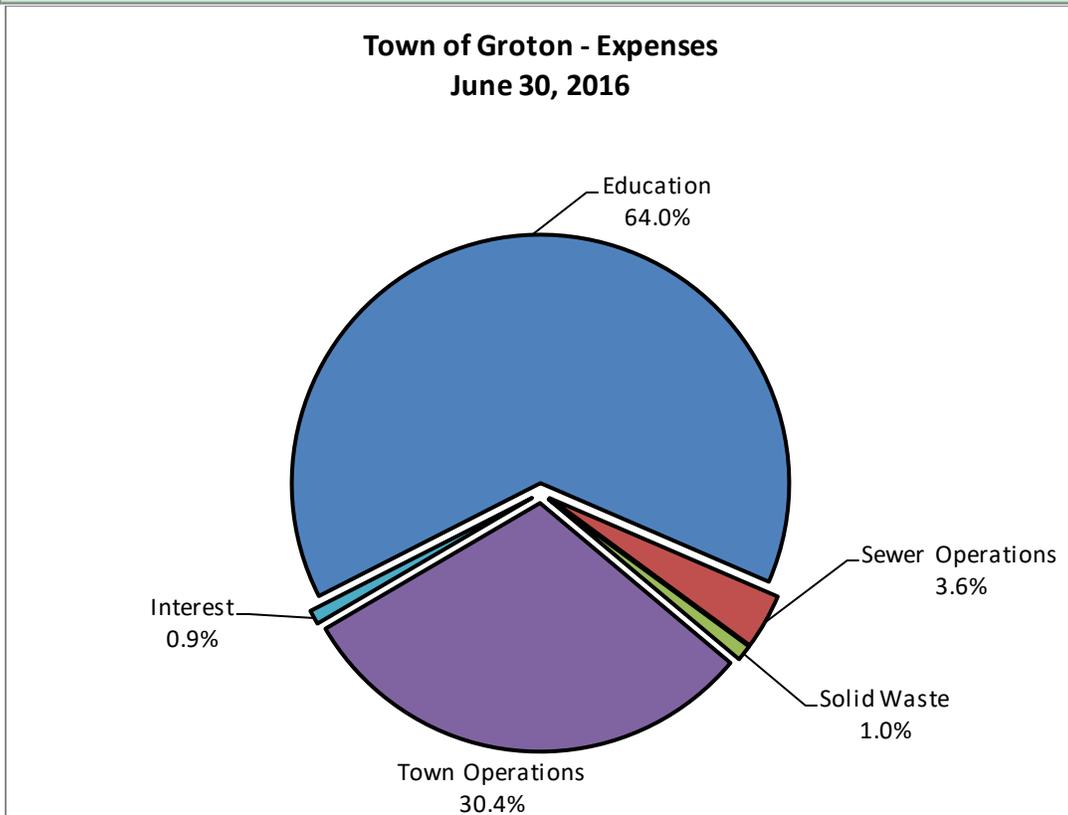
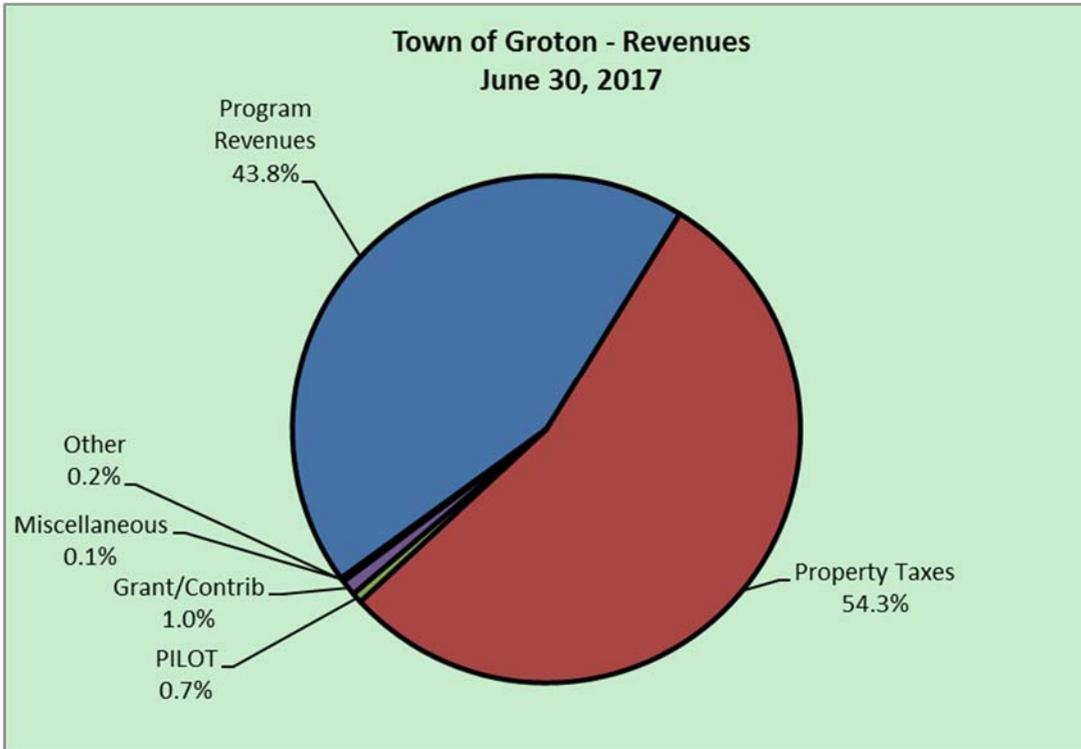
Town of Groton		Governmental	
Net Position (\$000's)		Activities	
		2017	2016
Current assets	\$	47,229	\$ 53,122
Capital assets, net of accumulated depreciation		210,433	213,023
Total assets		<u>257,661</u>	<u>266,145</u>
Deferred outflows of resources		<u>7,941</u>	<u>11,707</u>
Long-term liabilities outstanding		74,792	80,650
Other liabilities		9,833	10,949
Total liabilities		<u>84,625</u>	<u>91,599</u>
Deferred inflows of resources		<u>5,361</u>	<u>6,552</u>
Net Position:			
Net investment in capital assets		164,501	162,348
Restricted		333	341
Unrestricted		<u>10,782</u>	<u>17,012</u>
Total Net Position	\$	<u><u>175,616</u></u>	\$ <u><u>179,701</u></u>

By far the largest portion of the Town of Groton's net position (93.7%) 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 position (\$10,782) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities. Approximately 54.3% of the revenues were derived from property taxes, followed by 35.5% from grants and contributions, 9.3% from other program revenues, and less than 1% from both payments in lieu of taxes and investment income.

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

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 14,155	\$ 13,779
Operating grants and contributions	52,018	46,303
Capital grants and contributions	707	702
General revenues:		
Property taxes	82,864	80,726
Payments in lieu of taxes	1,011	986
Grants and contributions (not restricted)	1,517	2,500
Other unrestricted investment earnings	241	149
Miscellaneous revenue	148	
Total revenues	152,661	145,145
Expenses:		
General government/services	8,042	10,822
Public safety	14,091	12,712
Public works	12,658	11,171
Planning and development	2,035	1,845
Human services	4,049	4,489
Community services	6,851	7,846
Board of Education	100,290	90,278
Sewer operations	5,653	5,839
Solid waste	1,614	1,610
Interest on long-term debt	1,463	1,617
Total expenses	156,746	148,229
Increase in Net Position	(4,085)	(3,084)
Net Position July 1	179,701	182,785
Net Position June 30	\$ 175,616	\$ 179,701



Major revenue factors for all Governmental Funds included:

- ◆ Total revenues were \$7,517 higher in 2017 when compared to 2016 or an increase of 5.2%.
- ◆ Grants and Contributions were higher in 2017 as the Town realized more in State and Federal grants.
- ◆ Property tax revenues recorded for fiscal year 2017 increased primarily due to an increase in the Town's tax rate from 20.95 mills to 21.73 mills.
- ◆ Investment earnings increased by \$92 from the prior fiscal year to \$241 for the fiscal year ended June 30, 2017. The increase to interest and dividend earnings was the result of slightly more funds available for investment purposes and the use of accounts paying a higher rate of return.

For Governmental Activities, 64% of the Town's expenses relate to education, 8.1% relate to public works, 9.0% relate to public safety, 5.1% to general government/services, 4.4% 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 \$8,516 higher in 2017 when compared to 2016 or an increase of 5.7%.
- ◆ Town Operations expenses were \$1,159 lower in 2017 when compared to 2016 or a decrease of 2.4%.
- ◆ Education expenses were \$10,012 higher in 2017 when compared to 2016 or an increase of 11.1%. This is due to an increase in the teacher retirement contribution and depreciation expense related to additional capital assets.
- ◆ Results of operation in Sewer Operations, Solid Waste and Interest on Long-Term Debt accounted for a decrease of \$337 in expenses compared to 2016 or a decrease of 3.7%.

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 \$26,691, a decrease of \$2,166 in comparison with the prior year. Of this amount, \$11,408 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 \$11,457, which is included in the total fund balance of \$13,829. 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 9.6% of total FYE 2018 Adopted general fund budget, while total fund balance represents 11.6% of that same amount.

The total fund balance of the Town of Groton's General Fund increased by \$1,038 during the current fiscal year. The unassigned fund balance increased by \$1,360. Key factors in the total fund balance increase of \$1,038 are as follows:

- ◆ Revenues were \$141 less than anticipated primarily due to decreases in tax collections and reductions in both State and Federal intergovernmental revenue
- ◆ Expenditures were under budget by \$1,408 due to unexpended funds in Town Operations, Education, and Outside Agencies.
- ◆ The adopted FYE 2017 budget included a total of \$666 of fund balance applied however this was not required and was returned to fund balance.
- ◆ The amount designated for the subsequent year budget totals \$481 maintaining the 7.75% fund balance as required by the debt policy.

Capital Improvements Fund. This fund has a total fund balance of \$4,735 a decrease from \$7,873 in the prior year and is related to capital outlays and a decrease in transfers from other funds.

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 \$471 for the Fleet Reserve Fund, \$5,353 for the Health Insurance Fund and a deficit of \$2,212 for the Workers' Compensation Fund that includes the liability for heart and hypertension claims. The total decrease in net position for the internal service funds was \$1,211 and reflects decreases in Health Insurance Workers' Compensation funds while Fleet increased.

General Fund Budgetary Highlights:

No supplemental transfers were required during the year so there were no changes between the adopted and final budget. Transfers of \$414 occurred from Contingency to other functions within the General Fund to cover wage adjustments for collective bargaining unit contracts settled during the year, legal fees and funding for initiatives approved by the Town Council.

During the year, actual revenues and other financing sources on a budgetary basis amounted to \$120,749 which was under the adopted budget by \$141,692. The majority of this decrease can be attributed to a decrease in State and Federal revenue. State grants for Special Education, Education Cost Sharing and Magnet school transportation were reduced while anticipated Pupil Impact Aid payments were less than expected. Pupil impact aid is a federal reimbursement for educating federal dependents. State PILOT (payments in lieu of taxes) payments for state owned and tax exempt properties were also reduced.

Actual expenditures were under budget by \$1,408 with town operations returning \$1,064 and Board of Education returning \$267.

