

Official Statement dated February 27, 2013

REFUNDING 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, 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; 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 – The Lot A Bonds" and Appendix C "Opinion of Bond Counsel and Tax Exemption – The Lot B Bonds" herein.)

Town of Groton, Connecticut

\$19,060,000

General Obligation Refunding Bonds, Issue of 2013, Lot A

Dated: Date of Delivery

Due: October 1, as shown herein

\$2,020,000

General Obligation Sewer Refunding Bonds, Issue of 2013, Lot B

Dated: Date of Delivery

Due: October 1, as shown herein

The Lot A Bonds are payable from taxes levied against taxable property in the entire area of the Town. The Lot B Bonds are payable from taxes levied against taxable property in the entire area of the Town **other than property within the City of Groton.** (See "Security and Remedies" herein).

Interest on the Lot A Bonds and the Lot B Bonds, referred to collectively as the "Bonds", will be payable on April 1, 2013 and semiannually thereafter on April 1 and October 1 in each year until maturity

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

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

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

PiperJaffray

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 March 12, 2013.

Town of Groton, Connecticut

\$19,060,000

General Obligation Refunding Bonds, Issue of 2013, Lot A

Dated: Date of Delivery

Due: October 1, as shown below

MATURITY SCHEDULE AND AMOUNTS

SERIAL BONDS

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹	<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹
2015	\$1,230,000	3.000 %	0.490 %	399352M83	2021	\$1,200,000	4.000 %	1.820 %	399352N66
2016	1,225,000	3.000	0.660	399352M91	2022	1,200,000	4.000	2.000	399352N74
2017	1,220,000	3.000	0.830	399352N25	2023	1,200,000	4.000	2.230 *	399352N82
2018	1,210,000	4.000	1.070	399352N33	2024	2,020,000	4.000	2.370 *	399352N90
2019	1,210,000	4.000	1.300	399352N41	2025	2,020,000	4.000	2.490 *	399352P23
2020	1,195,000	4.000	1.590	399352N58	2026	2,020,000	4.000	2.620 *	399352P31

* Priced assuming redemption on October 1, 2022; however, any such redemption is at the option of the Town.

TERM BONDS

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u>
2029†	\$2,110,000	3.000 %	3.100 %	399352P49

† Subject to mandatory sinking fund redemption as set forth below

Term Bond due October 1, 2029

<u>Maturity</u>	<u>Principal</u>	<u>Maturity</u>	<u>Principal</u>
2027	\$1,185,000	2029	\$460,000 ††
2028	465,000		

†† Final maturity

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.

Town of Groton, Connecticut

\$2,020,000

General Obligation Sewer Refunding Bonds, Issue of 2013, Lot B

Dated: Date of Delivery

Due: October 1, as shown below

MATURITY SCHEDULE AND AMOUNTS

SERIAL BONDS

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹	<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> ¹
2015	\$ 165,000	3.000 %	0.490 %	399352P56	2019	\$ 160,000	3.000 %	1.300 %	399352P98
2016	160,000	3.000	0.660	399352P64	2020	160,000	3.000	1.590	399352Q22
2017	160,000	3.000	0.830	399352P72	2021	155,000	3.000	1.820	399352Q30
2018	160,000	3.000	1.070	399352P80	2022	155,000	3.000	2.000	399352Q48

TERM BONDS

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u>
2027 [†]	\$745,000	2.750 %	2.940 %	399352Q97

[†] Subject to mandatory sinking fund redemption as set forth below

Term Bond due October 1, 2027

<u>Maturity</u>	<u>Principal</u>	<u>Maturity</u>	<u>Principal</u>
2023	\$150,000	2026	\$145,000
2024	155,000	2027	145,000 ^{††}
2025	150,000		

^{††} Final maturity

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

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

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

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

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

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

BOND COUNSEL
DAY PITNEY LLP

Hartford, Connecticut
(860) 275-0100

INDEPENDENT FINANCIAL ADVISOR
INDEPENDENT BOND AND
INVESTMENT CONSULTANTS LLC

Madison, Connecticut
(203) 245-9603

TABLE OF CONTENTS

Page #

SECTION I – SECURITIES OFFERED

Introduction	1
Description of the Bonds	1
Redemption Provisions	1
Optional Redemption	1
Mandatory Redemption	1
Notice of Redemption	2
Plan of Refunding	2
Verification of Mathematical Computations	4
Sources and Uses of Bond Proceeds	4
Ratings	4
Security and Remedies	4
Qualification for Financial Institutions	5
Book-Entry Transfer System	5
Replacement Bonds	6
DTC Practices	7
Underwriting	7

SECTION II – THE ISSUER

Description of the Town	8
Form of Government	8
Table of Organization	9
Municipal Officials.....	9
Resumes of Principal Municipal Officials	9
Summary of Municipal Services	10
Political Subdivision	16
Special Districts	16
Local Economic Outlook	17
Major Initiatives	19
Municipal Employees	21
Municipal Employees by Category	21
Municipal Employees Bargaining Organizations	22
Educational System	22
Educational Facilities	23
School Enrollments	23

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Population Trends.....	24
Age Distribution of the Population	24
Selected Wealth and Income Indicators	24
Income Distribution	25
Educational Attainment	25
Employment by Industry	25
Major Employers	26
Employment Data	26
Number and Value of Building Permits	27
Housing Inventory	28
Age Distribution of Housing	28
Owner Occupied Housing Values	28
Breakdown of Land Use	29

SECTION IV – INDEBTEDNESS

Page #

Principal Amount of Indebtedness 30
Computation of Statutory Debt Limit 31
Debt Statement – Town of Groton..... 32
Current Debt Ratios – Town of Groton 32
Debt Statement – Town of Groton Sewer District..... 33
Current Debt Ratios – Town of Groton Sewer District 33
Historic Debt Statement 34
Historic Debt Ratios 34
Outstanding Short-Term Indebtedness 35
Overlapping and Underlying Indebtedness 35
Capital Leases 35
School Construction Projects 36
Clean Water Fund Program 36
Legal Requirements for Approval of Borrowing 37
Temporary Financing 37
Capital Improvement Program 38
Authorized but Unissued Debt..... 38
Combined Schedule of Long Term Debt through Maturity 39

SECTION V – FINANCIAL DATA

Fiscal year 40
Accounting Policies 40
Basis of Accounting 40
Audit 40
Achievement for Excellence in Financial Reporting and Budget Presentation 40
Budgetary Procedure 40
Employee Pension Systems 41
Other Post Employment Benefits 42
Investment Policies and Procedures 42
Assessment Practices 43
Tax Collection Procedures 43
Comparative Assessed Valuations 44
Tax Exempt Property 45
Real Property Tax Levies and Collections 46
Largest Taxpayers 47
Revenues 47
Property Tax Revenues 48
Intergovernmental Revenues 48
Expenditures 49
Comparative General Fund Operating Statement 50
Comparative Balance Sheets – General Fund 51
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund 52

SECTION VI – ADDITIONAL INFORMATION

Litigation 53
Availability of Continuing Information 53
Financial Advisor 53
Documents Accompanying Delivery of the Bonds 53
Concluding Statement 54

APPENDICES

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

[Remainder of this page intentionally left blank]

SECTION I – SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, has been prepared by the Town of Groton, Connecticut (the "Town") with assistance from the financial advisor, in connection with the sale of \$19,060,000 General Obligation Refunding Bonds – Lot A (the "Lot A Bonds") and \$2,020,000 General Obligation Sewer Refunding Bonds – Lot B (the "Lot B Bonds") (collectively, the "Bonds").

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

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

Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum specified on the inside cover of this Official Statement, payable on April 1, 2013 and semiannually thereafter on October 1 and April 1 in each year until maturity as set forth on the inside cover of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owner of the Bonds as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if the fifteenth is not a business day. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry Transfer System".

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

Redemption Provisions

Optional Redemption

The Bonds maturing on October 1, 2023 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after October 1, 2022, 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
October 1, 2022 and thereafter.....	100%

Mandatory Sinking Fund Redemption – Lot A Bonds

The Lot A Bonds maturing on October 1, 2029 are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption, on October 1 in each of the years set forth in the following table, in the principal amount specified in each of such years. The Town, at its option, may credit against any mandatory sinking fund redemption, term bonds of the maturity then subject to redemption which have been redeemed and not theretofore applied as credit against any mandatory sinking fund redemption requirement.

Term Bond due October 1, 2029			
<u>Maturity</u>	<u>Principal</u>	<u>Maturity</u>	<u>Principal</u>
2027	\$1,185,000	2029	\$460,000 †
2028	465,000		

† Final maturity

Mandatory Sinking Fund Redemption – Lot B Bonds

The Lot B Bonds maturing on October 1, 2027 are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption, on October 1 in each of the years set forth in the following table, in the principal amount specified in each of such years. The Town, at its option, may credit against any mandatory sinking fund redemption, term bonds of the maturity then subject to redemption which have been redeemed and not theretofore applied as credit against any mandatory sinking fund redemption requirement.

Term Bond due October 1, 2027

<u>Maturity</u>	<u>Principal</u>	<u>Maturity</u>	<u>Principal</u>
2023	\$150,000	2026	\$145,000
2024	155,000	2027	145,000 †
2025	150,000		

† Final maturity

Notice of Redemption

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

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond 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.

Plan of Refunding

The Lot A and Lot B Bonds are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and resolutions adopted by the Town Council at a meeting held on February 5, 2013 and the Representative Town Meeting at a meeting held on February 13, 2013, authorizing the issuance and sale of refunding bonds of the Town in an amount not to exceed \$21,300,000 and \$2,200,000, respectively.

The Bonds are being issued to advance refund the outstanding maturities of the Town's \$16,570,000 General Obligation Bonds, dated November 1, 2006; \$15,500,000 General Obligation Bonds – Lot A, dated October 15, 2007; \$3,000,000 General Obligation Sewer Bonds – Lot B, dated October 15, 2007 and \$9,675,000 General Obligation Bonds, dated October 15, 2009 (the "Refunded Bonds") as set forth herein. The refunding is contingent upon the delivery of the Bonds.