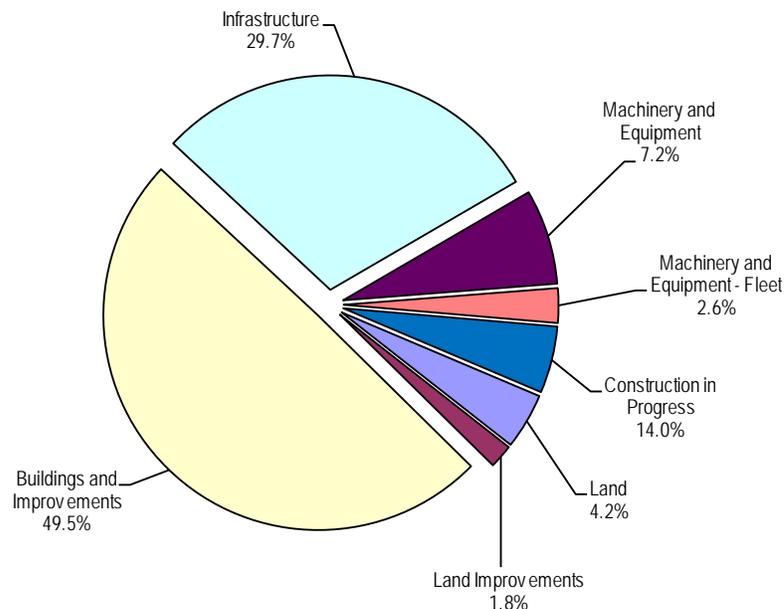
Capital Asset and Debt Administration:

Capital Assets. The Town of Groton's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$360,648. 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 1.5% mainly which reflects Water Pollution Control Facility & Pump Stations upgrades and improvements, road resurfacing and vehicle purchases.

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

	Governmental Activities	
	2017	2016
Land	\$ 15,187	\$ 15,188
Land improvements	6,494	6,432
Buildings and improvements	178,689	177,487
Infrastructure	106,942	105,115
Machinery and equipment	25,823	25,463
Machinery and equipment - fleet	9,359	8,671
Construction in progress	18,154	17,037
Total	\$ 360,648	\$ 355,393

Town of Groton - Capital Assets
June 30, 2017



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, the following major amounts (over \$50) were expended:

Storage Area Network	\$97
Police Stations Improvements	\$60

- Regarding the use of local capital funds, the following major amounts (over \$50) were expended:

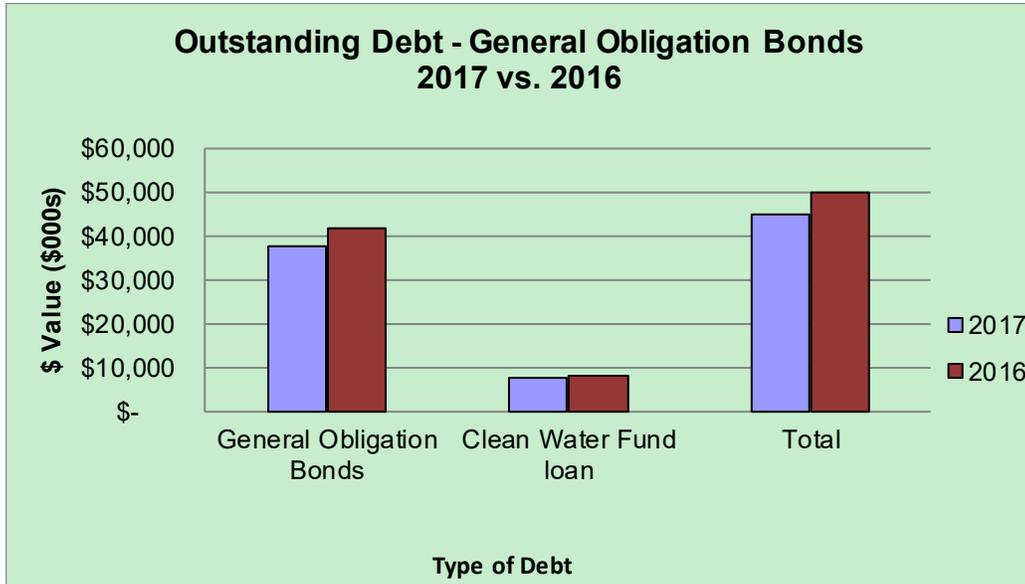
Sidewalk - Thomas Road Bikeway	\$104
Upgrade Radio System - Police	\$91
Groton Public Library	\$194
Town Hall Complex	\$386
Traffic Signal Replacement/Upgrade	\$118
Board of Education - Asbestos Tile Removal	\$231
Information Technology Acquisition-Software Systems	\$128
Water Pollution Control Facility; Treatment Facility	\$575
Water Pollution Control Facility; Pump Stations	\$151

Additional information on the Town of Groton's capital assets can be found in Note 3D on pages 40-41 and on pages 106 and 107 of this report.

Outstanding Debt. At the end of the current fiscal year, the Town of Groton had total debt outstanding of \$45,099. Of this amount, \$41,314 comprises debt backed by the full faith and credit of the government and \$3,785 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	
	2017	2016
General obligation bonds	\$ 37,495	\$ 41,540
Clean Water Fund loan	7,604	8,216
Total	\$ 45,099	\$ 49,756



The Town of Groton's general obligation bonds have decreased \$4,657 or 9.3% during the current fiscal year mainly due long term debt issues maturing during the year.

The Town of Groton's bond rating was maintained at an "AA" rating with Fitch Ratings and an "Aa2" rating with Moody's Investors Service and AA+ by Standard & Poor's. Moody's Local Government Issuer Comment Report for Groton was published in August 2016 and affirmed the Aa2 rating. Fitch completed a surveillance review in March 2016 and again in October 2016 using their revised criteria for state and local governments. Both Fitch reviews affirmed their AA rating for Groton. On October 16, 2017 Moody's Investors Service placed 26 Connecticut cities/towns under review for a credit downgrade due to the State of Connecticut budget impasse. The State had been operating without a budget since July 1, 2017 and without a budget expenditures are controlled by executive order from the governor. The executive order issued in October 2017 significantly reduced aid to cities & towns primarily from education cost sharing grants and also included cuts to payments in lieu of taxes (PILOT) for state owned and tax exempt properties. Those municipalities facing funding cuts equal to 100% or more of fund balance or cash were placed under review for ratings downgrade. In December 2017 Moody's confirmed the town's Aa2 rating and assigned a negative outlook. The negative outlook reflects the town's reliance on state funding and relatively low reserves available to absorb significant reductions to state aid. The Town Council recently amended the debt policy to increase the unassigned General Fund reserve balance to a minimum of 11% from 7.75%. This action by Moody's concluded the review for possible downgrade initiated in October 2017.

The overall statutory debt limit for the Town of Groton is equal to seven times annual receipts from taxation or \$685,610. As of June 30, 2017, the Town recorded total indebtedness of \$66,343 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 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates:

- As of June 2017, the Town had an unemployment rate of 4.3% as compared to the New London County rate of 4.9%, the state's average rate of 5.1% and the national average of 4.4%.
- New London County has an employed labor force of approximately 130,705 residents.
- Inflationary trends in the region compare similarly to national indices.

Grand List decreases by 2.2%:

The October 1, 2016 net adjusted taxable Grand List decreased 2.2% from the adjusted 10/1/15 list after appeals were heard by the Board of Assessment Appeals. This decrease reflects the results of the required revaluation of all property as of October 1, 2016. The net adjusted grand list now totals \$3,705,520 after Board of Assessment adjustments. The combined assessment of the top 10 taxpayers comprises 21% of the town's net grand list.

Net real estate dropped to \$3.251 billion. A decrease was anticipated due to the October 1, 2016 revaluation.

Net residential real estate assessments fell from about \$2.270 billion to \$2.116 billion. This drop reflects the changes in the residential real estate market as compared to conditions that existed in the market for the October 1, 2011 revaluation of real property. The residential real estate's share of the entire net grand list shifted from 59.9% of the 2015 grand List to 56.9% of the 2016 grand list. Net commercial real estate rose this year to \$617 million and represents 16.6% of the net overall grand list. The net assessment for industrial property which includes Pfizer and Electric Boat rose slightly from \$508 million to \$517 million and represents 14% of the net overall grand list.

Twenty five single-family homes were started for the October 1, 2016 grand List, compared to sixteen last year.

The **personal property** grand list experienced growth of 8.9% in net assessments reversing a downward trend between 2014 and 2015. The grand list rose to \$266 million from \$244 million in 2015. The net assessment of personal property now comprises 7.2% of the grand list compared to 6.4% of the previous grand list.

The number of business personal property accounts rose slightly for the first time in four years and the volume of accounts experiencing penalties for late or non-filing has stabilized. The assessed value of the penalties increased for the 2016 grand list to \$6.5 million, up from \$3 million in 2015. The final number of taxable businesses for the 2016 grand list was 1,923 accounts, up from 1,909 accounts on the 2015 personal property grand list.

The **motor vehicle** portion of the grand list, adjusted for military exemptions, grew by 2.1% this year from \$195,031 in 2015 to \$199,151. The net assessment on motor vehicles now comprises 5.4% of the grand list, compared to 4.8% of the 2015 grand list.

Other Information:

During the fiscal year ended June 30, 2017, the Town of Groton's General Fund on a budgetary basis received 28.4% 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 2017 is at 9.6% of FYE 2018 operating expenses which is above the minimum acceptable guideline set by the Town Council of 7.75%. With a reliance on property taxes, 68.5% 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 \$11,457. The Town Council has assigned \$481,258 to fund the subsequent years' 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.

Basic Financial Statements

TOWN OF GROTON, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 38,295,269
Investments	3,080,120
Receivables (net of allowances for collection losses):	
Property taxes	2,056,889
Special assessments	1,037,290
Accounts	942,131
Federal and state governments	298,760
Other	582,048
Due from Fiduciary Funds	25,913
Other assets	14,662
Net other post employment benefit asset	648,058
Capital assets, nondepreciable	33,341,664
Capital assets, net of accumulated depreciation	177,091,032
Restricted assets:	
Cash	126,532
Investments	121,011
Total assets	<u>257,661,379</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	2,001,950
Changes in pension actuarial assumptions	1,611,848
Changes in pension projected investment earnings	4,327,145
Total deferred outflows of resources	<u>7,940,943</u>
Liabilities:	
Accounts payable and accrued liabilities	9,739,876
Unearned revenue	93,608
Noncurrent liabilities:	
Due within one year	5,874,328
Due in more than one year	68,917,498
Total liabilities	<u>84,625,310</u>
Deferred Inflows of Resources:	
Changes in pension actuarial experience	2,450,323
Changes in pension actuarial assumptions	2,910,395
Total deferred inflows of resources	<u>5,360,718</u>
Net Position:	
Net investment in capital assets	164,500,510
Restricted for:	
Trust, nonexpendable	333,424
Unrestricted	<u>10,782,360</u>
Total Net Position	<u>\$ 175,616,294</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, 2017**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
					Total
Governmental activities:					
General government/services	\$ 8,042,247	\$ 1,762,441	\$ 1,321,421	\$ 191,046	\$ (4,767,339)
Public safety	14,090,590	416,583	98,998		(13,575,009)
Public works	12,658,004	464,321	1,623,523	32,490	(10,537,670)
Planning and development	2,035,174	285,835			(1,749,339)
Health and human services	4,049,046	168,992	116,242		(3,763,812)
Community services	6,850,753	2,342,306	137,041	166,758	(4,204,648)
Education	100,289,882	1,086,729	48,720,590	316,215	(50,166,348)
Sewer operations	5,652,542	6,074,091			421,549
Solid waste management	1,613,576	1,553,358			(60,218)
Interest on long-term debt	1,463,234				(1,463,234)
Total Governmental Activities	\$ 156,745,048	\$ 14,154,656	\$ 52,017,815	\$ 706,509	(89,866,068)
General revenues:					
Property taxes					82,864,039
Payments in lieu of taxes					1,011,019
Grants and contributions not restricted to specific programs					1,517,211
Unrestricted investment earnings					240,806
Miscellaneous revenue					148,332
Total general revenues					<u>85,781,407</u>
Change in net position					(4,084,661)
Net Position at Beginning of Year					<u>179,700,955</u>
Net Position at End of Year					<u>\$ 175,616,294</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF GROTON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 18,055,283	\$ 5,156,932	\$ 7,487,284	\$ 30,699,499
Investments	3,080,120		121,011	3,201,131
Receivables, net	2,107,886	3,412	2,591,504	4,702,802
Due from other funds	92,659			92,659
Other assets	10,568		4,094	14,662
Total Assets	<u>\$ 23,346,516</u>	<u>\$ 5,160,344</u>	<u>\$ 10,203,893</u>	<u>\$ 38,710,753</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,973,215	\$ 425,836	\$ 805,040	\$ 9,204,091
Due to State			69,110	69,110
Due to other funds			66,746	66,746
Unearned revenues			93,608	93,608
Total liabilities	<u>7,973,215</u>	<u>425,836</u>	<u>1,034,504</u>	<u>9,433,555</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	1,097,815			1,097,815
Unavailable revenue - property tax interest	446,539			446,539
Unavailable revenue - special assessments			4,507	4,507
Unavailable revenue - loans receivable			1,037,290	1,037,290
Total deferred inflows of resources	<u>1,544,354</u>	<u>-</u>	<u>1,041,797</u>	<u>2,586,151</u>
Fund balances:				
Nonspendable			251,637	251,637
Restricted		4,734,508	2,069,557	6,804,065
Committed	481,258		5,855,884	6,337,142
Assigned	1,889,794			1,889,794
Unassigned	11,457,895		(49,486)	11,408,409
Total fund balances	<u>13,828,947</u>	<u>4,734,508</u>	<u>8,127,592</u>	<u>26,691,047</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,346,516</u>	<u>\$ 5,160,344</u>	<u>\$ 10,203,893</u>	<u>\$ 38,710,753</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017

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)	\$ 26,691,047
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 351,288,969	
Less accumulated depreciation	<u>143,961,946</u>	
Net capital assets		207,327,023

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

Net other postemployment benefit asset	648,058
Property taxes and assessments receivable greater than 60 days	1,102,322
Loan receivables greater than 60 days	1,037,290
Interest receivable on property taxes	446,539
Deferred outflows related to changes in actuarial assumptions	1,611,848
Deferred outflows related to changes in projected pension investment earnings	4,327,145

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.