<u>Issue</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
Lot A						
2006	11/1/2006	10/1/2024	\$ 825,000	4.000%	10/1/2013	100.00%
2006	11/1/2006	10/1/2025	825,000	4.100	10/1/2013	100.00
2006	11/1/2006	10/1/2026	825,000	4.100	10/1/2013	100.00
			<u>2,475,000</u>			
2007A	10/15/2007	10/1/2015	775,000	3.750	10/1/2014	100.00
2007A	10/15/2007	10/1/2016	775,000	3.750	10/1/2014	100.00
2007A	10/15/2007	10/1/2017	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2018	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2019	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2020	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2021	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2022	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2023	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2024	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2025	775,000	4.000	10/1/2014	100.00
2007A	10/15/2007	10/1/2026	775,000	4.125	10/1/2014	100.00
2007A	10/15/2007	10/1/2027	775,000	4.125	10/1/2014	100.00
			<u>10,075,000</u>			
2009	10/15/2009	10/15/2015	490,000	2.750	10/15/2014	100.00
2009	10/15/2009	10/15/2016	490,000	3.000	10/15/2014	100.00
2009	10/15/2009	10/15/2017	490,000	3.250	10/15/2014	100.00
2009	10/15/2009	10/15/2018	490,000	3.500	10/15/2014	100.00
2009	10/15/2009	10/15/2019	490,000	3.500	10/15/2014	100.00
2009	10/15/2009	10/15/2020	475,000	3.500	10/15/2014	100.00
2009	10/15/2009	10/15/2021	475,000	3.500	10/15/2014	100.00
2009	10/15/2009	10/15/2022	475,000	3.500	10/15/2014	100.00
2009	10/15/2009	10/15/2023	475,000	3.625	10/15/2014	100.00
2009	10/15/2009	10/15/2024	475,000	3.625	10/15/2014	100.00
2009	10/15/2009	10/15/2025	475,000	3.750	10/15/2014	100.00
2009	10/15/2009	10/15/2026	475,000	3.750	10/15/2014	100.00
2009	10/15/2009	10/15/2027	475,000	3.750	10/15/2014	100.00
2009	10/15/2009	10/15/2028	475,000	3.750	10/15/2014	100.00
2009	10/15/2009	10/15/2029	475,000	3.750	10/15/2014	100.00
			<u>7,200,000</u>			
		Sub-total Lot A	\$ 19,750,000			
Lot B						
2007B	10/15/2007	10/1/2015	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2016	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2017	150,000	3.625	10/1/2014	100.00
2007B	10/15/2007	10/1/2018	150,000	3.750	10/1/2014	100.00
2007B	10/15/2007	10/1/2019	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2020	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2021	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2022	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2023	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2024	150,000	4.000	10/1/2014	100.00
2007B	10/15/2007	10/1/2025	150,000	4.125	10/1/2014	100.00
2007B	10/15/2007	10/1/2026	150,000	4.125	10/1/2014	100.00
2007B	10/15/2007	10/1/2027	150,000	4.125	10/1/2014	100.00
		Sub-total Lot B	\$ 1,950,000			
		Grand Total	\$ 21,700,000			

Upon delivery of the Bonds, a portion of the Bond proceeds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Trust Agreement (the "Escrow Agreement") dated as of March 12, 2013 between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of United States Treasury State and Local Government Series ("SLGS") securities all of which shall not be callable or pre-payable at the option of the issuer thereof (the "Escrow Securities"). All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit Fund will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and the Underwriter's discount.

Verification of Mathematical Computations

Barthe & Wahrman, a Professional Association, will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of: (1) the computations that the anticipated receipts from the Escrow Securities and cash deposits set forth in the Underwriter's schedules, will be sufficient to pay, when due, the principal, interest and applicable call premium, payment requirements, if any, of the Refunded Bonds, and (2) the computations of yield on the Bonds and the Escrow Securities contained in the provided schedules. Barthe & Wahrman, a Professional Association, will express no opinion on the assumptions provided to them.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	<u>Lot A Bonds</u>	<u>Lot B Bonds</u>
Par Amount	\$19,060,000.00	\$ 2,020,000.00
Net Original Issue Premium (Discount)	<u>2,236,831.20</u>	<u>99,890.80</u>
Total Sources	<u><u>\$21,296,831.20</u></u>	<u><u>\$ 2,119,890.80</u></u>
Uses:		
Deposit to Refunding Escrow Deposit Fund	\$21,100,105.31	\$ 2,099,294.95
Underwriter's Discount	85,770.00	9,090.00
Costs of Issuance	<u>110,955.89</u>	<u>11,505.85</u>
Total Uses	<u><u>\$21,296,831.20</u></u>	<u><u>\$ 2,119,890.80</u></u>

Ratings

The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Standard & Poor's ("S&P"). The underlying ratings on the Town's outstanding bonds have also been affirmed as "Aa2" by Moody's and "AA" by S&P. Certain outstanding bonds of the Town are also rated "AA" by Fitch Ratings. 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 Lot A Bonds when due from taxes levied on taxable property in the entire area of the Town of Groton. The Town will pledge its full faith and credit to pay the principal of and interest on the Lot B Bonds when due from taxes levied on taxable property in the Town of Groton, *other than property in the City of Groton*.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or

amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 215.54 acres of such certified forest land on the last completed Grand List of the Town. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

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

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

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

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

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

relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC's has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Replacement Bonds

The Town will provide for the issuance of fully registered Bonds directly to the Beneficial Owners of the Bonds or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town

fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

DTC Practices

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

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Lot A Bonds from the Town at the net aggregate purchase price of \$21,211,061.20 (consisting of the principal amount of \$19,060,000.00, plus original issue premium of \$2,236,831.20 and less Underwriter's discount of \$85,770) and the Lot B Bonds from the Town at the net aggregate purchase price of \$2,110,800.80 (consisting of the principal amount of \$2,020,000.00, plus original issue premium of \$99,890.80 and less Underwriter's discount of \$9,090.00). The Underwriter will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Pershing LLC Distribution Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Pershing LLC Distribution Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

The Underwriter has entered into a distribution agreement (the "CS & Co. Distribution Agreement") which enables Charles Schwab & Co., Inc. for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS & Co. Distribution Agreement, CS & Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS & Co. sells.

[Remainder of this page intentionally left blank]

SECTION II – THE ISSUER

Description of the Town

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

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

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

Form of Government

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

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

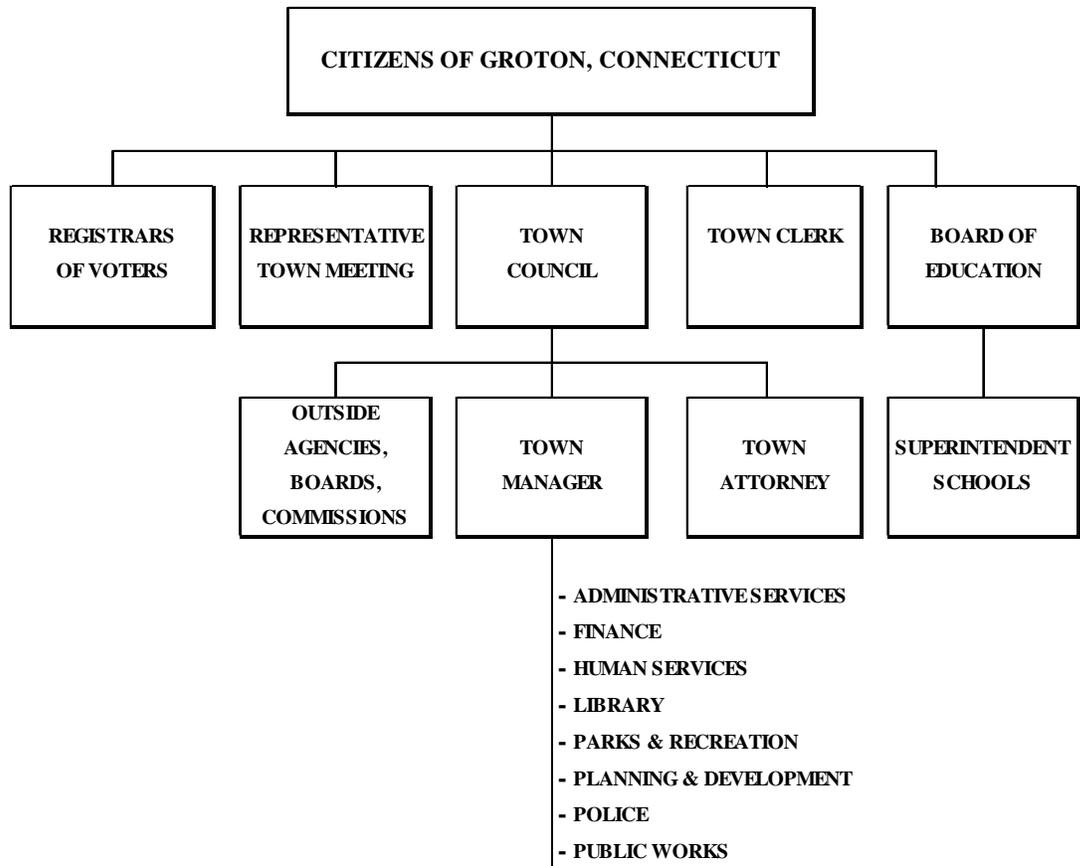
The Town Manager is appointed by and is directly responsible to the Council and serves for no definite term, but at the pleasure of the Council. The Manager has the power to appoint and dismiss his staff, subject to the merit system. The Town Manager is responsible for preparation of the general government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

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

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

[Remainder of this page intentionally left blank]

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	Heather Bond Somers	Elected	11/2013	7 years
Town Manager	Mark R. Oefinger	Appointed	Indefinite	30 years
Finance Director	Salvatore M. Pandolfo	Appointed	Indefinite	22 years
Director of Planning & Dev.	Michael J. Murphy	Appointed	Indefinite	25 years
Public Works Director	Gary Schneider	Appointed	Indefinite	29 years
Chief of Police	Michael Crowley	Appointed	Indefinite	28 years
Town Clerk.....	Betsy Moukawsher	Elected	11/2013	3 years
Interim Superintendent of Schools....	John J. Ramos, Sr	Appointed	Indefinite	4 months
Treasurer/Accounting Mgr.....	Cindy R. Landry	Appointed	Indefinite	31 years

Resumes of Principal Municipal Officials

Heather Bond Somers was elected by the Town Council to be Mayor in December 2011. Prior to this she served on the Town Council from 2003 – 2009 and was Chairman of the Economic Development Committee as well as a member of the Finance Committee. Ms. Somers was the co-founder of Hydrofera LLC, a medical device manufacturer until its sale in July 2012. Currently she is the VP of International Sales and Marketing for Hydrofera LLC now owned by Hollister Inc. of Libertyville, IL. Ms. Somers is a graduate of the University of Connecticut with a BA in Economics/English.