6,717,765

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	(37,495,000)
Bond premium	(2,787,058)
Deferred charge on refunding	2,001,950
Clean water fund loan payable	(7,603,509)
Interest payable on bonds	(313,132)
Capital lease obligations	(48,569)
Net pension liability	(19,060,328)
Deferred inflows related to pension actuarial experience	(2,450,323)
Deferred inflows related to changes in pension actuarial assumptions	(2,910,395)
Compensated absences	(1,845,779)
Landfill closure costs	<u>(1,780,600)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 175,616,294</u>
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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, 2017**

	<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	\$ 83,180,759	\$	\$ 644,173	\$ 83,824,932
Assessments			42,119	42,119
Licenses and permits	303,096			303,096
Intergovernmental - state	45,622,201	468,788	4,055,733	50,146,722
Interest on investments	152,744	28,665	38,731	220,140
Intergovernmental - federal	3,342,695	7,979	1,610,968	4,961,642
Charges for current services	1,638,519	50	3,581,021	5,219,590
Schools, library and recreation fees	282,921			282,921
Sewer use charges			6,074,091	6,074,091
Solid waste management charges			1,553,358	1,553,358
Other revenue	565,573	12,009	881,161	1,458,743
Total revenues	<u>135,088,508</u>	<u>517,491</u>	<u>18,481,355</u>	<u>154,087,354</u>
Expenditures:				
Current:				
General government	1,147,680		366,230	1,513,910
General services	4,289,828			4,289,828
Public safety	6,482,005		372,159	6,854,164
Public works	5,788,184		35,905	5,824,089
Planning and development	1,230,650			1,230,650
Health and human services	547,772		581,237	1,129,009
Community services	3,185,432		2,380,619	5,566,051
Education	90,690,477		5,910,935	96,601,412
Subdivisions	4,897,090			4,897,090
Sewer operations			4,331,286	4,331,286
Solid waste management			1,613,576	1,613,576
Nondepartmental	8,186,453			8,186,453
Outside agencies	1,946,308		160,448	2,106,756
Debt service	4,967,757		1,247,705	6,215,462
Capital outlay	70,823	4,901,407	466,945	5,439,175
Total expenditures	<u>133,430,459</u>	<u>4,901,407</u>	<u>17,467,045</u>	<u>155,798,911</u>
Revenues over (under) Expenditures	<u>1,658,049</u>	<u>(4,383,916)</u>	<u>1,014,310</u>	<u>(1,711,557)</u>
Other Financing Sources (Uses):				
Transfers in	579,596	1,245,433		1,825,029
Transfers out	<u>(1,198,730)</u>		<u>(1,081,029)</u>	<u>(2,279,759)</u>
Total other financing sources (uses)	<u>(619,134)</u>	<u>1,245,433</u>	<u>(1,081,029)</u>	<u>(454,730)</u>
Net Change in Fund Balances	1,038,915	(3,138,483)	(66,719)	(2,166,287)
Fund Balances at Beginning of Year	<u>12,790,032</u>	<u>7,872,991</u>	<u>8,194,311</u>	<u>28,857,334</u>
Fund Balances at End of Year	<u>\$ 13,828,947</u>	<u>\$ 4,734,508</u>	<u>\$ 8,127,592</u>	<u>\$ 26,691,047</u>

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TOWN OF GROTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

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)	\$ (2,166,287)
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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	5,487,226
Depreciation expense	(7,898,633)
Loss on disposal of capital assets	(773,422)

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	(726,538)
Interest income on property taxes	(276,474)
Revenue on loan receivables greater than 60 days	144,880
Changes in deferred outflows related to changes in actuarial assumptions	773,339
Changes in deferred outflows related to changes in projected pension investment earnings	(4,374,509)
Change in other post employment benefit asset	(536,861)

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 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	36,287
Principal payments on bonds	4,045,000
Principal payments on Clean Water Fund loan payable	612,364
Principal payments on capital leases	27,261
Bond premium	223,073
Net pension liability	1,185,055
Change in deferred inflows related to pension actuarial experience	425,875
Change in deferred inflows related to changes in pension actuarial assumptions	765,893
Deferred charge on refunding	(164,496)
Landfill closure payments	168,200

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	149,241
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The net expense of certain activities of internal service funds is reported in governmental activities	<u>(1,211,135)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ (4,084,661)</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Governmental Activities Internal Service Funds
Assets:	
Current assets:	
Cash and cash equivalents	\$ 7,722,302
Accounts receivable	214,316
Total current assets	<u>7,936,618</u>
Noncurrent assets:	
Property and equipment	9,359,299
Accumulated depreciation	<u>(6,253,626)</u>
Property and equipment, net	<u>3,105,673</u>
Total assets	<u>11,042,291</u>
Liabilities:	
Current liabilities:	
Accounts payable	153,542
Claims incurred but not reported	<u>1,168,972</u>
Total current liabilities	<u>1,322,514</u>
Noncurrent liabilities:	
Claims incurred but not reported, net of current portion	<u>3,002,012</u>
Total liabilities	<u>4,324,526</u>
Net Position:	
Invested in capital assets	3,105,673
Unrestricted	<u>3,612,092</u>
Total Net Position	<u>\$ 6,717,765</u>

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, 2017**

	Governmental Activities <u>Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 14,589,160
Other revenue	68,529
Intergovernmental revenue	52,400
Total operating revenues	<u>14,710,089</u>
Operating Expenses:	
Operating expenses	355,051
Claims	14,336,735
Depreciation	578,335
Administration	1,126,499
Total operating expenses	<u>16,396,620</u>
Operating Loss	(1,686,531)
Nonoperating Revenues:	
Interest on investments	<u>20,666</u>
Loss Before Transfers	(1,665,865)
Transfers In	<u>454,730</u>
Change in Net Position	(1,211,135)
Net Position at Beginning of Year	<u>7,928,900</u>
Net Position at End of Year	<u>\$ 6,717,765</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, 2017**

	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 14,675,622
Cash paid to vendors	(308,974)
Cash paid to beneficiaries	(14,953,345)
Net cash provided by (used in) operating activities	<u>(586,697)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of property and equipment	(1,172,752)
Cash Flows from Noncapital Financing Activities:	
Transfers in	454,730
Cash Flows from Investing Activities:	
Interest on investments	<u>20,666</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,284,053)
Cash and Cash Equivalents at Beginning of Year	<u>9,006,355</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,722,302</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (1,686,531)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	578,335
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(34,467)
(Decrease) increase in accounts payable	46,077
(Decrease) increase in claims payable	<u>509,889</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (586,697)</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, 2017

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 932,900	\$ 66,849	\$ 758,444
Investments, at fair value:			
Mutual funds	129,953,703		
Accounts receivable	200,133		
Total assets	<u>131,086,736</u>	<u>66,849</u>	<u>758,444</u>
Liabilities:			
Accounts payable	72,072		
Due to employees/others	25,913	300	
Claims incurred but not reported	312,000		
Due to contractors/developers			478,232
Due to student groups			249,069
Due to fire districts			31,143
Other liabilities	1,010		
Total liabilities	<u>410,995</u>	<u>300</u>	<u>758,444</u>
Net Position:			
Restricted for Ledge Light pensions	544,954		
Restricted for firefighters pensions	9,325,319		
Restricted for Town and BOE pensions	120,805,468		
Restricted for trusts		66,549	
Total Net Position	<u>\$ 130,675,741</u>	<u>\$ 66,549</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, 2017

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 6,331,650	\$
Plan members	3,740,296	
Other additions		2,000
Total contributions	<u>10,071,946</u>	<u>2,000</u>
Investment income:		
Net change in fair value of investments	12,638,747	
Interest and dividends		521
	<u>12,638,747</u>	<u>521</u>
Less investment expenses:		
Investment management fees	747,696	
Net investment income (loss)	<u>11,891,051</u>	<u>521</u>
Total additions	<u>21,962,997</u>	<u>2,521</u>
Deductions:		
Benefits	12,608,150	26,167
Administrative expense	35,491	
Total deductions	<u>12,643,641</u>	<u>26,167</u>
Change in Net Position	9,319,356	(23,646)
Net Position at Beginning of Year	<u>121,356,385</u>	<u>90,195</u>
Net Position at End of Year	<u>\$ 130,675,741</u>	<u>\$ 66,549</u>

The accompanying notes are an integral part of the 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.

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.

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 and Other Employee Benefit Trust Funds* are used to account for the accumulation of resources to be used for retirement benefits and 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.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

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 acquisition 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. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources for amounts related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actuarial experience, and changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, property tax interest, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

G. 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, 2017 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 Operating Fund, as may be appropriate.

H. 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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

I. 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.

Net Pension Liability

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

Funding Policy

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

J. 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. 74. 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.

K. 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.

L. 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.

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

This balance represents 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.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

M. 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.

N. 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.

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.

The Town shall propose budgets that provide for an unrestricted fund General Fund balance of not less than 7.75% of the total operating General Fund expenditures.

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, 2017, 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 and the Revaluation Fund and the Computer Replacement Fund) because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 an assignment of fund balance under the GAAP basis of accounting.
- 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.
- The revenues and expenditures relating to issuance of capital leases are recognized for GAAP purposes only.

B. Deficit Fund Equity

The DECD Brownfield Mystic Education Fund, Other Special Revenue Fund and the Workers' Compensation Fund had a deficit fund balance of \$6,900, \$42,586 and \$2,211,976, respectively, at June 30, 2017. These deficits will be funded with grants, transfers and grant reimbursements.

C. Expenditures Exceeding Appropriations

The self-funded plans line item in the General Fund exceeded appropriations by \$37.

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, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully

**TOWN OF GROTON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

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.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and is 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*, \$40,179,893 of the Town’s bank balance of \$43,235,690 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 38,421,701
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,758,192</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 40,179,893</u>

Cash Equivalents

At June 30, 2017, the Town’s cash equivalents amounted to \$3,431,099. 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.