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

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

Michael J. Murphy, AICP was appointed Director of Planning and Development effective July 14, 2003. He was previously appointed as Acting Director of Planning and Development in January, 2003, and appointed as Assistant Director of Planning and Development in January 2000. Prior thereto he was employed as Senior Planner from September 1988 through December 1999. Mr. Murphy has also worked as a professional planner in other communities, and has worked in the private sector in the fields of marketing and retail site selection with a major oil company and convenience store chain, respectively. Mr. Murphy received a B.A., Political Science, with a minor degree in French from Fairleigh Dickinson University, College at Florham (NJ) and a Master of Public Administration (MPA) from Long Island University/C.W. Post Center (NY). He has also earned a Certificate of Local Government Management from the University of Connecticut, Avery Point.

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

Michael Crowley was appointed Chief of Police on October 17, 2011. He has been a member of the department for 26 ½ years. Prior to that, he was a member of the Hartford Police Department for 3 years. Chief Crowley has served as a Patrol Officer, narcotics investigator, Sergeant, Lieutenant, Captain and Deputy Chief. Chief Crowley also served as commander of the dive and tactical teams. He has a Bachelor's of Science degree in Criminal Justice from the University of New Haven and is a graduate of the 213th session of the FBI National Academy.

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

John J. Ramos, Sr. joined the Groton School District in October of 2012 as the District's Interim Superintendent of Schools. Prior to coming to Groton, Dr. Ramos was the Superintendent of Schools in Connecticut's largest city, Bridgeport, which served over 20,000 students. He tenured with the Watertown School District as Superintendent of Schools and the Norwalk School District as High School Principal and then Assistant Superintendent. In addition, he was the Deputy Commissioner for Education Programs and Services with the Connecticut State Department of Education. Dr. Ramos received his undergraduate degree in English and American Literature from Brown University, has a Master of Public Administration degree from the University of Rhode Island, and received his Doctorate of Education from Teachers College, Columbia University.

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

Summary of Municipal Services

Administrative Services

The Administrative Services Department is responsible for three functional areas; Human Resources, Information Technology and Emergency Management/Emergency Communications.

Human Resources: Human Resources 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 division 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.

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

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

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

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 fixed assets reside within this Department. Additional responsibilities are carried out by several of its divisions including Accounting, Assessment, Purchasing and Tax Collection.

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

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

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

Revenue Collection Division: The Revenue Collection Division involves collection of Town taxes, the Groton Sewer District taxes, and the collection of nine fire district/political subdivision taxes. The districts/political subdivisions included in the Tax Collector's jurisdiction are: Center Groton Fire District, City of Groton, Groton Long Point Association, Mumford Cove Association, Mystic Fire District, Noank Fire District, Old Mystic Fire District, Poquonnock Bridge Fire District, and West Pleasant Valley Fire District. Other areas of collection are: collection of 5,835 residential sewer use

accounts, and approximately 410 commercial accounts which are billed monthly based on water consumption; collection of 434 commercial solid waste accounts that are billed monthly; collection of 14 landfill accounts which are billed monthly; maintenance of 22 sewer benefit assessment systems containing deferred assessments and billing of any newly activated deferred assessments; and maintenance of two Center Groton water benefit assessment systems containing deferred assessment accounts and billing of any newly activated deferred assessments.

Human Services

Groton Human Services includes three divisions:

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

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

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

Library

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

The facility presently houses 144,000 books, DVDs, audiobooks, compact discs and other items available for loan. The Library provides access to a variety of online databases, local, state and federal documents, local history materials and a trained staff which provides answers to 30,000 questions each year. Materials from a variety of sources are obtained for local users through interlibrary loan services. Adult, young adult and children's programs, as well as meeting room facilities open to nonprofit groups help the library maintain its function as a community center.

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

Office of Planning and Development Services (OPDS)

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

Planning: This division is responsible for the comprehensive planning, zoning and environmental protection activities of the Town including inland wetlands protection. The mission of the division is to encourage the sound and orderly use of land for residential, commercial, industrial, institutional, recreational, conservation, and preservation purposes in the

community. Staff is responsible for the following: providing professional planning services; coordinating the review and commentary on subdivision, site plan, variances, and special permit applications; developing economic base and employment data, demographic, housing and income data; compiling and analyzing data on social, economic, and physical factors affecting land use; updating core planning documents and maps; making recommendations concerning land use regulations and zoning amendment proposals; coordinating development of energy efficiency and conservation strategies; and providing environmental planning services. Provisions of the Connecticut Coastal Area Management Act are also enforced through this division.

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

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

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

Parks and Recreation

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

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

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

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

Shennecossett Golf Course: Responsibilities include providing a quality golfing experience at an affordable price. The 18 hole public course, which is open year round, also offers a full service restaurant open to the public and full pro shop services. The management of the course involves coordinating the grounds keeping maintenance services with those of the

golf professional and the restaurant service. Fee structures for the course are reviewed annually as the course is run as a special revenue account. Tee times can be made online by using Shennygolf.com. Shennecossett offers opportunities for league and tournament play and provides a solo rider golf cart to make the golf course accessible to physically disabled players.

Public Safety

The Town of Groton Police Department is responsible for the enforcement of laws, protection of property, animal control, marine safety, school crossing guards, criminal justice, and the education of young people in the areas of drug and alcohol abuse prevention. The four divisions are: (1) Special Services which is responsible for training, community education including DARE, drug education, juvenile matters and crimes against the elderly; (2) Records which is responsible for providing all statistics related to police work, (3) Patrol which acts as a proactive deterrent to crime and provides a quick response to citizen calls for service, including a Community Policing Program in which all officers participate; and (4) Detective which conducts investigations, interviews and interrogations on more serious and complex crimes.

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

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

Public Works

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

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

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

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

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

Waste Water Treatment: The Division operates the water pollution control wastewater collection system and secondary treatment facility with the operations being fully funded through the collection of user fees. The Town's sewer program began in 1958 with the creation of the Town's Sewer Authority. The Town's Sewer District was established in 1962. The District includes the entire area of the Town except for the City of Groton. The facility is fully funded through the collection of user fees. Staff performs the necessary functions to keep the system and facility continuously operational at

maximum efficiency and is responsible for collection, treatment and discharge of effluent. Numerous samples are collected by staff and bacteriological examinations are performed. The treatment plant treats about 1.2 billion gallons per year. Employees maintain and repair equipment, instrumentation, facilities, 23 pump stations, 138 miles of sewer lines, and 2,513 manholes. The Town intends to fund the debt service on the Lot B Bonds with revenue generated by the Town's sewer user fee.

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

Solid Waste: Solid Waste is responsible for the management and disposal of approximately 30,000 tons of municipal solid waste and 530 tons of bulky waste generated within the Town. Staff operates a leaf composting facility, a residential transfer station, and a commercial solid waste collection program. Municipal solid waste from residential sources is collected either by political subdivisions or by individual residents contracting directly with a hauler. Additional responsibilities include the maintenance of three closed landfills, transportation of construction and demolition wastes generated at the Transfer Station to an out of state Subtitle D landfill, and the grinding of brush into reusable mulch that is available free to Groton citizens on a first come, first served basis. The Town has entered into the Municipal Solid Waste Management Services Contract, as amended (the "Service Contract") with the Southeastern Connecticut Regional Resource Recovery Authority (SCRRA) pursuant to which it participates, with ten other southeastern Connecticut municipalities, in the Southeastern Connecticut System. The System consists of a mass-burn solid waste, disposal and electric generation facility located in the Town of Preston and various improvements and facilities related thereto. Under the Service Contract, the Town is required to deliver or cause to be delivered to the System, solid waste generated within its boundaries up to its minimum commitment of approximately 29,481 tons per year and to pay a uniform per ton Disposal Service payment therefore. The aggregate minimum commitment of the participating municipalities is 144,078 tons per year. The Town's Service Payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the participating municipalities is not met by the total deliveries of all the participating municipalities in any year, the Town must pay the Service Payment for its full portion of the aggregate minimum commitment even if it did not deliver that full portion. Currently the Town is producing over 30,000 tons per year of waste that is being delivered under the service contract.

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

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

For fiscal year ending June 30, 2013 the Town of Groton will fund a significant portion of the public works budgets of both political subdivisions including approximately 100% of the City of Groton's public works budget request (less \$757,672 in funds for road paving) and approximately 60% of the Groton Long Point Association's public works budget request (less \$271,230 in funds for road paving). In fiscal year ending 2013 both entities included road paving in their operating budget requests which was subsequently removed by the Town Council/RTM and converted to a capital improvement project in the amounts of \$400,000 for the City and \$131,000 for the Groton Long Point Association.

Town Clerk

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

Utilities

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

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

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

Telephone: Telephone service is provided by AT&T.

Political Subdivisions

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

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

Special Districts

The Mystic Fire District: The Mystic Fire District was incorporated by the legislature in 1879 to provide fire protection. This, the first such special district created within the Town of Groton, includes the Village of Mystic situated in two towns – Groton and Stonington. This district has no full-time employees, but does operate a sanitation service on a contract basis and has an appointed tax collector, a tax assessor and 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 three-member Executive Committee which then appoints the Fire Chief and eight full-time firemen. There is no other governmental function of this division.

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

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

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

Local Economic Condition and Outlook

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

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

Non-Residential

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

Naval Submarine Base: During the last few years, significant efforts to modernize the waterfront and other facilities at the Submarine Base have been undertaken. Most recently, the Base has completed projects ranging from new piers and a \$13.6 million Escape Trainer, to a new small arms range. These included improvements to Pier 6, a \$35.2 million project which upgraded the pier to accommodate Virginia-class submarines and demolished Pier 13 to open up submarine berthing at another pier. The Base also completed an extensive \$9.5 million waterfront dredging project. Under construction is a new \$7.5 million Port Operations and Small Craft Facility as well as completion of a multi-year, multi-phase \$12 million demolition project that resulted in the reduction of more than 400,000 sf of excess, outdated infrastructure across the base, making way for future needs.

A new diver support facility and a modernized boiler at the Base's power plant are now completed. The State has also awarded the Base a \$3.22 million grant which will be used to construct bridge and galley training simulators. Construction on a new commissary is expected to begin in 2013.

Pfizer, Inc.: Pfizer's Groton facilities have approximately 2.7 million s.f. of space. Pfizer closed their manufacturing operations in Groton last year, and is in the process of decommissioning and demolishing some manufacturing facilities. The company is also reviewing the need for retaining and/or reusing former laboratory facilities. The Town has taken the lead in marketing these lab facilities and reviewing their potential for reuse, dedicating marketing funds to the project.

Electric Boat: Over the last few years Electric Boat has undertaken improvements to their Groton site including a \$65 million, two-year major renovation project of two graving docks (where submarines are placed for final outfitting or repairs) among other projects, at their Groton Shipyard on the Thames River. The renovations should extend the lifespan of the docks by 50 years. Electric Boat also completed a \$20 million improvement project to Building 260, which is the main submarine construction hall. Employment growth is expected to remain steady in light of recent contracts. The purchase of the former Pfizer building in New London is now fostering these further growth opportunities as the company expands in that city.

Airport Business Park: This highly successful 15-lot subdivision of industrially-zoned land is near the Groton-New London Airport and in the Town's Enterprise Zone. Several new buildings have been constructed, including the Southeastern Connecticut Business Complex which consists of two 12,000 s.f. buildings designed to be subdivided into incubator/warehouse/industrial condominiums. The first building is now full as 7 businesses have purchased units and the second building has limited space available. New development includes the construction of a gym on one of the last available lots.

Mystic Business Park, LLC (Flanders Road): Construction has been completed on 7 incubator type buildings totaling 58,960 s.f. and all units are occupied. Planning has begun on the next phase.

Groton Shopper's Mart: Armed Forces Career Center, Abbas Cigar Shop, Bright White Teeth Whitening and Frogeez yogurt joined the center.

Gabriele's Martial Arts, Route 1: Another example of private reinvestment in Groton's Downtown is the complete renovation and reuse of this 8800+/- s.f. building for a martial arts facility and a day spa. Major improvements were made to

the building and site, which had been underutilized for a number of years. A second story is now complete at this downtown location to increase storage space.

Wal-Mart: Site plan and Inland Wetland Agency application approvals for a 39,845+/- s.f. expansion to the Wal-Mart on Route 184 have been granted. In addition to the expanded space, which will include a new fenced in garden center and vestibule entryways, this project proposes to improve the existing utility services, storm-water management system, landscaping and parking areas on-site. Upon completion of the project, the total building area will be 159,674 +/- s.f. In 2008, Wal-Mart completed an \$800,000 interior and exterior upgrade to this facility.

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

“Four Paws” Veterinarian (Cow Hill Road): A new 9,882 s.f. veterinarian building is now complete.

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

Mystic Manor (High Street): An approved expansion and related improvements to the existing nursing home are under construction; additional phases are planned for the next two years.

New England Cycle Works: A proposed expansion of the retail space and use of the outside area as a display area (corner of Route 184 and Buddington Road) has received land use approvals.

Old Mystic Plaza (Gold Star Highway): This established community service center has recently completed an expansion to include a patio deck for outside seating.

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

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

Other Significant Initiatives and Developments

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

Mystic Streetscape (Phase II): The design of remaining improvements along Water Street is now complete and is expected to be bid in the Spring of 2013. This phase will include sidewalk, landscaping, drainage improvements and the addition of off-street parking in the this stretch of Water Street (Route 215) from the public restrooms to Noank Road. The Council of Governments and CONNDOT have authorized an additional \$1.3 million for this project. This portion of the project will be designed and constructed using the remainder of the original High Priority Project and STP-Urban Systems funding now dedicated to the project. Contract value is estimated at about \$1,500,000.

Thomas Road Bikeway Project: This multi-purpose path project is now in semi-final design. The Federal Government has financed 80% of the costs through the SAFETEA-LU program and Congressional funding. While the project has been favorably received by the state and federal agencies involved, it involves rigorous permitting requirements and constraints with the Army Corps, CONNDOT and DEP. It calls for about 3400 linear feet of bikeway connecting the Town and the City of Groton. Project value is in the vicinity of \$1,500,000. Construction is anticipated to begin later in calendar year 2013.

Flanders Road Utilities Extension: The Flanders Road Utilities Extension Committee and professional staff identified a desired route for both sewer and water to meet goals and objectives for planned industrial areas. Further development of the project for presentation to the Town Council is now underway with the Town's engineering consultant to develop more detailed costs of construction for the preferred route. This project was highly ranked in the Town's Economic Development Strategic Plan to address the community's industrial development needs for the future.

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

School Projects, Next Phase: A schools facility task force has been formed to determine the best approach to plan the successor to the recently completed \$91.3 million schools facilities plan.

Residential and Institutional

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

Multi-family Residential

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

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

Residential Life Care

Fairview Estates, Lestertown Road: This existing continuing care community has recently had approved Phase I for construction of 23 active adult housing units, a clubhouse and related site improvements.

1-2 Family Residential

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

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

Major Initiatives:

Senior Center Addition & Renovations Project: Voters of the Town of Groton approved a referendum on November 6, 2007 for \$11.77 million that would add 22,000 s.f. to the existing 14,900 s.f. building that was built in 1979. It includes additional activity classrooms, a computer room, a music room, exercise and fitness room and administrative offices. Renovations and additions are planned for the kitchen facilities, entry vestibule and lobby. Work on the building began in March 2009 and was completed by March 2010. Though the project is complete there is approximately \$400,000 of expenses that need to be bonded with a larger bond issue.

Thames Street Rehabilitation: On November 3, 2009 Groton voters were asked to authorize bonding in the amount of \$10.725 million for major upgrades to Thames Street. The road has not been overlaid with bituminous asphalt since 1957 and very little has been done to address the underlying road. The road has undergone various patch jobs and its width ranges from 25 feet to 50 feet and core samples found anywhere from 1 inch to 16 inches of asphalt. About 60 percent of the project costs call for reconstruction of the road and fixing drainage and retaining walls while the rest would address lighting, sidewalks and some landscaping. The referendum failed with 56% of the voters voting against the referendum. In the summer of 2010, the Town Council established a committee to discuss the future of Thames Street with the goal of creating a plan that could be presented to the voters before a referendum in the spring 2011. In November 2010, the Town Council received the committee's recommendation for a \$6,300,000 upgrade to Thames Street. The Town Council and

Representative Town Meeting approved the bonding resolution and the matter was on the May 2, 2011 referendum ballot which was approved by the voters by 3,334 to 2,306. It is anticipated that the project will go out to bid in March 2013 and the project to be completed by the summer 2014.

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

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 a road maintenance and rehabilitation program for the Town's accepted network of roads. Included in the program are town-accepted roads within the geographical boundaries of the City of Groton and of the Groton Long Point Association. This program is anticipated to be accomplished during calendar years ending December 2013 through December 2017.

[Remainder of this page intentionally left blank]

Municipal Employees

(Full-time)

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government	268	267	268	284	287
Board of Education	665	657	665	667	665
Total	933	924	933	951	952

Source: Town Officials.

Municipal Employees by Category

The following is a breakdown by category of full time Town employees for fiscal year ending 2013:

<u>Department</u>	<u>Full-time Positions</u>
Administrative Services.....	27
Board of Education.....	665
Library.....	20
Parks & Recreation.....	21
Finance.....	19
Golf Course ¹	6
Human Services.....	8
Planning and Development.....	16
Public Safety	72
Public Works.....	52
Town Clerk.....	5
Town Manager.....	3
Water Pollution Control Authority ¹	19
Total	933

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

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

[Remainder of this page intentionally left blank]

Municipal Employee Bargaining Organizations

<i>General Government</i>	<i>Union Representation</i>	<i>Positions Covered</i>	<i>Current Contract Expiration Date</i>
Clerical/ Professional	Groton Municipal Employees Association CILU Local 62	91	June 30, 2011 ¹
Police.....	Groton Police Union Association Local 3428 of Council 15 AFSCME	65	June 30, 2014
Public Works/Maintenance...	United Steel Workers of America AFL-CIO #9411	53	June 30, 2015
Supervisors.....	Local 818 of Council 4 AFSCME	6	June 30, 2016
Dispatcher.....	Groton Telecommunicators Assoc/ United Electrical Local 222, CILU Local 86	13	June 30, 2014
Non-union.....	Non-represented employees	40	N/A
<i>Board of Education</i>			
Teachers	Groton Educational Association	457	August 31, 2013
Custodians.....	Groton Custodial and Maintenance Association	61	June 30, 2014
Para-Professionals.....	Groton Para - Professional Association	100	June 30, 2012 ¹
Secretaries.....	Groton School Secretaries Association	18	June 30, 2013
Administrators.....	Groton School Administrators	29	June 30, 2015
	Total	933	

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

¹ In negotiations.

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

Educational System

The Town's school system consists of nine 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. In January 2008, the Town opened two new elementary schools, Catherine Kolnaski Elementary and Northeast Academy, covering grades Pre K through 5.

Educational Facilities

<i>School</i>	<i>Grades</i>	<i>Date of Construction</i>	<i>Number of Classrooms</i>	<i>Type of Construction</i>	<i>Enrollment 10/01/12</i>	<i>Rated Capacity</i> ¹
Charles Barnum ²	Pre K-5	1965, 1970, 1990	21	Masonry	401	419
Claude Chester.....	Pre K-5	1952, 1956, 1965	27	Masonry	352	505
Catherine Kolnaski....	Pre K-5	2008	25	Masonry	429	480
Mary Morrisson ²	Pre K-5	1963, 1990	24	Masonry	367	442
Northeast Academy...	Pre K-5	2008	22	Masonry	403	336
Pleasant Valley ³	Pre K-5	1994	25	Masonry/wood	340	356
S.B. Butler ⁴	Pre K-5	1952, 1962, 1993	21	Masonry	360	350
Cutler Middle.....	6-8	1960, 1962, 1968	38	Masonry	462	403
Fitch Middle ⁵	6-8	1928, 1944, 1948, 1955, 1971, 1979, 1990	42	Masonry	-	483
West Side Middle.....	6-8	1956, 1994	17	Masonry	506	494
Fitch Senior High	9-12	1953, 1958, 1963, 1967, 1971, 1981, 1989, 2008	92	Masonry	1,183	1,460
Total					4,803	6,351

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

² Two portable classrooms are included.

³ Four portable classrooms are included.

⁴ Three portable classrooms are included.

⁵ Beginning in school year 2012-13 Fitch Middle School was closed and students will attend Cutler and West Side Middle Schools.