	<u>Standard & Poor’s</u>
State Short-Term Investment Fund (STIF)	AAAm
Bank of America, N.A. Cash Management Assets	Not rated
RBC Reserve Class Money Market Fund	Not rated

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Investments

As of June 30, 2017, the Town had the following investments:

	<u>Fair Value</u>	<u>Maturity in Years</u>	
		<u>Less Than 1</u>	<u>1 - 10</u>
Interest-bearing investments:			
Certificate of Deposit *	\$ 3,080,120	\$ <u>1,002,022</u>	\$ <u>2,078,098</u>
Other investments:			
Mutual Funds	N/A 130,051,298		
Common Stock	N/A 9,965		
Private Hedge Funds	N/A 12,439		
Alternative Investments	N/A <u>1,012</u>		
Total Investments	\$ <u>133,154,834</u>		

* 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, 2017, the Town did not have any uninsured and unregistered securities held by counterparts, 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.

The Town's investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer's Short-Term Investment Fund (STIF). 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. 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 post employment benefit funds are also disclosed in Notes 5 and 6.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Common Stock	\$ 9,965	\$ 9,965	\$	\$
Mutual Funds	130,063,737	130,015,276	48,461	
Alternative Investments	<u>1,012</u>	<u>1,012</u>		
Total Investments by Fair Value Level	<u>\$ 130,074,714</u>	<u>\$ 130,026,253</u>	<u>\$ 48,461</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

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>153,277</u>	<u>22,832</u>	<u>249</u>	<u>176,358</u>
Total Value	<u>\$ 173,277</u>	<u>\$ 50,375</u>	<u>\$ 200,249</u>	<u>\$ 423,901</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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

C. Fund Receivables

Receivables at June 30, 2017, including the applicable allowances for collection losses, are as follows:

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Property taxes	\$ 1,823,735	\$	\$ 6,615	\$ 1,830,350
Property tax interest	446,539			446,539
Assessments			1,037,290	1,037,290
Intergovernmental	20,088	3,412	445,108	468,608
Accounts receivable	37,524		556,129	593,653
User fees receivable			1,120,811	1,120,811
Gross receivables	<u>2,327,886</u>	<u>3,412</u>	<u>3,165,953</u>	<u>5,497,251</u>
Allowance for collection losses	<u>(220,000)</u>		<u>(160,000)</u>	<u>(380,000)</u>
Net Receivables	<u>\$ 2,107,886</u>	<u>\$ 3,412</u>	<u>\$ 3,005,953</u>	<u>\$ 5,117,251</u>

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,187,657	\$	\$	\$ 15,187,657
Construction in progress	17,036,617	4,927,649	3,810,259	18,154,007
Total capital assets not being depreciated	<u>32,224,274</u>	<u>4,927,649</u>	<u>3,810,259</u>	<u>33,341,664</u>
Capital assets being depreciated:				
Land improvements	6,432,233	61,448		6,493,681
Buildings and improvements	177,486,585	1,201,977		178,688,562
Machinery and equipment	25,328,326	603,118	243,272	25,688,172
Machinery and equipment - fleet	8,671,422	1,172,752	484,875	9,359,299
Infrastructure	105,115,096	1,827,155		106,942,251
Machinery and equipment - capital-leased	134,639			134,639
Total capital assets being depreciated	<u>323,168,301</u>	<u>4,866,450</u>	<u>728,147</u>	<u>327,306,604</u>
Less accumulated depreciation for:				
Land improvements	3,353,352	151,686		3,505,038
Buildings and improvements	51,954,172	3,848,326		55,802,498
Machinery and equipment	15,260,861	856,139	145,988	15,971,012
Machinery and equipment - fleet	6,160,166	578,335	484,875	6,253,626
Infrastructure	65,600,022	3,036,640		68,636,662
Machinery and equipment - capital-leased	40,894	5,842		46,736
Total accumulated depreciation	<u>142,369,467</u>	<u>8,476,968</u>	<u>630,863</u>	<u>150,215,572</u>
Total capital assets being depreciated, net	<u>180,798,834</u>	<u>(3,610,518)</u>	<u>97,284</u>	<u>177,091,032</u>
Governmental Activities Capital Assets, Net	<u>\$ 213,023,108</u>	<u>\$ 1,317,131</u>	<u>\$ 3,907,543</u>	<u>\$ 210,432,696</u>

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Governmental Activities:	
General government services	\$ 1,763,768
Public safety	62,063
Public works, including depreciation of general infrastructure assets	2,103,183
Community services	21,410
Education	2,549,518
Sewer operating	1,334,428
Golf Course	61,923
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of assets	<u>580,675</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 8,476,968</u>

Construction Commitments

The Town has the following construction commitments as of June 30, 2017:

	<u>Project Amount</u>
Roads/Streets/Sidewalks:	
New London Road sidewalk	\$ 62,828
LED Streetlight upgrade	12,530
Signal upgrade	61,157
WPCF Projects:	
WPCF roofs and handrails	27,342
Fishtown Road pump station	1,338,666
Land Improvements:	
Town dock	38,500
Building Improvements:	
Library history room	20,310
Spicer House renovations	16,200
Roof-top heat pump	8,842
FMS Phase 2	274,000

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

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

E. Interfund Receivables, Payables and Transfers

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	\$ 66,746
General Fund	Fiduciary Fund	<u>25,913</u>
		<u>\$ 92,659</u>

Interfund Transfers

Interfund transfers during the year ended June 30, 2017 were as follows:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Internal Service Fund</u>	<u>Total Transfers Out</u>
Transfers out:				
General Fund	\$	\$ 744,000	\$ 454,730	\$ 1,198,730
Nonmajor Funds	<u>579,596</u>	<u>501,433</u>		<u>1,081,029</u>
Total Transfers In	<u>\$ 579,596</u>	<u>\$ 1,245,433</u>	<u>\$ 454,730</u>	<u>\$ 2,279,759</u>

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

F. Fund Balance

The components of fund balance for the governmental funds at June 30, 2017 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	\$	\$	\$ 1,240	\$ 1,240
Endowments			250,397	250,397
Restricted for:				
Bonded capital projects		4,734,508		4,734,508
Debt service			546,289	546,289
Regional probate court			18,306	18,306
Recreation and senior activities			361,807	361,807
Trust purposes			176,358	176,358
Education			966,797	966,797
Committed to:				
Subsequent year's budget	481,258			481,258
Community development grant			105,655	105,655
Escrow funds			544,327	544,327
Land acquisition			61,820	61,820
Outside police services			113,246	113,246
Energy conservation			18,569	18,569
Human services donations			227,416	227,416
Emergency energy			19,471	19,471
Public infrastructure improvements			594,819	594,819
Library			48,459	48,459
Golf course operations			149,791	149,791
Parks & recreation			111,820	111,820
School cafeteria			368,338	368,338
Fitch High School library media			489	489
LED Conversion Project			67,901	67,901
Sewer			2,827,497	2,827,497
Solid waste management			409,591	409,591
Outside agencies			186,060	186,060
Other			615	615
Assigned to:				
City of Groton - encumbrances	738,501			738,501
General government - encumbrances	19,626			19,626
Police department - encumbrances	110,622			110,622
Utilities/Public works - encumbrances	155,602			155,602
Planning and development - encumbrances	253,699			253,699
Parks and recreation - encumbrances	13,570			13,570
Education services - encumbrances	256,616			256,616
Revaluation	14,663			14,663
Technology	326,895			326,895
Unassigned	<u>11,457,895</u>		<u>(49,486)</u>	<u>11,408,409</u>
Total Fund Balance	<u>\$ 13,828,947</u>	<u>\$ 4,734,508</u>	<u>\$ 8,127,592</u>	<u>\$ 26,691,047</u>

Encumbrances of \$1,548,236 and \$1,453,075 at June 30, 2017 are contained in the above table in the assigned and committed categories of the General Fund and Nonmajor Governmental Funds, respectively.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

G. Leases

Operating Leases

The Town leases buildings and copiers under noncancelable operating leases. The total costs for such leases were \$59,561 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 96,574
2019	70,502
2020	37,069
2021	15,732
2022	2,121

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 a lease agreement as lessee for financing the acquisition of a telephone system. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 134,639
Less accumulated depreciation	<u>(46,736)</u>
Total	<u>\$ 87,903</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2017 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 30,431
2019	20,288
Less amount for interest	<u>(2,150)</u>
Minimum lease payments	<u>\$ 48,569</u>

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

H. Long-Term Debt

Long-term liability activity for the year ended June 30, 2017 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	\$ 41,540,000	\$	\$ 4,045,000	\$ 37,495,000	\$ 3,650,000
Clean Water Fund loan	8,215,873		612,364	7,603,509	612,363
Premium	3,010,131		223,073	2,787,058	
Total bonds and loans payable	52,766,004	-	4,880,437	47,885,567	4,262,363
Landfill post-closure monitoring	1,948,800		168,200	1,780,600	168,200
Capital lease obligations	75,830		27,261	48,569	27,261
Compensated absences	1,995,020	96,084	245,325	1,845,779	247,532
Claims payable	3,618,727	1,702,938	1,150,682	4,170,983	1,168,972
Net pension liability	20,245,383		1,185,055	19,060,328	
Long-Term Liabilities	<u>\$ 80,649,764</u>	<u>\$ 1,799,022</u>	<u>\$ 7,656,960</u>	<u>\$ 74,791,826</u>	<u>\$ 5,874,328</u>

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

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 5.5% and mature as follows:

<u>Town of Groton</u>		
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2018	\$ 3,650,000	\$ 1,271,075
2019	3,640,000	1,137,856
2020	3,440,000	1,003,256
2021	3,420,000	886,131
2022	3,410,000	766,856
2023-2027	15,305,000	2,133,131
2028-2032	4,110,000	343,275
2033-2037	520,000	31,200
	<u>\$ 37,495,000</u>	<u>\$ 7,572,780</u>

**TOWN OF GROTON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

Total authorized but unissued long-term debt at June 30, 2017 consists of the following:

	Bonds Authorized Unissued
Senior Center	\$ 2,470,000
Thames Street Rehabilitation	645,505
Road Maint & Rehab (paving)	<u>7,485,000</u>
	<u>\$ 10,600,505</u>

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

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
Public improvement	\$ 220,374,920	\$ 30,729,396	\$ 189,645,524
Schools	440,749,841	18,366,000	422,383,841
Sewers	367,291,534	17,248,509	350,043,025
Urban renewal	318,319,329		318,319,329
Pension deficit	293,833,227		293,833,227

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, including coterminous municipalities, or \$665,610,863. 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 \$10,644,891 is included in the calculation of indebtedness. Bonds authorized and unissued amounted to \$10,600,505 at June 30, 2017.