Source: School Business Manager

School Enrollments

<i>School Year</i>	<i>Historical</i>				<i>Spec. Ed</i> ¹	<i>Total</i>
	<i>PreK-5</i>	<i>6-8</i>	<i>9-12</i>			
2003-2004	2,921	1,278	1,402	149	5,750	
2004-2005	2,750	1,217	1,469	136	5,572	
2005-2006	2,646	1,146	1,379	139	5,310	
2006-2007	2,676	1,169	1,391	-	5,236	
2007-2008	2,624	1,124	1,413	-	5,161	
2008-2009	2,667	1,071	1,395	-	5,133	
2009-2010	2,692	1,036	1,310	-	5,038	
2010-2011	2,690	1,025	1,280	-	4,995	
2011-2012	2,691	1,030	1,240	-	4,961	
2012-2013	2,652	968	1,183	-	4,803	
	<i>Projected</i>					
2013-2014	2,452	991	1,443	-	4,886	
2014-2015	2,411	997	1,413		4,821	
2015-2016	2,363	1,011	1,434		4,808	
2016-2017	2,327	1,038	1,405		4,770	

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

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

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<i>Year</i>	<i>New London</i>			<i>State of</i>		
	<i>Town of Groton</i>	<i>% Change</i>	<i>County</i>	<i>% Change</i>	<i>Connecticut</i>	<i>% Change</i>
1970	38,244	27.75	230,654	24.18	3,032,217	19.60
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

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

Age Distribution of Population

<i>Age</i>	<i>Town of Groton</i>		<i>State of Connecticut</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Under 5 years.....	2,948	7.3	202,106	5.7
5 - 9 years.....	2,289	5.7	222,571	6.2
10 - 14 years.....	1,983	4.9	240,265	6.7
15 - 19 years.....	2,460	6.1	250,834	7.0
20 - 24 years.....	4,722	11.8	227,898	6.4
25 - 34 years.....	6,612	16.5	420,377	11.8
35 - 44 years.....	4,558	11.4	484,438	13.6
45 - 54 years.....	5,005	12.5	575,597	16.1
55 - 59 years.....	2,268	5.7	240,157	6.7
60 - 64 years.....	1,943	4.8	203,295	5.7
65 - 74 years.....	2,599	6.5	254,944	7.1
75 - 84 years.....	1,798	4.5	166,717	4.7
85 years and over.....	930	2.3	84,898	2.4
Total.....	40,115	100.0	3,574,097	100.0
Median Age (Years).....	33.0		40.0	

Source: U.S. Department of Commerce, Bureau of Census, 2010.

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, 2000	\$23,995	\$24,678	\$28,766
Median Family Income, 2010	\$67,461	\$80,702	\$84,558
Median Family Income, 2000	\$51,402	\$59,857	\$65,521
Percent Below Poverty, 2010	8.2%	5.9%	7.2%

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

Income Distribution

Income	Town of Groton		New London County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000.....	423	4.5	1,986	2.8	30,321	3.4
\$10,000 to \$14,999.....	260	2.7	1,232	1.7	20,207	2.2
\$15,000 to \$24,999.....	655	6.9	3,454	4.9	48,201	5.3
\$25,000 to \$34,999.....	624	6.6	4,181	5.9	58,835	6.5
\$35,000 to \$49,999.....	1,683	17.8	8,766	12.4	90,972	10.1
\$50,000 to \$74,999.....	1,611	17.0	12,718	18.0	147,948	16.4
\$75,000 to \$99,999.....	1,666	17.6	11,487	16.3	134,851	14.9
\$100,000 to \$149,999.....	1,474	15.6	15,375	21.8	185,568	20.5
\$150,000 to \$199,999.....	625	6.6	6,621	9.4	86,104	9.5
\$200,000 or more.....	440	4.7	4,838	6.8	100,939	11.2
Total.....	9,461	100.0	70,658	100.0	903,946	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Educational Attainment

	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	672	2.8	5,914	3.2	111,347	4.6
9th to 12th grade, no diploma.....	1,568	6.5	12,563	6.7	162,645	6.7
High School graduate (includes equivalency)...	6,784	28.0	56,673	30.2	680,397	28.0
Some college, no degree.....	5,291	21.8	37,753	20.1	429,810	17.7
Associate degree.....	1,979	8.2	15,622	8.3	177,238	7.3
Bachelor's degree.....	4,750	19.6	32,315	17.2	491,234	20.2
Graduate or professional degree.....	3,183	13.1	26,782	14.3	378,761	15.6
Total.....	24,227	100.0	187,622	100.0	2,431,432	100.0
Total high school graduate or higher (%).....	90.8		90.2		88.7	
Total bachelor's degree or higher (%).....	32.7		31.5		35.8	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Employment by Industry

Sector	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	34	0.2	604	0.5	6,539	0.4
Construction	502	2.9	7,526	5.7	101,094	5.8
Manufacturing	2,701	15.4	16,878	12.8	193,152	11.1
Wholesale trade	222	1.3	2,515	1.9	43,227	2.5
Retail trade	2,048	11.7	14,644	11.1	189,948	10.9
Transportation and warehousing, and utilities	422	2.4	5,248	4.0	66,665	3.8
Information	194	1.1	2,087	1.6	42,113	2.4
Finance, insurance, real estate, rental & leasing	848	4.8	5,593	4.2	162,400	9.3
Professional, scientific, management, administrative, and waste mgmt services	1,770	10.1	10,766	8.2	189,609	10.9
Education, health and social services	3,594	20.5	30,869	23.4	459,714	26.3
Arts, entertainment, recreation, accommodation and food services	3,343	19.1	22,875	17.4	144,326	8.3
Other services (except public administration)	796	4.5	5,596	4.2	80,265	4.6
Public Administration	1,048	6.0	6,603	5.0	67,741	3.9
Total Labor Force, Employed	17,522	100.0	131,804	100.0	1,746,793	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Major Employers (non-retail)

<i>Name of Employer</i>	<i>Nature of Business</i>	<i>Employees</i>
U.S. Navy Submarine Base	Military Base	9,710 ¹
Electric Boat Corporation	Submarines	8,657 ²
Pfizer, Inc.	Pharmaceuticals	4,013 ³
Town of Groton	Municipality	933
TASMG	Helicopter Repair	502 ⁴
City of Groton	Municipality	227 ⁵
Mystic Marriott.....	Hotel/Conference Center	216 ⁶
PCC Structural	Manufacturer	180
Lawrence & Memorial Facilities.....	Hospital	198 ⁷
Total		24,636

¹ Includes military and civilian employees and contractors.

² Includes 5,897 at Groton Facility and 2,760 at New London Facility.

³ Includes Contractors.

⁴ The Air National Guard Theater Aviation Sustainment Maintenance Group ("TASMG") includes 193 full-time, 166 part-time personnel, and 143 civilian contractors.

⁵ Includes 97 full-time and 6 part-time City of Groton employees, 123 full-time and 1 part-time Groton Utilities and Thames Valley Communication employees.

⁶ Includes 149 full-time, 11 part-time and 56 on-call employees.

⁷ Includes 133 at Pequot Health Center (full-time, part-time, per diem and supplemental employees), 31 at Pequot Health Center EMT Nationwide, 13 at Sleep Center and 21 at Kingsbridge Square Call Center.

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 Market</i>	<i>State of Connecticut</i>	<i>United States</i>
December 2012	18,149	1,561	8.6 %	8.4 %	7.8 %	7.6 %
Annual Average						
2012	18,804	1,669	8.9 %	8.7 %	8.3 %	8.1 %
2011	19,240	1,798	9.3	8.8	8.8	9.0
2010	19,495	1,751	9.0	8.7	9.0	9.6
2009	19,532	1,602	8.2	7.8	8.0	9.3
2008	19,470	1,137	5.5	5.5	5.7	5.8
2007	18,468	842	4.4	4.3	4.5	4.6
2006	19,046	827	4.2	4.1	4.3	4.6
2005	18,414	885	4.6	4.5	4.9	5.1
2004	17,228	815	4.5	4.2	4.7	5.5
2003	17,080	947	5.3	4.9	5.5	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>Residential</i>		<i>Commercial/Industrial</i>		<i>Other</i>		<i>Total</i>	
	<i>Ending 6/30</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>
2013 ¹	7	\$ 1,458,000	1	\$ 159,796	251	\$ 2,873,828	259	\$ 4,491,624
2012	12	1,560,700	-	-	545	8,436,710	557	9,997,410
2011	27	3,729,720	4	850,600	524	9,287,679	555	13,867,999
2010	36	5,958,240	4	712,000	518	6,250,802	558	12,921,042
2009	38	5,045,520	5	1,122,000	508	17,846,798	551	24,014,318
2008	72	10,917,200	10	1,731,600	546	21,316,814	628	33,965,614 ²
2007	53	9,164,782	8	7,365,000	567	44,654,796	628	61,184,578 ²
2006	48	7,583,365	10	2,538,035	551	11,296,610	609	21,418,010
2005	48	13,417,833	9	3,568,870	603	13,301,778	660	30,288,481
2004	57	7,002,145	25	14,674,462	536	18,565,906	618	40,242,513

¹ As of July 31, 2012.

² This figure includes permit values for current school construction projects.

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

Source: Building Department, Town of Groton.

City of Groton

<i>Fiscal Year</i>	<i>Residential</i>		<i>Commercial/Industrial</i>		<i>Other</i>		<i>Total</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
2012	4	\$ 331,750	2	\$ 75,500	384	\$12,362,192	390	\$12,769,442
2011	2	226,500	-	-	32	1,242,919	34	1,469,419
2010	-	-	2	8,744,750	53	470,956	55	9,215,706
2009	1	1,100	-	-	31	1,869,282	32	1,870,382
2008	-	-	-	-	20	841,186	20	841,186
2007	9	1,842,456	4	105,300	428	11,471,252	441	13,419,008
2006	29	4,335,455	4	107,000	399	9,973,302	432	14,415,757
2005	20	1,957,019	5	937,000	582	7,935,115	607	10,829,134
2004	22	1,318,206	7	772,000	586	8,256,902	615	10,347,108

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>Total Residential</i>		<i>Fiscal Year</i>	<i>Total Value</i>	
<i>Ending 6/30</i>	<i>No.</i>	<i>Value</i>	<i>Ending 6/30</i>	<i>No.</i>	<i>Total Value</i>
2013 ¹	1	\$1,426,629	2013 ¹	260	\$ 5,918,253
2012	73	2,524,515	2012	1,020	25,291,367
2011	55	3,452,633	2011	644	18,790,051
2010	62	4,063,441	2010	675	26,200,189
2009	27	5,206,753	2009	610	31,091,453
2008	30	4,967,000	2008	678	39,773,800
2007	31	3,322,850	2007	1,100	77,926,436
2006	28	4,542,197	2006	1,069	40,375,964
2005	56	2,868,773	2005	1,323	43,986,388
2004	27	3,756,282	2004	1,260	54,345,903