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, 2017, 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.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

<u>Fiscal Year</u>	<u>Debt Service Fund</u>	
	<u>Principal Payments</u>	<u>Interest Payments</u>
2018	\$ 612,363	\$ 146,457
2019	612,363	134,210
2020	612,363	121,962
2021	612,363	109,715
2022	612,363	97,468
2023-2027	3,061,816	303,630
2028-2032	<u>1,479,878</u>	<u>36,997</u>
	<u>\$ 7,603,509</u>	<u>\$ 950,439</u>

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 \$913,500 (\$101,500 per year for 9 years). The other landfill site stopped accepting waste in the fall of 2001, and its remaining postclosure cost is \$867,100 (\$66,700 for 13 years). Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

4. TAX ABATEMENTS

The Town of Groton currently has five individual agreements with local businesses that qualify under the implementation of GASB Statement No. 77, *Tax Abatement Disclosures*, for the purpose of providing services to its taxpayers. Details of the agreements are as follows:

Local Business	Branford Manor Preservation	AHEPA 250-III Inc.	Mystic River	Mystic Indoor Sports	23 Eastern Point Road
Purpose	Apartment complex being renovated is low income housing and has been deemed a Development Property.	Apartment complex constructed for low income elderly or disabled.	Apartment complex constructed for low income housing.	Improvement of an indoor sports facility for community use (increase tax base).	Space intended for a small to mid-sized biotech, therapeutic, or pharmaceutical company to create jobs.
Tax being abated	Real and Personal Property	Real Property	Real Property	Real Property	Real Property
Authority under which agreements are entered into	Connecticut General Statutes 7-498, a part of General Statutes Chapter 114, the Connecticut City and Town Development Act.	Section 8-215 and 8-216 of Chapter 133 of the Connecticut General Statutes.	Section 8-215 and 8-216 of Chapter 133 of the Connecticut General Statutes.	Town of Groton Financial Incentive Policy.	Town of Groton Financial Incentive Policy.
Eligibility criteria for tax abatement	Investment of \$18,500,000 to construct new resident service buildings, to make and maintain exterior and interior repairs and renovation to provide 100% project-based Section -8 housing for low income individuals.	Construct a 40 unit complex for low income elderly.	Construct and maintain a maximum of 144 units of housing for low income elderly and disabled. Two phases of 72 units each.	Invest \$3 million to improve the property.	Revitalize building 114 complex.
How recipient's tax are reduced	A payment schedule of taxes has been agreed upon per the agreement through January 1, 2037 totaling 7,759,264.	53.5% Abated	80% Abated	Year 1 - 100% abatement for existing buildings and land along with new improvements Years 2-4 - 100% abatement for new buildings and paying taxes on the full assessment of the existing buildings (built prior to 2015) and land Years 5-6 - 75% abatement for new buildings and paying taxes on the full assessment of the existing buildings (built prior to 2015) and land Year 7 - 50% abatement for new buildings and paying taxes on the full assessment of the existing buildings (built	Two year, 100%, fixed Assessment agreement.
How the tax abatement is determined	Schedule based on current value of the building and reasonable abatement agreed to by all parties.	Discount needed to maintain low rents and offset the cost of the project.	Discount needed to maintain low rents and offset the cost of the project.	Buyer paid back taxes after purchasing the bankrupt facility. Discount needed to offset the cost of renovations.	Discount needed to offset renovation costs.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced as a result of the abatement agreement.	Tax stabilization agreement. Taxes weren't reduced but stabilized to increase 3% per year for 20 years. Initial FYE2018	\$15,870 town \$183 sewer	\$124,890 town \$1,437 sewer	\$3,690 town \$43 sewer	\$84,860 town \$975 sewer

5. PUBLIC EMPLOYEE RETIREMENT SYSTEM

A. Plan Description and Benefits Provided

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), an agent multiple-employer defined benefit pension plan. Two other employers, Ledge Light Health District and the Poquonnock Bridge Fire District, also participate in the TGRS, which is administered by the Retirement Board. The Retirement Board is made up of six members, who are appointed by the Town Council, and consists of the Town Manager and five members at large, at least two of whom shall be participants in TGRS, either as active or retired employees. All voting members of the board, except participants in the plan, must be residents of the Town. 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, BOE Central Office Employees 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, Telecommunicators and BOE Central Office Employees (Business Manager, Director of Building & Grounds, Director of IT and Personnel Manager) 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. For those who retire after June 30, 2003, 2% average annual pay times number of continuous years of service with the Board after June 30, 2001. No more than 25 years shall be credited at 2% and 1.85% with all additional years credited at 1.25%.

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.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

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. Benefit is reduced for each year of age and service that the sum of age and years of service is less than 75.

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.

At July 1, 2016, TGRS membership consisted of:

	<u>Town of Groton Town and BOE</u>	<u>Poquonnock Fire District</u>	<u>Ledge Light Health District</u>
Retirees and beneficiaries currently receiving benefits	249	18	1
Terminated employees entitled to benefits but not yet receiving them	29		1
Active plan members	<u>348</u>	<u>24</u>	<u>1</u>
Total	<u><u>626</u></u>	<u><u>42</u></u>	<u><u>3</u></u>

B. Summary of Significant Accounting Policies

Basis of Accounting

Financial statements are prepared using the accrual basis of accounting for the defined benefit pension plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

C. 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.

D. Investments

Investment Policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TGRS Board by a majority vote of its members. It is the policy of the TGRS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The overall investment goal is to obtain a competitive rate of return on portfolio assets commensurate with the prudent investment rule and the responsibility to provide retirement benefits to retirees and their beneficiaries. The following was the Board’s adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Large Cap	37.00%
U.S. Small Cap	7.00
Developed International Equities	11.00
Emerging International Equities	2.00
Core Fixed Income	37.00
High-Yield Bonds	3.00
Real Estate (REITs)	<u>3.00</u>
Total	<u><u>100.00%</u></u>

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

E. Net Pension Liability

The components of the net pension liability of the Town at June 30, 2017 were as follows:

	<u>Town and BOE</u>	<u>Ledge Light</u>	<u>Fire</u>	<u>Total</u>
Total pension liability	\$ 122,644,163	\$ 692,241	\$ 13,063,971	\$ 136,400,375
Plan fiduciary net position	<u>103,583,835</u>	<u>575,415</u>	<u>10,132,682</u>	<u>114,291,932</u>
Total Net Pension Liability	<u>\$ 19,060,328</u>	<u>\$ 116,826</u>	<u>\$ 2,931,289</u>	<u>\$ 22,108,443</u>
Plan fiduciary net position as a percentage of the total pension liability	84.46%	83.12%	77.56%	83.79%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary increases	Vary by age group
Investment rate of return	7.50%

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.

The actuarial assumptions used in the July 1, 2016 valuation were based on the 2014 Experience Study Report published in August 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	6.00%
U.S. Small Cap	6.40
Developed International Equities	6.10
Emerging International Equities	7.10
Core Fixed Income	2.25
High-Yield Bonds	4.50
Real Estate (REITs)	4.50

**TOWN OF GROTON
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Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was changed from 7.75% since the prior measurement date.

F. Changes in Net Pension Liability

Town and BOE			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2016	\$ 117,313,592	\$ 97,068,209	\$ 20,245,383
Changes for the year:			
Service cost	2,409,250		2,409,250
Interest on total pension liability	9,011,518		9,011,518
Differences between expected and actual experience	(198,443)		(198,443)
Changes in assumptions	1,129,130		1,129,130
Employer contributions		2,488,575	(2,488,575)
Member contributions		1,201,342	(1,201,342)
Net investment income		9,878,756	(9,878,756)
Benefit payments, including refund to employee contributions	(7,020,884)	(7,020,884)	-
Administrative expenses		(32,163)	32,163
Net changes	<u>5,330,571</u>	<u>6,515,626</u>	<u>(1,185,055)</u>
Balances as of June 30, 2017	\$ <u>122,644,163</u>	\$ <u>103,583,835</u>	\$ <u>19,060,328</u>
Ledge Light			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2016	\$ 638,887	\$ 544,954	\$ 93,933
Changes for the year:			
Service cost	7,714		7,714
Interest on total pension liability	48,675		48,675
Differences between expected and actual experience	29,608		29,608
Changes in assumptions	5,161		5,161
Employer contributions		8,958	(8,958)
Member contributions		4,265	(4,265)
Net investment income		55,221	(55,221)
Benefit payments, including refund to employee contributions	(37,804)	(37,804)	-
Administrative expenses		(179)	179
Net changes	<u>53,354</u>	<u>30,461</u>	<u>22,893</u>
Balances as of June 30, 2017	\$ <u>692,241</u>	\$ <u>575,415</u>	\$ <u>116,826</u>

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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Poquonnock Fire District

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2016	\$ 12,751,917	\$ 9,325,319	\$ 3,426,598
Changes for the year:			
Service cost	257,236		257,236
Interest on total pension liability	983,590		983,590
Differences between expected and actual experience	(439,015)		(439,015)
Changes in assumptions	158,125		158,125
Employer contributions		385,674	(385,674)
Member contributions		116,552	(116,552)
Net investment income		956,168	(956,168)
Benefit payments, including refund to employee contributions	(647,882)	(647,882)	-
Administrative expenses		(3,149)	3,149
Net changes	312,054	807,363	(495,309)
Balances as of June 30, 2017	\$ 13,063,971	\$ 10,132,682	\$ 2,931,289

Amounts reported as changes of assumptions resulted primarily from adjustments to the actuarial cost method from adjusting the investment rate of return from 7.75% to 7.5%.

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.5%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town and BOE Net Pension Liability	\$ 32,671,341	\$ 19,060,328	\$ 7,495,506
Ledge Light Net Pension Liability	196,741	116,826	48,466
Fire Net Pension Liability	4,553,558	2,931,289	1,575,656

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

H. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Town and BOE, Ledge Light and Fire Pensions recognized pension expense of \$3,713,138, \$(137,856) and \$627,047, respectively. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Town and BOE	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (2,450,323)
Changes of assumptions	1,611,848	(2,910,395)
Net difference between projected and actual earning on pension plan investments	<u>4,327,145</u>	<u> </u>
Total	<u>\$ 5,938,993</u>	<u>\$ (5,360,718)</u>
	Ledge Light	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,384	\$ (311,467)
Changes of assumptions	12,175	(2,755)
Net difference between projected and actual earning on pension plan investments	<u>25,488</u>	<u> </u>
Total	<u>\$ 59,047</u>	<u>\$ (314,222)</u>
	Poquonnock Fire District	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277,476	\$ (712,287)
Changes of assumptions	657,565	(56,022)
Net difference between projected and actual earning on pension plan investments	<u>416,237</u>	<u> </u>
Total	<u>\$ 1,351,278</u>	<u>\$ (768,309)</u>

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Town and BOE</u>	<u>Ledge Light</u>	<u>Poquonnock Fire District</u>
2017	\$ 856,398	\$ (148,866)	\$ 216,693
2018	856,398	(115,257)	216,691
2019	7,860	11,733	132,911
2020	(1,287,156)	(2,785)	(13,746)
2021	144,775		29,557
Thereafter			863

Connecticut State Teachers' Retirement System

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**TOWN OF GROTON
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C. Contributions

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

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>132,909,163</u>
Total	<u>\$ 132,909,163</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2017, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$14,494,222 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-7650%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

H. Other Information

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

6. POST EMPLOYMENT HEALTHCARE PLAN - GROTON RETIRED EMPLOYEES HEALTHCARE PLAN

A. Plan Description

The Groton Retired Employees Healthcare Plan (GREHP) is a single-employer defined benefit healthcare plan administered by the Town. 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.

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.

Management of the post employment benefits plan is vested with the Town Manager and Director of Finance. Policy oversight is provided by the Town Manager, Director of Finance, and Human Resources Director.

At July 1, 2016, plan membership consisted of the following:

	<u>Retiree Health Plan</u>
Number of members:	711
Active members	216
Beneficiaries	28
Spouses of retirees	<u>60</u>
Total Participants	<u><u>1,015</u></u>

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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B. 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 \$1,945 per month for retiree only coverage and \$2,417 per month for retiree and spouse coverage, to age 65, and \$1,059 and \$1,359 per month, respectively, thereafter.

Board of Education Employees

The cost per month for Board of Education employees receiving coverage under Anthem Blue Cross is \$943 per month for retiree only coverage and \$1,108 per month for retiree and spouse coverage to age 65. The cost for Medicare eligible employees is \$469 per month for retiree only and \$565 per month for retiree and spouse.

C. Investments

The investment policy of the OPEB Plan is established and may be amended by the Town Manager, Finance Director and Human Resources Manager. The investment policy is designed to reflect a prudent investor's tolerance for risk, which is achieved through diversification of the portfolio across a broad selection of asset classes. It is the intent of the policy to pursue an investment strategy that produces a maximum return for the Town through prudent asset allocation and superior investment performance within designated asset classes.

Investment Policy

Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 8.83%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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D. Net OPEB Liability of the Town

During the year, the Town implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, Less the amount of OPEB plan’s fiduciary net position. The components of the net OPEB liability of the Town at June 30, 2017, were as follows:

Total OPEB Liability	\$	56,548,417
Plan fiduciary net position		<u>16,695,795</u>
Net OPEB Liability	\$	<u><u>39,852,622</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		29.52%

The Town’s net OPEB liability will be required to be recorded on the government-wide financial statement net position at June 30, 2018.

E. Actuarial Assumptions

The total OPEB liabilities was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increase	Graded by service from 6.50% to 3.25% for teachers and administrators, 3.50% for all others
Investment rate of return	7.50%
Healthcare cost trend rates	5.47% - 4.40% over 68 years
Mortality	
Healthy Mortality	
Teachers and Administrators	RP-2000 Combined Healthy Mortality Table for males and females, and separate tables for active employees and annuitants, with generational projection per Scale BB, and with a one-year age set forward. This assumption included a margin for mortality improvement beyond the valuation date.
All Others	RP-2000 Healthy Mortality Table for males and females, and separate tables for active employees and annuitants, with generational projection per Scale BB, and with one-year age set forward. This assumption includes a margin for motility improvement beyond the valuation date.
Disabled Mortality	
Teachers and Administrators	RP-2000 Combined Healthy Mortality Table for males and females projected forward 19 years using Scale AA, with an eight-year age set forward. This assumption includes a margin for mortality improvement beyond the valuation date.
All Others	RP-2000 Disabled Mortality Table for males and females. This assumption does not include a margin for mortality improvement beyond the valuation date.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Actual Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	6 %	0.58 %
Core fixed income	35	2.52
U.S. Large Cap Equities	59	3.61
	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current discount rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB Liability \$	47,618,048	39,852,622	33,494,833

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0% decreasing to 3.5%) or 1 percentage point higher (9.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (4.47% decreasing to 3.4%)	Healthcare Cost Trend Rates (5.47% decreasing to 4.4%)	1% Increase (6.47% decreasing to 5.4%)
Net OPEB Liability	\$ 32,580,319	\$ 39,852,622	\$ 48,872,115

I. Annual OPEB Cost and Net OPEB Asset

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	\$ 4,044,025
Interest on net OPEB obligation	(88,869)
Adjustment to annual required contribution	<u>81,964</u>
Annual OPEB cost	4,037,120
Contributions made	<u>3,500,259</u>
Change in net OPEB asset	(536,861)
Net OPEB Asset, Beginning of Year	<u>1,184,919</u>
Net OPEB Asset, End of Year	<u>\$ 648,058</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 three fiscal years ended June 30, 2017 are 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 Asset</u>
6/30/2015	\$ 3,681,331	\$ 4,050,481	110.0%	\$ (1,264,418)
6/30/2016	3,789,333	3,709,834	97.9%	(1,184,919)
6/30/2017	4,037,120	3,500,259	86.7%	(648,058)

**TOWN OF GROTON
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As of July 1, 2016, the date of the most recent valuation, the plan was 29.4% funded. The actuarial accrued liability for benefits was approximately \$50,018,000 and the actuarial value of the assets was \$14,699,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$35,319,000.

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.

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>						
7/1/2014	\$ 11,636,000	\$ 46,371,000	\$ 34,735,000	25.1%	\$ 50,195,000	69.20%
7/1/2015	13,351,000	48,924,000	35,573,000	27.3%	n/a	n/a
7/1/2016	14,699,000	50,018,000	35,319,000	29.4%	51,499,000	68.60%

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
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7. PENSION AND OPEB TRUST FUND COMBINING SCHEDULES

Combining Schedule of Net Position - Trust Funds

	<u>Trust Funds</u>		
	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total Trust Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,028	\$ 931,872	\$ 932,900
Investments, at fair value:			
Mutual funds	114,272,175	15,681,528	129,953,703
Accounts receivable	115,145	84,988	200,133
Total assets	<u>114,388,348</u>	<u>16,698,388</u>	<u>131,086,736</u>
Liabilities:			
Accounts payable	70,503	1,569	72,072
Due to employees/others	25,913		25,913
Claims incurred but not reported		312,000	312,000
Other liabilities		1,010	1,010
Total liabilities	<u>96,416</u>	<u>314,579</u>	<u>410,995</u>
Net Position:			
Restricted for employees of Ledge Light	544,954		544,954
Restricted for firefighters	9,325,319		9,325,319
Restricted for benefits and other purposes	104,421,659	16,383,809	120,805,468
Total Net Position	<u>\$ 114,291,932</u>	<u>\$ 16,383,809</u>	<u>\$ 130,675,741</u>

**TOWN OF GROTON
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	Trust Funds		
	Pension Trust Fund	OPEB Trust Fund	Total
Additions:			
Contributions:			
Employer	\$ 2,883,207	\$ 3,448,443	\$ 6,331,650
Plan members	<u>1,322,159</u>	<u>2,418,137</u>	<u>3,740,296</u>
Total contributions	<u>4,205,366</u>	<u>5,866,580</u>	<u>10,071,946</u>
Investment income:			
Change in fair value of investments	11,165,932	1,472,815	12,638,747
Less investment expenses:			
Investment management fees	<u>275,787</u>	<u>471,909</u>	<u>747,696</u>
Net investment income (loss)	<u>10,890,145</u>	<u>1,000,906</u>	<u>11,891,051</u>
Total additions	<u>15,095,511</u>	<u>6,867,486</u>	<u>21,962,997</u>
Deductions:			
Benefits	7,706,570	4,901,580	12,608,150
Administrative expense	<u>35,491</u>	<u>35,491</u>	<u>35,491</u>
Total deductions	<u>7,742,061</u>	<u>4,901,580</u>	<u>12,643,641</u>
Change in Net Position	7,353,450	1,965,906	9,319,356
Net Position - Beginning of Year	<u>106,938,482</u>	<u>14,417,903</u>	<u>121,356,385</u>
Net Position - End of Year	<u>\$ 114,291,932</u>	<u>\$ 16,383,809</u>	<u>\$ 130,675,741</u>

8. 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 and retiree 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. The OPEB Trust fund covers all retired employee claims. Town management has estimated a liability using actuarial methods at June 30, 2017 for claims incurred but not reported to be \$1,036,000 in the Health Insurance Fund and \$3,134,983 in the Workers' Compensation Fund, which includes heart and hypertension of \$1,705,432, and \$312,000 in the OPEB Trust Fund. The estimate for claim liability also includes amounts for incremental claim adjustment expenses.

**TOWN OF GROTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Changes in the claims liability were as follows:

	<u>Liability July 1,</u>		<u>Current Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>		<u>Due Within One Year</u>
<u>Health Insurance Fund</u>									
2016 - 2017	\$ 1,020,000	\$	12,930,529	\$	12,914,529	\$	1,036,000	\$	1,036,000
2015 - 2016	880,000		13,643,330		13,503,330		1,020,000		1,020,000
<u>Workers' Compensation Fund</u>									
2016 - 2017	\$ 2,598,727	\$	1,406,206	\$	869,950	\$	3,134,983	\$	132,972
2015 - 2016	2,776,314		1,061,005		1,238,592		2,598,727		130,682
<u>OPEB Trust Fund</u>									
2016 - 2017	\$ 295,338	\$	4,901,580	\$	4,884,918	\$	312,000	\$	-
2015 - 2016	294,000		4,487,064		4,485,726		295,338		-

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.

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 June 30, 2015 grand list, comprise 17.1% of the net taxable grand list of the Town and approximately 11.7% of the total General Fund revenues for the year ended June 30, 2017.

Required Supplemental Information

**TOWN OF GROTON, CONNECTICUT
GENERAL FUND SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Property Taxes (Including Interest and Lien Fees)	\$ 82,974,393	\$ 82,974,393	\$ 82,816,078	\$ (158,315)
Licenses and Permits:				
Building permits	271,640	271,640	273,648	2,008
Sporting licenses	675	675	631	(44)
Dog licenses	7,000	7,000	8,813	1,813
Other licenses and permits	18,546	18,546	19,644	1,098
Building permits - education fee	242	242	282	40
State land use fees	175	175	78	(97)
Total licenses and permits	<u>298,278</u>	<u>298,278</u>	<u>303,096</u>	<u>4,818</u>
Interest on Investments	<u>95,000</u>	<u>95,000</u>	<u>150,645</u>	<u>55,645</u>
Intergovernmental - State:				
General:				
Town aid road	380,167	380,167	381,015	848
Nuclear safety drill	37,041	37,041	32,614	(4,427)
Highway illumination	1,619	1,619		(1,619)
Telephone access	162,000	162,000	174,978	12,978
PILOT - state and tax exemptions	1,015,992	1,015,992	1,011,019	(4,973)
TVCCA - supp housing program	9,000	9,000	9,000	-
Youth Service Bureau	29,859	29,859	27,242	(2,617)
Pequot/Mohegan funds	1,336,108	1,336,108	1,336,108	-
911 Enhancement	165,318	165,318	165,274	(44)
Municipal project grant	1,240,819	1,240,819	1,242,507	1,688
Municipal revenue sharing grant	433,177	433,177	433,177	-
Miscellaneous state grants	7,026	7,026	132	(6,894)
Board of Education:				
Education cost sharing	25,287,526	25,287,526	24,979,526	(308,000)
Adult education	102,660	102,660	107,464	4,804
Special education	1,142,663	1,142,663	927,662	(215,001)
Magnet School transportation	182,000	182,000	176,800	(5,200)
Nonpublic pupil services			22,233	22,233
Total State of Connecticut	<u>31,532,975</u>	<u>31,532,975</u>	<u>31,026,751</u>	<u>(506,224)</u>
Intergovernmental - Federal:				
Pupil impact aid	3,459,863	3,459,863	3,174,549	(285,314)
Education - misc. federal funds	120,000	120,000	148,058	28,058
Emergency management	20,019	20,019	20,088	69
Total federal government	<u>3,599,882</u>	<u>3,599,882</u>	<u>3,342,695</u>	<u>(257,187)</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, 2017**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Charges for Current Services:				
Planning Commission fees	\$ 12,000	\$ 12,000	\$ 10,730	\$ (1,270)
Recording instruments	150,000	150,000	156,719	6,719
Conveyance tax	700,000	700,000	1,233,497	533,497
Planning department - other	500	500	1,096	596
Collection subdivisions taxes	103,277	103,277	103,277	-
Accident reports	3,950	3,950	3,351	(599)
Dispatch/paramedics services	1,000	1,000	1,000	-
North Stonington - dispatch	52,819	52,819	52,819	-
Coordinated Medical Emergency Director	22,257	22,257	22,253	(4)
Board of Education - FHS/ground mowing	56,660	56,660	56,660	-
GIS - revenue	700	700	729	29
Vital statistics	5,000	5,000	4,442	(558)
Snow/Ice control services	32,467	32,467	11,166	(21,301)
Total charges for current services	<u>1,140,630</u>	<u>1,140,630</u>	<u>1,657,739</u>	<u>517,109</u>
Schools, Library and Recreation:				
Tuition from other towns	97,828	97,828	190,846	93,018
Other school receipts	72,080	72,080	45,677	(26,403)
Library fines	20,000	20,000	17,975	(2,025)
Lost and damaged book fees	3,400	3,400	3,183	(217)
Senior Center fees	2,500	2,500	2,065	(435)
Library - copier fees	6,200	6,200	6,606	406
Library fees	16,500	16,500	16,569	69
Park rentals	1,500	1,500		(1,500)
Total schools, library and recreation	<u>220,008</u>	<u>220,008</u>	<u>282,921</u>	<u>62,913</u>
Other Revenue:				
Court fines	18,250	18,250	13,355	(4,895)
Parking tickets	1,500	1,500	470	(1,030)
Aircraft registration fees	20,000	20,000	21,360	1,360
Lease fees	156,786	156,786	171,670	14,884
Land record copies	28,000	28,000	33,198	5,198
Vital copies	64,000	64,000	67,594	3,594
Miscellaneous	5,000	5,000	91,396	86,396
Dog warden - sold and redeemed	4,150	4,150	2,370	(1,780)
Public Works Disposal fees	130,000	130,000	157,372	27,372
Returned check fees	1,000	1,000	1,523	523
Sale of capital assets	2,500	2,500	12,735	10,235
Delinquent MV fees	18,709	18,709	16,269	(2,440)
Finance Dept. copies	900	900	1,032	132
Total other revenue	<u>450,795</u>	<u>450,795</u>	<u>590,344</u>	<u>139,549</u>
Total revenues	<u>120,311,961</u>	<u>120,311,961</u>	<u>120,170,269</u>	<u>(141,692)</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources:				
Transfers in:				
Golf course	\$ 59,430	\$ 59,430	\$ 59,430	\$ -
Sewer/landfill services	469,624	469,624	469,624	-
Sewer District	44,534	44,534	44,534	-
Mumford Cove	1,008	1,008	1,008	-
Community Investment Act Fund	5,000	5,000	5,000	-
Total other financing sources	<u>579,596</u>	<u>579,596</u>	<u>579,596</u>	<u>-</u>
Total Revenues and Other Financing Sources	\$ <u>120,891,557</u>	\$ <u>120,891,557</u>	120,749,865	\$ <u>(141,692)</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			14,494,222	
Property tax revenue receivable accrual basis change			364,681	
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			5,132	
Revenues credited to expenditures			<u>54,204</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u>135,668,104</u>	