¹ As of July 31, 2012

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

Housing Inventory

Type	Town of Groton		New London County		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1-unit, detached.....	8,514	47.5	80,044	66.1	882,011	59.2
1-unit, attached.....	1,409	7.9	4,676	3.9	77,291	5.2
2 units.....	1,565	8.7	8,556	7.1	119,140	8.0
3 or 4 units.....	1,834	10.2	8,560	7.1	133,840	9.0
5 to 9 units.....	1,124	6.3	5,919	4.9	80,501	5.4
10 to 19 units.....	916	5.1	4,082	3.4	56,470	3.8
20 or more units.....	2,026	11.3	6,089	5.0	126,654	8.5
Mobile home.....	453	2.5	3,014	2.5	12,913	0.9
Boat, RV, van, etc.....	90	0.5	181	0.1	455	0.0
Total Inventory	17,931	100.0	121,121	100.0	1,489,275	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Age Distribution of Housing

Year Built	Town of Groton		New London County		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
2005 to later	1,169	6.5	4,567	3.8	43,798	2.9
2000 to 2004	966	5.4	5,713	4.7	61,616	4.1
1990 to 1999	1,829	10.2	11,038	9.1	108,904	7.3
1980 to 1989	2,370	13.2	15,268	12.6	195,577	13.1
1970 to 1979	2,654	14.8	15,678	12.9	201,264	13.5
1960 to 1969	3,086	17.2	16,985	14.0	201,661	13.5
1950 to 1959	1,626	9.1	14,947	12.3	229,476	15.4
1940 to 1949	913	5.1	6,223	5.1	104,220	7.0
1939 or earlier	3,318	18.5	30,702	25.3	342,759	23.0
Total Housing Units	17,931	100.0	121,121	100.0	1,489,275	100.0
Percent Owner Occupied	87.7		88.7		91.3	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Groton		New London County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000	308	4.0	2,295	3.1	1,714	0.2
\$50,000 to \$99,999	237	3.1	2,044	2.8	21,317	2.3
\$100,000 to \$149,999	535	6.9	4,312	5.8	58,439	6.4
\$150,000 to \$199,999	1,124	14.5	11,567	15.6	129,744	14.2
\$200,000 to \$299,999	2,866	36.9	26,653	36.0	274,604	30.1
\$300,000 to \$499,999	1,752	22.6	19,784	26.8	262,712	28.8
\$500,000 to \$999,999	768	9.9	5,931	8.0	120,493	13.2
\$1,000,000 or more	177	2.3	1,348	1.8	43,470	4.8
Total	7,767	100.0	73,934	100.0	912,493	100.0
Median Sales Price		\$248,600		\$258,900		\$285,800

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Breakdown of Land Use

<i>Developed Land</i>		<i>2012</i> ¹	
<i>Land Use Category</i>	<i>Acreage</i>	<i>%</i>	
Residential.....	5,924	29.1	
Commercial.....	652	3.2	
Industrial ¹	635	3.1	
Public, and Semi-Public.....	1,404	6.9	
Total Developed Uses.....	8,615	42.4	

<i>Undeveloped Land</i>		<i>2012</i> ²	
<i>Land Use Category</i>	<i>Acreage</i>	<i>%</i>	
Recreation and Open Space.....	7,582	37.3	
Other Uses (agricultural, Water and Vacant).....	4,128	20.3	
Total Undeveloped Uses.....	11,710	57.6	
Total Land Area.....	20,325	100.0	

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

² Includes Roads/Parking.

Source: Groton Planning Department Land Use Summary as of 1/9/13.

[Remainder of this page intentionally left blank]

SECTION IV – INDEBTEDNESS

Principal Amount of Indebtedness
As of March 12, 2013 (Pro Forma)

<i>Date</i>	<i>Purpose</i>	<i>Rate %</i>	<i>Original Issue</i>	<i>Bonds Outstanding</i> ¹	<i>Fiscal Year Maturity</i>
11/01/06	Public Improvement	3.50-5.50	\$ 1,570,000	\$ 80,000	2027
11/01/06	Schools	3.50-5.50	15,000,000	750,000	2027
10/15/07	Public Improvement- Lot A.....	3.75-5.00	50,000	10,000	2018
10/15/07	Schools - Lot A	3.75-5.00	15,450,000	1,540,000	2028
10/15/07	Sewer - Lot B ²	3.625-5.50	3,000,000	300,000	2028
10/15/08	Public Improvement- Lot A.....	4.00-5.75	1,200,000	120,000	2019
10/15/08	Schools - Lot A	4.00-5.75	3,100,000	155,000	2029
10/15/08	Sewer - Lot B ²	4.50-5.75	3,250,000	165,000	2029
10/15/09	Public Improvement.....	2.25-4.25	9,030,000	929,000	2030
10/15/09	Schools.....	2.25-4.25	645,000	61,000	2030
12/06/11	Refunding Public Improvement - Lot A ...	2.00-5.00	5,660,000	5,257,000	2028
12/06/11	Refunding School - Lot A.....	2.00-5.00	10,645,000	10,618,000	2028
12/06/11	Refunding Sewer ² - Lot B	2.00-3.75	2,710,000	2,710,000	2028
03/12/13	Refunding Public Improvement - Lot A....	3.00 -4.00	6,752,000	6,752,000	2030
03/12/13	Refunding School - Lot A.....	3.00 -4.00	12,308,000	12,308,000	2030
03/12/13	Refunding Sewer ² - Lot B	3.00 -4.00	<u>2,020,000</u>	<u>2,020,000</u>	2030
	Grand Total		<u>\$92,390,000</u>	<u>\$ 43,775,000</u>	

¹ Includes the Refunding Bonds, excludes the Refunded Bonds.

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.

[Remainder of this page intentionally left blank]

Computation of Statutory Debt Limit

As of March 12, 2013 (Pro Forma)

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2012.....	\$ 77,638,571
Total Tax Collections (including interest and lien fees) of coterminous municipalities ¹	13,427,793
Reimbursement for Revenue Loss On:	
Tax relief for elderly freeze.....	2,000
Base for Debt Limitation Computation	<u>\$ 91,068,364</u>

Debt Limitation:	General		Urban		
	Purpose	Schools	Sewers	Renewal	Past Pension
2 1/4 times base	\$204,903,819	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	409,807,638	-	-	-
3 3/4 times base	-	-	341,506,365	-	-
3 1/4 times base	-	-	-	295,972,183	-
3 times base	-	-	-	-	273,205,092
Total Debt Limitation	204,903,819	409,807,638	341,506,365	295,972,183	273,205,092

Indebtedness:

Outstanding Debt: ²

Bonds	\$ 13,343,500	\$ 25,926,500	\$ 5,125,000	\$ -	\$ -
The Bonds (<i>Lot A & B Bonds</i>).....	6,752,000	12,308,000	2,020,000	-	-
Refunded Bonds	(6,947,500)	(12,802,500)	(1,950,000)	-	-
State of Connecticut CWF PLO.....	-	-	10,206,053	-	-
Authorized & Unissued	20,485,964	1,618,137	-	-	-
Underlying Debt: ^{1,3}					
Bonds & Serial Notes	6,742,028	-	-	-	-
Authorized & Unissued	4,778,500	-	-	-	-
Total Indebtedness	<u>45,154,492</u>	<u>27,050,137</u>	<u>15,401,053</u>	-	-
Less: School Grants Receivable	-	-	-	-	-
Sewer Assessment Receivable..	-	8,558	-	-	-
Total Net Indebtedness for Debt					
Limitation Calculation	<u>45,154,492</u>	<u>27,058,695</u>	<u>15,401,053</u>	-	-
Debt Limitation in Excess of					
Indebtedness	<u>\$159,749,327</u>	<u>\$382,748,943</u>	<u>\$326,105,312</u>	<u>\$295,972,183</u>	<u>\$273,205,092</u>

¹ Per Public Act 91-407, Section 12, does not include collections or debt (totaling \$1,234,272) of Mystic Fire District.

² Excludes capital leases.

³ Excludes \$34,322,000 of enterprise fund long term debt for outstanding water, electric and broadband bonds and notes.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$637,478,548.

Source: Town Officials.

Debt Statement – Town of Groton
As of March 12, 2013 (Pro Forma)

The Bonds (<i>Lot A & B Bonds</i>).....	\$ 21,080,000
Refunded Bonds.....	(21,700,000)
Public Improvement.....	13,343,500
Schools	25,926,500
Sewers ¹	5,125,000
State of Connecticut Clean Water Fund PLO.....	<u>10,206,053</u>
Total Long-Term Debt	53,981,053
Short-Term Debt:	
Bond Anticipation Notes	-
Total Direct Debt	53,981,053
Less: Sewer Assessment Receivable (as of 12/31/2012) ¹	<u>8,558</u>
Total Net Direct Debt	53,972,495
Plus: Underlying Debt ²	<u>6,742,028</u>
Total Overall Net Debt	\$ 60,714,523

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 Excludes enterprise fund debt.

Note: Excludes capital leases.

Current Debt Ratios – Town of Groton
As of March 12, 2013 (Pro Forma)

Population ¹	40,115
Net Taxable Grand List (10/1/11) ²	\$3,938,277,080
Estimated Full Value (70%)	\$5,626,110,114
Equalized Net Taxable Grand List (10/1/10) ³	\$5,219,564,260
Income per Capita (2010) ⁴	\$30,789

	<u>Total Direct Debt</u>	<u>Total Net Direct Debt</u>	<u>Total Overall Net Debt</u>
	\$53,981,053	\$53,972,495	\$60,714,523
Per Capita	\$1,346	\$1,345	\$1,514
Ratio to Net Taxable Grand List	1.37%	1.37%	1.54%
Ratio to Estimated Full Value	0.96%	0.96%	1.08%
Ratio to Equalized Grand List	1.03%	1.03%	1.16%
Debt per Capita to Per capita income	4.37%	4.37%	4.92%

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

² Date of last revaluation: October 1, 2011.

³ Office of Policy and Management, State of Connecticut.

⁴ U.S. Department of Commerce, Bureau of Census, American Community Survey 2009-2011.