TOWN OF GROTON, CONNECTICUT
GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government:				
Legislative policy	\$ 52,591	\$ 77,091	\$ 68,869	\$ 8,222
Voter registration	149,694	149,694	123,303	26,391
Town Clerk	312,817	312,817	299,754	13,063
Legal services	425,000	514,500	307,386	207,114
Total general government	<u>940,102</u>	<u>1,054,102</u>	<u>799,312</u>	<u>254,790</u>
General Services:				
Executive management	311,560	311,560	300,177	11,383
Information technology	990,895	990,895	931,982	58,913
Human resources	313,181	359,168	338,467	20,701
Financial administration	1,376,903	1,418,659	1,384,486	34,173
Emergency communications	1,355,000	1,381,755	1,337,721	44,034
Total general services	<u>4,347,539</u>	<u>4,462,037</u>	<u>4,292,833</u>	<u>169,204</u>
Public Safety:				
Police services	6,662,357	6,742,566	6,486,770	255,796
Public Works	6,009,910	6,057,212	5,821,760	235,452
Planning and Development Services	1,417,364	1,417,364	1,398,183	19,181
Human Services:				
Human services	577,546	577,546	547,770	29,776
Community Services:				
Parks and recreation	1,623,351	1,629,966	1,587,684	42,282
Library	1,650,000	1,650,000	1,605,195	44,805
Total community services	<u>3,273,351</u>	<u>3,279,966</u>	<u>3,192,879</u>	<u>87,087</u>
Nondepartmental:				
Insurance and claims	578,485	621,417	618,532	2,885
Contingency	425,000	10,714		10,714
Self-funded plans	7,563,884	7,567,884	7,567,921	(37)
Total nondepartmental	<u>8,567,369</u>	<u>8,200,015</u>	<u>8,186,453</u>	<u>13,562</u>
Education	76,468,239	76,468,239	76,201,048	267,191
Debt Service:				
Town	2,472,849	2,472,849	2,472,849	-
Board of Education	2,494,908	2,494,908	2,494,908	-
Total debt service	<u>4,967,757</u>	<u>4,967,757</u>	<u>4,967,757</u>	<u>-</u>

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**TOWN OF GROTON, CONNECTICUT
GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Outside Agencies:				
Regional agencies	\$ 137,415	\$ 137,415	\$ 137,414	\$ 1
Ambulance services	77,976	77,976	77,976	-
Health services - cultural agencies	1,598,268	1,598,268	1,524,524	73,744
Other libraries	206,394	206,394	206,394	-
Total outside agencies	<u>2,020,053</u>	<u>2,020,053</u>	<u>1,946,308</u>	<u>73,745</u>
Subdivisions:				
City of Groton	4,325,546	4,325,546	4,323,550	1,996
Groton Long Point	412,867	412,867	412,590	277
Fire districts	246,000	246,000	246,000	-
Total subdivisions	<u>4,984,413</u>	<u>4,984,413</u>	<u>4,982,140</u>	<u>2,273</u>
Total expenditures	<u>120,236,000</u>	<u>120,231,270</u>	<u>118,823,213</u>	<u>1,408,057</u>
Other Financing Uses:				
Transfers out:				
Capital Reserve	744,000	744,000	744,000	-
Revaluation	128,250	128,250	128,250	-
Fleet	450,000	454,730	454,730	-
Total other financing uses	<u>1,322,250</u>	<u>1,326,980</u>	<u>1,326,980</u>	<u>-</u>
Total Expenditures and Other Financing Uses	\$ <u>121,558,250</u>	\$ <u>121,558,250</u>	120,150,193	\$ <u>1,408,057</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	14,494,222
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	1,179,982
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	(1,486,038)
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	364,761
Elimination of transfers between General Fund and funds combined for GASB 54 purposes	(128,250)
Revenues credited to expenditures	<u>54,319</u>

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

\$ 134,629,189

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS
TOWN AND BOE

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability:				
Service cost	\$ 2,451,526	\$ 2,525,072	\$ 2,318,892	\$ 2,409,250
Interest	8,757,689	9,188,020	8,666,967	9,011,518
Differences between expected and actual experience		(3,089,277)	(831,909)	(198,443)
Changes of assumptions		(5,208,074)	1,002,922	1,129,130
Benefit payments, including refunds of member contributions	<u>(5,929,846)</u>	<u>(5,876,377)</u>	<u>(6,589,487)</u>	<u>(7,020,884)</u>
Net change in total pension liability	5,279,369	(2,460,636)	4,567,385	5,330,571
Total pension liability - beginning	<u>109,927,474</u>	<u>115,206,843</u>	<u>112,746,207</u>	<u>117,313,592</u>
Total pension liability - ending	<u>115,206,843</u>	<u>112,746,207</u>	<u>117,313,592</u>	<u>122,644,163</u>
Plan fiduciary net position:				
Contributions - employer	3,114,144	3,192,047	2,553,991	2,488,575
Contributions - member	1,114,042	1,131,674	1,169,678	1,201,342
Net investment income	13,481,409	3,540,403	(53,985)	9,878,756
member contributions	(5,929,846)	(5,876,377)	(6,589,487)	(7,020,884)
Administrative expense	<u>(54,307)</u>	<u>(37,255)</u>	<u>(30,685)</u>	<u>(32,163)</u>
Net change in plan fiduciary net position	11,725,442	1,950,492	(2,950,488)	6,515,626
Plan fiduciary net position - beginning	<u>86,342,763</u>	<u>98,068,205</u>	<u>100,018,697</u>	<u>97,068,209</u>
Plan fiduciary net position - ending	<u>98,068,205</u>	<u>100,018,697</u>	<u>97,068,209</u>	<u>103,583,835</u>
Net Pension Liability - Ending	<u>\$ 17,138,638</u>	<u>\$ 12,727,510</u>	<u>\$ 20,245,383</u>	<u>\$ 19,060,328</u>
Plan fiduciary net position as a percentage of the total pension liability	85.12%	88.71%	82.74%	84.46%
Covered-employee payroll	\$ 23,026,395	\$ 23,605,993	\$ 21,927,290	\$ 22,096,847
Net pension liability as a percentage of covered-employee payroll	74.43%	53.92%	92.33%	86.26%

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS
LEDGE LIGHT

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability:				
Service cost	\$ 6,972	\$ 7,181	\$ 621,108	\$ 7,714
Interest	44,858	46,078	94,625	48,675
Differences between expected and actual experience		(7,730)	(651,642)	29,608
Changes of assumptions		23,355	(5,817)	5,161
Benefit payments, including refunds of member contributions	<u>(35,815)</u>	<u>(37,804)</u>	<u>(37,804)</u>	<u>(37,804)</u>
Net change in total pension liability	16,015	31,080	20,470	53,354
Total pension liability - beginning	<u>571,322</u>	<u>587,337</u>	<u>618,417</u>	<u>638,887</u>
Total pension liability - ending	<u>587,337</u>	<u>618,417</u>	<u>638,887</u>	<u>692,241</u>
Plan fiduciary net position:				
Contributions - employer	9,556	6,764	8,971	8,958
Contributions - member	3,483	3,627	4,052	4,265
Net investment income	79,029	19,083	(380)	55,221
Benefit payments, including refunds of member contributions	<u>(35,815)</u>	<u>(37,804)</u>	<u>(37,804)</u>	<u>(37,804)</u>
Administrative expense	<u>(321)</u>	<u>(212)</u>	<u>(172)</u>	<u>(179)</u>
Net change in plan fiduciary net position	55,932	(8,542)	(25,333)	30,461
Plan fiduciary net position - beginning	<u>522,897</u>	<u>578,829</u>	<u>570,287</u>	<u>544,954</u>
Plan fiduciary net position - ending	<u>578,829</u>	<u>570,287</u>	<u>544,954</u>	<u>575,415</u>
Net Pension Liability - Ending	<u>\$ 8,508</u>	<u>\$ 48,130</u>	<u>\$ 93,933</u>	<u>\$ 116,826</u>
Plan fiduciary net position as a percentage of the total pension liability	98.55%	92.22%	85.30%	83.12%
Covered-employee payroll	\$ 120,539	\$ 89,652	\$ 90,125	\$ 101,308
Net pension liability as a percentage of covered-employee payroll	7.06%	53.69%	104.23%	115.32%

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS
FIREFIGHTERS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability:				
Service cost	\$ 401,849	\$ 413,904	\$ 299,682	\$ 257,236
Interest	843,728	889,636	918,671	983,590
Changes of benefit terms			96	
Differences between expected and actual experience		(520,189)	390,732	(439,015)
Changes of assumptions		799,434	(78,888)	158,125
Benefit payments, including refunds of member contributions	<u>(558,385)</u>	<u>(814,075)</u>	<u>(652,848)</u>	<u>(647,882)</u>
Net change in total pension liability	687,192	768,710	877,445	312,054
Total pension liability - beginning	<u>10,418,570</u>	<u>11,105,762</u>	<u>11,874,472</u>	<u>12,751,917</u>
Total pension liability - ending	<u>11,105,762</u>	<u>11,874,472</u>	<u>12,751,917</u>	<u>13,063,971</u>
Plan fiduciary net position:				
Contributions - employer	428,378	414,790	392,293	385,674
Contributions - member	128,634	94,356	106,863	116,552
Net investment income	1,308,508	326,423	(4,042)	956,168
Benefit payments, including refunds of member contributions	(558,385)	(814,075)	(652,848)	(647,882)
Administrative expense	<u>(5,243)</u>	<u>(3,534)</u>	<u>(2,949)</u>	<u>(3,149)</u>
Net change in plan fiduciary net position	1,301,892	17,960	(160,683)	807,363
Plan fiduciary net position - beginning	<u>8,166,150</u>	<u>9,468,042</u>	<u>9,486,002</u>	<u>9,325,319</u>
Plan fiduciary net position - ending	<u>9,468,042</u>	<u>9,486,002</u>	<u>9,325,319</u>	<u>10,132,682</u>
Net Pension Liability - Ending	<u>\$ 1,637,720</u>	<u>\$ 2,388,470</u>	<u>\$ 3,426,598</u>	<u>\$ 2,931,289</u>
Plan fiduciary net position as a percentage of the total pension liability	85.25%	79.89%	73.13%	77.56%
Covered-employee payroll	\$ 2,287,906	\$ 2,281,958	\$ 2,010,535	\$ 1,704,664
Net pension liability as a percentage of covered-employee payroll	71.58%	104.67%	170.43%	171.96%

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF GROTON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS
TOWN AND BOE**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 1,055,860	\$ 1,253,592	\$ 1,305,560	\$ 2,073,417	\$ 2,614,225	\$ 2,886,997	\$ 3,114,144	\$ 3,192,047	\$ 2,553,991	\$ 2,488,575
Contributions in relation to the actuarially determined contribution	1,055,860	1,253,592	1,305,560	2,073,417	2,614,225	2,886,997	3,114,144	3,192,047	2,553,991	2,488,575
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ N/A	\$ 23,026,395	\$ 23,605,993	\$ 21,927,290	\$ 22,096,847					
Contributions as a percentage of covered-employee payroll							13.52%	13.52%	11.65%	11.26%