Debt Statement – Town of Groton Sewer District
As of March 13, 2012 (Pro Forma)

<u>Town of Groton Debt Applicable to the Groton Sewer Debt</u>	<u>Town of Groton</u>	<u>Applicable to Groton Sewer Debt ¹</u>
Long-Term Debt:		
The Bonds (Lot A Bonds)	\$ 19,060,000	\$ 12,621,614
Lot A Refunded Bonds	(19,750,000)	(13,078,535)
Public Improvement	13,343,500	8,836,123
Schools	<u>25,926,500</u>	<u>17,168,640</u>
Total	\$ 38,580,000	\$ 25,547,842
Groton Sewer Long Term Debt:		
The Bonds (Lot B Bonds)		\$ 2,020,000
Lot B Refunded Bonds		(1,950,000)
Groton Sewer Operating Fund Bonds ²		<u>5,125,000</u>
State of Connecticut CWF PLO		<u>10,206,053</u>
Total Long-Term Debt		40,948,895
Total Direct Debt		40,948,895
Less: Sewer Assessment Receivable (as of 12/31/2012)		<u>8,558</u>
Total Net Direct Debt		40,940,337
Plus: Underlying Debt ³	<u>6,742,028</u>	<u>3,125,028</u>
Total Overall Net Debt		\$ 44,065,365

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 10/1/11 or 66.2%, 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 March 13, 2012 (Pro Forma)

Population ¹	29,726
Net Taxable Grand List (10/1/10) ²	\$2,607,944,000
Estimated Full Value (70%)	\$3,725,634,286
Equalized Net Taxable Grand List (10/1/09) ³	\$3,456,417,945
Income per Capita (2010) ⁴	\$30,789

	<u>Total Direct Debt</u>	<u>Total Net Direct Debt</u>	<u>Total Overall Net Debt</u>
	\$40,948,895	\$40,940,337	\$44,065,365
Per Capita	\$1,377.54	\$1,377.26	\$1,482.38
Ratio to Net Taxable Grand List	1.57%	1.57%	1.69%
Ratio to Estimated Full Value	1.10%	1.10%	1.18%
Ratio to Equalized Grand List	1.18%	1.18%	1.27%
Debt per Capita to Per capita Income	4.47%	4.47%	4.81%

¹ U.S. Department of Commerce, Bureau of Census, Census 2010, less City of Groton (10,389).

² Date of last revaluation: October 1, 2011.

³ Represented as the proportionate share of the Town's Net Taxable Grand List (10/1/11) 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.

⁴ U.S. Department of Commerce, Bureau of Census, American Community Survey, 2009-2011. The Amounts are based on data for entire Town.

Historic Debt Statement

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population ¹	40,115	40,115	40,115	39,551	39,167
Net taxable grand list ²	\$4,096,300,000	\$4,103,932,000	\$4,107,370,000	\$3,692,260,000	\$3,195,147,000
Estimated full value.....	\$5,851,857,143	\$5,862,760,000	\$5,867,671,429	\$5,274,657,143	\$4,564,495,714
Equalized net taxable grand list ³ ..	\$5,219,564,260	\$5,973,519,503	\$5,650,001,776	\$5,819,429,482	\$4,839,951,709
Per capita income ⁴	\$30,789	\$30,789	\$30,789	\$31,322	\$23,995
Long-Term Debt:					
General Fund	\$42,340,000	\$45,700,000	\$48,985,000	\$42,555,000	\$41,725,000
Groton Sewer District ⁵	\$16,315,325	\$18,214,830	\$6,415,000	\$7,180,000	\$4,590,000
Short-Term Debt:					
General Fund	\$-	\$3,210,000	\$3,040,000	\$5,365,000	\$8,925,000
Groton Sewer District	-	-	10,932,360	9,361,766	10,861,776
Total Direct Debt.....	58,655,325	67,124,830	69,372,360	64,461,766	66,101,776
Total Net Direct Debt.....	58,655,325	67,070,141	69,261,818	64,012,563	65,652,573
Total Overall Net Direct Debt.....	\$63,433,825	\$73,520,747	\$75,420,951	\$73,162,516	\$74,802,526

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

² Date of last revaluation: October 1, 2011.

³ Office of Policy and Management, State of Connecticut.

⁴ U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2009-2011.

⁵ Includes State of Connecticut CWF IFO.

Historic Debt Ratios

Total Direct Debt:	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Per capita.....	\$1,462.18	\$1,673.31	\$1,729.34	\$1,629.84	\$1,687.69
To net taxable grand list.....	1.43%	1.64%	1.69%	1.75%	2.07%
To estimated full value.....	1.00%	1.14%	1.18%	1.22%	1.45%
To equalized net taxable grand list.....	1.12%	1.12%	1.23%	1.11%	1.37%
Debt per capita to per capita income..	4.75%	5.43%	5.62%	5.20%	7.03%
Total Net Direct Debt:					
Per capita.....	\$1,462.18	\$1,671.95	\$1,726.58	\$1,618.48	\$1,676.22
To net taxable grand list.....	1.43%	1.63%	1.69%	1.73%	2.05%
To estimated full value.....	1.00%	1.14%	1.18%	1.21%	1.44%
To equalized net taxable grand list.....	1.12%	1.12%	1.23%	1.10%	1.36%
Debt per capita to per capita income..	4.75%	5.43%	5.61%	5.17%	6.99%
Total Overall Net Debt:					
Per capita.....	\$1,581.30	\$1,832.75	\$1,880.12	\$1,849.83	\$1,909.84
To net taxable grand list.....	1.55%	1.79%	1.84%	1.98%	2.34%
To estimated full value.....	1.08%	1.25%	1.29%	1.39%	1.64%
To equalized net taxable grand list.....	1.22%	1.23%	1.33%	1.26%	1.55%
Debt per capita to per capita income..	5.14%	5.95%	6.11%	5.91%	7.96%

Outstanding Short-Term Indebtedness

The Town currently has no outstanding short-term debt.

Overlapping and Underlying Indebtedness

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

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

<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	3,617,000 ²	-	4,528,500
Groton Long Point Association	628,273	357,790	-
Mystic Fire District	325,000	909,272	-
Noank Fire District	-	80,843	-
Old Mystic Fire District	700,000	123,850	250,000
Poquonnock Bridge Fire District	-	-	-
Mumford Cove.....	-	-	-
West Pleasant Valley Fire District	-	-	-
Total Net Underlying Debt <i>(applicable to the Town of Groton)</i>	\$ 5,270,273	\$ 1,471,755	\$ 4,778,500

¹ Excludes \$34,322,000 of enterprise fund long term debt for outstanding water, electric and broadband bonds and notes and \$19,271,939 of enterprise fund authorized but unissued bonds for such purposes.

² Consists of General Purpose debt in the amount of \$2,852,000 and Sewer debt in the amount of \$765,000.

Capital Leases

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

De Lage Landen:

- 1) *Library:* One (1) coin-operated Kyocera TA3050CI color copier – three (3) year lease agreement at \$2,394.00 per year which commenced on 5/18/12; and one (1) Kyocera TA3050CI color copier –three (3) year lease agreement at \$1,932.00 per year which commenced on 5/18/12.
- 2) *Police Department/Youth Division:* One (1) Xerox digital copier Model 4118 - five year lease agreement at \$312.24 per year which commenced on 1/25/08.
- 3) *Probate Court:* One (1) Xerox Document Center copier model #WC 5135PT - five year lease agreement at \$2,656.36 per year which commenced on 11/1/11.

Canon Financial Services:

- 1) *Town Clerk:* One (1) Canon black & white copier model IR5050N five (5) lease agreement at \$2,280.00 per year which commenced on 7/14/09.
- 2) *Town Clerk:* One (1) Canon black & white copier model IR 3235 four (4) year lease agreement at \$1,656.00 per year which commenced on 7/14/09.
- 3) *Police Dept:* One (1) Canon black & white copier model IR 3225 four (4) year lease agreement at \$1,776.00 per year which commenced on 12/1/2010.
- 4) *Public Works/Hwy:* One (1) Canon black & white copier model IR 3225 four (4) year lease agreement at \$1776.00 per year which commenced on 12/1/2010.

Cogent Systems Livescan Booking Workstation:

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

AgriCredit Acceptance:

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

AgriCredit Acceptance Corp:

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

GE Capital Corp:

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

Mail Finance:

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

Leaf Capital:

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

School Construction Projects

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

Under the old program, the State of Connecticut will reimburse the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the school projects. None of the Town's current school projects are reimbursed under the old program.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during the construction of the following projects at the estimated reimbursement rates shown below:

<i>Project</i>	<i>Total Authorization</i>	<i>Reimbursement Rate</i>	<i>Estimated Grant</i> ¹
Catherine Kolnaski Elementary School	\$ 26,100,000	65.71%	\$ 16,812,266
Northeast Academy	20,800,000	60.00%	12,042,117
Fitch High School	45,000,000	60.00%	25,940,746
Total	\$ 91,900,000		\$ 54,795,129

¹ 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 \$54,786,863 in grants for these projects.

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.

All sewer debt, including Clean Water Fund loans, is 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) with the exception of the Fort Hill Sewer Rehabilitation project which is secured by the taxing power of the Groton Sewer District. The 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 March 12, 2013:

<i>Project</i>	<i>Original 2% Loan Amount</i>	<i>Principal Outstanding</i>
CWF PLO 386-C.....	\$ 12,121,022	\$ 10,100,852
CWF PLO 386-C2.....	114,143	105,201
	<u>\$ 12,235,165</u>	<u>\$ 10,206,053</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 2012-13, the Town will contribute \$3,650,000 to the Capital Reserve Fund consisting of \$3,242,000 for current projects and \$408,000 to pre-fund future projects. The CIP is subject to the approval of the Town Council and the Representative Town Meeting annually.

<u>Proposed Projects \$(000)</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>Total</u>
<i>Board of Education</i>	\$ 1,393	\$ 6,395	\$ 22,064	\$ 10,073	\$ 6,890	\$ 20,473	\$ 67,288
<i>General Government:</i>							
Roads	12,321	1,540	1,758	2,433	1,159	1,194	20,405
Drainage	85	65	315	200	200	75	940
Sidewalks	236	165	280	185	185	30	1,081
Parks and Recreation	380	635	4,180	305	305	305	6,110
Public Buildings	670	1,062	870	580	325	150	3,657
Technology.....	95	1,031	-	95	50	50	1,321
Economic Development.....	-	195	100	100	100	100	595
Water Pollution Control Facility...	580	5,667	2,728	2,668	2,747	2,300	16,690
Miscellaneous	25	-	-	-	-	-	25
<i>Total General Government</i>	<u>14,392</u>	<u>10,360</u>	<u>10,231</u>	<u>6,566</u>	<u>5,071</u>	<u>4,204</u>	<u>50,824</u>
Total Project Costs	<u>\$ 15,785</u>	<u>\$ 16,755</u>	<u>\$ 32,295</u>	<u>\$ 16,639</u>	<u>\$ 11,961</u>	<u>\$ 24,677</u>	<u>\$ 118,112</u>
 Funding Sources							
Capital Reserve Fund	\$ 3,242	\$ 10,883	\$ 25,567	\$ 13,971	\$ 9,214	\$ 22,377	\$ 85,254
General Obligation Bonds	11,200	-	4,000	-	-	-	15,200
Other	<u>1,343</u>	<u>5,872</u>	<u>2,728</u>	<u>2,668</u>	<u>2,747</u>	<u>2,300</u>	<u>17,658</u>
Total Funding Sources	<u>\$ 15,785</u>	<u>\$ 16,755</u>	<u>\$ 32,295</u>	<u>\$ 16,639</u>	<u>\$ 11,961</u>	<u>\$ 24,677</u>	<u>\$ 118,112</u>