Notes to Schedule

Valuation date: July 1, 2016

Measurement date: June 30, 2017

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Normal Actuarial Cost
Remaining amortization period	23 years(Prior: 25 years)
Asset valuation method	Adjusted value of assets
Inflation	2.75% (Prior:3%)
Salary increases	Vary by age group
Investment rate of return	75 (Prior: 7.75%), net of pension plan investment expenses
Retirement age	Age related table
Mortality	PR-2017 Adjusted to 2016 Total Dataset Mortality Table projected to valuation date with Scale MP-2016 Prior: RP-2014 Adjusted to 2016 Total Dataset, Mortality Table projected to valuation date with Scale MP-2015

N/A

Not Available

**TOWN OF GROTON, CONNECTICUT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST TEN FISCAL YEARS
 LEDGE LIGHT**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ -	\$ 4,902	\$ -	\$ 1,940	\$ 6,918	\$ 10,599	\$ 9,556	\$ 6,764	\$ 8,971	\$ 8,958
Contributions in relation to the actuarially determined contribution	-	4,902	-	1,940	6,918	10,599	9,556	6,764	8,971	8,958
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 120,539	\$ 89,652	\$ 90,125	\$ 101,308
Contributions as a percentage of covered-employee payroll							7.93%	7.54%	9.95%	8.84%

Notes to Schedule

Valuation date: July 1, 2016
 Measurement date: June 30, 2017
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Actuarial Cost Method
 Amortization method: Normal Actuarial Cost
 Remaining amortization period: 23 years (Prior: 25 years)
 Asset valuation method: Adjusted value of assets
 Inflation: 2.75% (Prior: 3%)
 Salary increases: Vary by age group
 Investment rate of return: 75 (Prior: 7.75%), net of pension plan investment expenses
 Retirement age: Age related table
 Mortality: PR-2017 Adjusted to 2016 Total Dataset Mortality Table projected to valuation date with Scale MP-2016
 Prior: RP-2014 Adjusted to 2016 Total Dataset, Mortality Table projected to valuation date with Scale MP-2015

N/A Not Available

**TOWN OF GROTON, CONNECTICUT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST TEN FISCAL YEARS
 FIREFIGHTERS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 112,328	\$ 109,397	\$ 135,773	\$ 208,535	\$ 347,332	\$ 378,701	\$ 428,378	\$ 414,790	\$ 392,293	\$ 385,674
Contributions in relation to the actuarially determined contribution	112,328	109,397	135,773	208,535	347,332	378,701	428,378	414,790	392,293	385,674
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ N/A	\$ 2,287,906	\$ 2,281,958	\$ 2,010,535	\$ 1,704,664					
Contributions as a percentage of covered-employee payroll							18.72%	18.18%	19.51%	22.62%

Notes to Schedule

Valuation date: July 1, 2016
 Measurement date: June 30, 2017
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Actuarial Cost Method
 Amortization method: Normal Actuarial Cost
 Remaining amortization period: 23 years (Prior: 25 years)
 Asset valuation method: Adjusted value of assets
 Inflation: 2.75% (Prior: 3%)
 Salary increases: Vary by age group
 Investment rate of return: 75 (Prior: 7.75%), net of pension plan investment expenses
 Retirement age: Age related table
 Mortality: PR-2017 Adjusted to 2016 Total Dataset Mortality Table projected to valuation date with Scale MP-2016
 Prior: RP-2014 Adjusted to 2016 Total Dataset, Mortality Table projected to valuation date with Scale MP-2015

N/A Not Available

**TOWN OF GROTON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	15.51%	3.62%	-0.03%	7.10%

This schedule is intended to show information for ten years.
Additional information will be added as it becomes available.

**TOWN OF GROTON, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST THREE FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>93,604,919</u>	<u>101,271,189</u>	<u>132,909,163</u>
Total	<u>\$ 93,604,919</u>	<u>\$ 101,271,189</u>	<u>\$ 132,909,163</u>
Town's covered-employee payroll	\$ 36,486,290	\$ 36,797,537	\$ 37,787,402
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	59.50%	52.26%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2016. During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4
Asset valuation method	4-year smoothed market
Investment rate of return	8.50%, net of investment related expense

This schedule is intended to show information for ten years.
Additional information will be added as it becomes available.

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR
(In Thousands)

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 1,130,295
Interest	4,020,268
Changes of benefit terms	180,725
Benefit payments	<u>(2,467,692)</u>
Net change in total OPEB liability	2,863,596
Total OPEB liability - beginning	<u>53,684,821</u>
Total OPEB liability - ending	<u>56,548,417</u>
Plan fiduciary net position:	
Contributions - employer	3,500,259
Net investment income (loss)	1,420,995
Benefit payments	<u>(2,467,692)</u>
Administrative expense	<u>(456,671)</u>
Other	
Net change in plan fiduciary net position	1,996,891
Plan fiduciary net position - beginning	<u>14,698,904</u>
Plan fiduciary net position - ending	<u>16,695,795</u>
Net OPEB Liability - Ending	<u>\$ 39,852,622</u>
Plan fiduciary net position as a percentage of the total OPEB liability	29.52%
Covered payroll	\$ 50,195,108
Net OPEB liability as a percentage of covered payroll	79.40%

This schedule is intended to show information for ten years.
Additional information will be added as it becomes available.

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution (1)	\$ 2,506,000	\$ 2,781,000	\$ 3,053,000	\$ 3,315,000	\$ 3,463,000	\$ 3,566,000	\$ 3,552,000	\$ 3,694,000	\$ 3,799,204	\$ 4,044,025
Contributions in relation to the actuarially determined contribution	<u>2,683,586</u>	<u>3,249,200</u>	<u>3,143,700</u>	<u>3,258,700</u>	<u>3,226,700</u>	<u>3,764,700</u>	<u>3,738,481</u>	<u>4,050,481</u>	<u>3,709,834</u>	<u>3,500,259</u>
Contribution Deficiency (Excess)	\$ <u>(177,586)</u>	\$ <u>(468,200)</u>	\$ <u>(90,700)</u>	\$ <u>56,300</u>	\$ <u>236,300</u>	\$ <u>(198,700)</u>	\$ <u>(186,481)</u>	\$ <u>(356,481)</u>	\$ <u>89,370</u>	\$ <u>543,766</u>
Covered payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 52,762,000	\$ 52,762,000	\$ 50,195,108	\$ 50,195,108
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	7.09%	7.68%	7.39%	6.97%

(1) Actuarially Determined Contributions prior to fiscal year ending June 30, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	21 years
Asset valuation method	Market value
Inflation	2.75%
Healthcare cost trend rates	5.47% - 4.4% over 68 years
Salary increases	Graded by service from 6.50% to 3.25% for teachers and administrators, 3.50% for all others
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	
Healthy Mortality	
Teachers and Administrators	RP-2000 Combined Healthy Mortality Table for males and females, and separate tables for active employees and annuitants, with generational projection per Scale BB, and with a one-year age set forward. This assumption included a margin for mortality improvement beyond the valuation date.
All Others	RP-2000 Healthy Mortality Table for males and females, and separate tables for active employees and annuitants, with generational projection per Scale BB, and with one-year age set forward. This assumption includes a margin for mortality improvement beyond the valuation date.
Disabled Mortality	
Teachers and Administrators	RP-2000 Combined Healthy Mortality Table for males and females projected forward 19 years using Scale AA, with an eight-year age set forward. This assumption includes a margin for mortality improvement beyond the valuation date.
All Others	RP-2000 Disabled Mortality Table for males and females. This assumption does not include a margin for mortality improvement beyond the valuation date.

**TOWN OF GROTON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
OPEB
LAST FISCAL YEAR**

2017

Annual money-weighted rate of return,
net of investment expense

8.83%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

APPENDIX B – OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

BOND COUNSEL OPINION

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

The opinion of Day Pitney LLP with respect to the 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 \$6,690,000 General Obligation Bonds, Issue of 2018, dated as of April 18, 2018.

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.

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; and (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, however, for tax years beginning prior to January 1, 2018, interest on the Bonds is included in the calculation of a corporation’s adjusted current earnings for purposes of, and thus may be subject to, the Federal alternative minimum tax for certain corporations.

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, for tax years beginning prior to January 1, 2018, an alternative minimum tax on corporations. The alternative minimum tax on corporations has been repealed for tax years beginning after December 31, 2017. 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.

For tax years beginning prior to January 1, 2018, the Code provides, however, that for certain 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 Bonds will not be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds 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. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

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

GENERAL.

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

on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. 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.

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APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

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 18, 2018 by the Town of Groton, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,690,000 General Obligation Bonds, Issue of 2018, dated as of April 18, 2018 (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 4, 2018 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, 2018) 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,

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

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

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

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

Section 3. Notice of Certain Events.

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

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

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

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

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

(o) 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.

(p) 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.

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

(r) 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.

(s) 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: _____
John Burt
Town Manager

By: _____
Cindy R. Landry
Director of Finance

APPENDIX D – NOTICE OF SALE

**NOTICE OF SALE
\$6,690,000
Town of Groton, Connecticut
General Obligation Bonds
(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 Time on WEDNESDAY**,

APRIL 4, 2018

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

**\$6,690,000 General Obligation Bonds, Issue of 2018
Payable annually on April 15 as follows:**

**\$670,000 in 2019 through 2027
\$660,000 in 2028**

The Bonds will be dated April 18, 2018, with interest payable on October 15, 2018 and thereafter semiannually on each April 15th and October 15th.

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

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

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

Option For No Book Entry. A bidder for the Bonds may request that the Bonds be issued in the form of a single fully registered physical certificate in the par amount of the Bonds for each maturity, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Bonds in this manner, and any subsequent registered owner of the Bonds, shall bear any and all costs including counsel fees of any re-registration or transfer of Bonds from time to time, including any costs to convert the Bonds to book-entry only form. Any bidder seeking to have the Bonds issued in the form of fully registered physical certificates, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Bonds in non-book entry form if it should determine, in its sole discretion that issuing the Bonds in this manner is not in its best interests.

Redemption. Bonds maturing on April 15, 2024 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after April 15, 2023, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
April 15, 2023 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 three (3%) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost 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 18, 2018, 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 and Thomson/Reuters at least 24 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.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by the Town’s Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town’s Municipal Advisor.

By submitting a bid for the Bonds, a bidder, other than a bidder purchasing the Bonds for its own account and not with a view to distribution or resale to the Public, represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Bonds for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:

- (1) the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Town the prices at which the unsold Bonds of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Bonds of that maturity or the sale of all Bonds of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “Public” means any person other than an Underwriter or a Related Party,
- (ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),
- (iii) a purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “Sale Date” means the date that the Bonds are awarded by the Town to the winning bidder.

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 (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

The Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expense that is allocable to tax-exempt obligations.

Municipal Advisor. The Town of Groton has retained Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

Official Statement. The Town of Groton has prepared a preliminary Official Statement for the Bond issue which is dated March 28, 2018. 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 a reasonable number of 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 Municipal Advisor 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 Municipal 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 or revised 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 Municipal 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 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 18, 2018 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 Ms. Cindy R. Landry, Director of Finance, Town of Groton, Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340 (telephone: (860) 441-6690).

JOHN BURT,

Town Manager

CINDY R. LANDRY,

Director of Finance

March 28, 2018

**APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE**

Competitive Sale Requirements Satisfied

**TOWN OF GROTON, CONNECTICUT
\$6,690,000 GENERAL OBLIGATION BONDS, ISSUE OF APRIL 18, 2018**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of *Name of the Underwriter* ("*Underwriter Short Name*"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by *Underwriter Short Name* are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by *Underwriter Short Name* in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by *Underwriter Short Name* to purchase the Bonds.

(b) *Underwriter Short Name* was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by *Underwriter Short Name* constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 4, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Issuer* means the Town of Groton, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents *Underwriter Short Name's* interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____
Name: _____

Dated: __/__/2018

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

[Remainder of page intentionally left blank]

Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF GROTON, CONNECTICUT
\$6,690,000 GENERAL OBLIGATION BONDS, ISSUE OF APRIL 18, 2018**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. Sale of the Bonds. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. Defined Terms.

(a) "Issuer" means the Town of Groton, Connecticut.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2018

Attachment:

**SCHEDULE A
SALE PRICES**

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