Authorized but Unissued Debt

<u>Project</u>	<u>Authorization</u>	<u>Bonds/Grants/ Paydowns</u>	<u>Debt Authorized but Unissued</u>			
			<u>General Purpose</u>	<u>Schools</u>	<u>Water</u>	<u>Sewers</u>
Catherine Kolnaski Elementary School .	\$ 26,100,000	\$ 25,524,000	\$ -	\$ 576,000	\$ -	\$ -
Northeast Academy	20,800,000	20,332,117	-	467,883	-	-
Fitch High School	45,000,000	44,425,746	-	574,254	-	-
Animal Shelter.....	1,385,000	1,319,541	65,459	-	-	-
Senior Center.....	11,770,000	8,925,000	2,845,000	-	-	-
Thames Street Rehabilitation Phase II....	6,375,505	-	6,375,505	-	-	-
Road Rehabilitation & Maintenance.....	<u>11,200,000</u>	<u>-</u>	<u>11,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 122,630,505</u>	<u>\$100,526,404</u>	<u>\$ 20,485,964</u>	<u>\$ 1,618,137</u>	<u>\$ -</u>	<u>\$ -</u>

Combined Schedule of Long Term Debt through Maturity

As of March 12, 2013 (Pro Forma)

<i>Fiscal Year</i>	<i>Groton General Fund</i>		<i>Groton Sewer Debt</i>		<i>Total</i>	<i>Pro-forma (Principal Only)</i>			<i>Cumulative Principal Retired (%)</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>		<i>The Bonds</i>	<i>Refunded Bonds</i>	<i>Total</i>	
2013 ¹	\$ 3,070,000	\$ 1,513,188	\$ 1,137,363	\$ 390,456	\$ 6,111,006	\$ -	\$ -	\$ 4,207,363	7.25
2014	3,065,000	1,411,575	927,363	356,383	5,760,322	-	-	3,992,363	14.13
2015	3,040,000	1,309,500	972,363	332,324	5,654,187	-	-	4,012,363	21.04
2016	3,025,000	1,210,231	967,363	309,926	5,512,521	1,395,000	(1,415,000)	3,972,363	27.89
2017	3,010,000	1,105,781	967,363	287,579	5,370,724	1,385,000	(1,415,000)	3,947,363	34.69
2018	2,625,000	998,338	962,363	265,563	4,851,264	1,380,000	(1,415,000)	3,552,363	40.81
2019	2,630,000	889,475	957,363	243,835	4,720,673	1,370,000	(1,415,000)	3,542,363	46.91
2020	2,510,000	784,513	952,363	221,925	4,468,801	1,370,000	(1,415,000)	3,417,363	52.80
2021	2,490,000	689,138	952,363	199,640	4,331,141	1,355,000	(1,400,000)	3,397,363	58.66
2022	2,485,000	592,013	947,363	176,943	4,201,318	1,355,000	(1,400,000)	3,387,363	64.49
2023	2,475,000	498,250	942,363	153,683	4,069,296	1,355,000	(1,400,000)	3,372,363	70.30
2024	2,465,000	410,666	937,363	130,111	3,943,140	1,350,000	(1,400,000)	3,352,363	76.08
2025	2,475,000	321,222	932,363	106,689	3,835,274	2,175,000	(2,225,000)	3,357,363	81.87
2026	2,270,000	229,625	932,363	82,823	3,514,811	2,170,000	(2,225,000)	3,147,363	87.29
2027	2,220,000	140,616	927,363	58,525	3,346,504	2,165,000	(2,225,000)	3,087,363	92.61
2028	1,395,000	68,484	922,363	34,203	2,420,050	1,330,000	(1,400,000)	2,247,363	96.48
2029	615,000	29,344	722,363	13,799	1,380,506	465,000	(475,000)	1,327,363	98.77
2030	475,000	8,906	255,151	1,276	740,333	460,000	(475,000)	715,151	100.00
Total	\$ 42,340,000	\$ 12,210,863	\$ 16,315,325	\$ 3,365,682	\$ 74,231,870	\$ 21,080,000	\$(21,700,000)	\$ 58,035,325	

¹ Includes \$4,054,272 of principal paid and \$1,046,587 of interest paid for the period July 1, 2012 through March 12, 2013.

Source: Annual audited financial statements.

[The remainder of this page intentionally left blank]

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, 2012.

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

Achievement for Excellence in Financial Reporting and Budget Presentation

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

Certificate of Achievement for Excellence in Financial Reporting: The Town of Groton has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial reports for fiscal years ended June 30, 1994 through June 30, 2011. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program.

Distinguished Budget Presentation Award: The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the Town of Groton for its annual budget for the fiscal years ending June 30, 1995 through June 30, 2012. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. The award is valid for a period of one year only.

Budgetary Procedure

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

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

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

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

The Charter provides for Supplemental and Emergency appropriation procedures.

Employee Pension Systems

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

Employee contributions vary between bargaining units. Employees other than Police Officers and Firefighters are required to contribute 4% of pay, while Non-Union Police Officers contribute 7.5%, Union Police Officers contribute 7.75%, Firefighters contribute 6.5% and dispatchers contribute 5% of pay. An actuarial valuation is prepared annually, and as of the most recent actuarial valuation, July 1, 2012, the plan included 641 members. Based on the July 1, 2012 valuation, the Actuarial Required Contribution for fiscal year 2013-14 will increase to \$3.5 million. See Appendix A, "Notes to the Financial Statements", for additional information regarding the plan.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Funding Excess (a) - (b)</i>	<i>Funded Ratio (a) / (b)</i>	<i>Covered Payroll (c)</i>	<i>Excess Funded AAL as a % of Covered Payroll [(a-b) / (c)]</i>
7/1/2007	\$82,698,074	\$80,107,841	\$ 2,590,233	103.2%	\$22,370,382	11.6%
7/1/2008	86,317,508	84,196,700	2,120,808	102.5%	23,647,808	9.0%
7/1/2009	85,476,282	92,732,994	(7,256,712)	92.2%	24,190,793	-30.0%
7/1/2010	84,453,080	98,515,524	(14,062,444)	85.7%	24,744,677	-56.8%
7/1/2011	85,612,289	103,271,852	(17,659,563)	82.9%	25,075,727	-70.4%
7/1/2012	87,003,117	109,108,111	(22,104,994)	79.7%	24,367,375	-90.7%

Schedule of Employer Contributions

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Actual Contribution</i>	<i>Percentage Contributed</i>
2008	\$ 1,168,188	\$ 1,168,188	100.0%
2009	1,367,891	1,367,891	100.0%
2010	1,441,333	1,441,333	100.0%
2011	2,383,892	2,383,892	100.0%
2012	2,968,475	2,968,475	100.0%
2013 ¹	3,258,317	3,258,317	100.0%

¹ Adopted Budget

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

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

Other Post Employment Benefits (OPEB)

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

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

In fiscal year ending 2008 the Town set up a trust fund for OPEB contributions and established a plan to reach the Actuarially Required Contribution ("ARC") funding level within a 5 year period. However budget adjustments have altered that plan with the Town now set to achieve the ARC funding in fiscal year ending 2017. Based on the 7/1/12 Valuation, the actuaries estimate that the Town's OPEB unfunded accrued liability is approximately \$34.9 million with an ARC of \$3.566 million for fiscal year ending 2013. For fiscal year 2013-14 the ARC will decrease to \$3.552 million.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Funding Excess (a) - (b)</i>	<i>Funded Ratio (a) / (b)</i>	<i>Covered Payroll (c)</i>	<i>Excess Funded AAL as a % of Covered Payroll [(a-b) / (c)]</i>
7/1/2007	\$ -	\$30,780,000	\$(30,780,000)	0.0%	n/a	n/a
7/1/2008	1,384,000	34,026,000	(32,642,000)	4.1%	n/a	n/a
7/1/2009	1,911,000	36,645,000	(34,734,000)	5.2%	n/a	n/a
7/1/2010	3,234,000	38,902,000	(35,668,000)	8.3%	n/a	n/a
7/1/2011	5,065,000	40,455,000	(35,390,000)	12.5%	n/a	n/a
7/1/2012	6,433,000	41,378,000	(34,945,000)	15.5%	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>
2008	\$ 2,506,000	\$ 2,689,235	107.3%
2009	2,776,866	2,346,200	84.5%
2010	3,058,297	2,618,700	85.6%
2011	3,328,867	3,258,700	97.9%
2012	3,463,000	4,697,236	135.6%
2013 ¹	3,566,000	3,697,984	103.7%

¹ Adopted Budget.

Investment Policies and Procedures

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

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

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

Assessment Practices

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

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

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

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

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

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

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

Tax Collection Procedure

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

due in full in July. All District and Political Subdivision taxes are due in full in July. Motor Vehicle taxes are due in full, regardless of the amount, on July 1. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor certificates of corrections, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed twice yearly, with interest charged at the rate of one and one-half percent per month, eighteen percent per annum. In accordance with State law, any monies received by the Tax Collection Office must be applied to the oldest outstanding tax first. Outstanding real estate tax accounts are automatically 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 10/1</i>	<i>Residential Real Property</i>	<i>Commercial &</i>	<i>Land and</i>	<i>Personal Property</i>	<i>Motor</i>	<i>Gross Taxable Grand List</i>	<i>Less Exemptions¹</i>	<i>Net Taxable Grand List¹</i>
		<i>Industrial Property</i>	<i>Other Property</i>		<i>Vehicles Property</i>			
2011 ²	\$ 2,211,044	\$ 1,148,272	\$ 79,939	\$512,177	\$222,949	\$4,174,381	\$ 236,104	\$3,938,277
2010	2,377,564	1,222,967	87,040	449,628	204,404	4,341,603	245,303	4,096,300
2009	2,362,100	1,220,965	90,875	464,028	197,184	4,335,152	231,220	4,103,932
2008	2,345,563	1,215,002	94,479	528,515	195,983	4,379,542	272,172	4,107,370
2007	2,340,537	1,175,784	79,948	560,878	204,497	4,361,644	669,384	3,692,260
2006 ³	2,317,116	1,177,308	82,610	536,897	190,854	4,304,785	1,109,638	3,195,147
2005	1,343,138	865,827	49,718	515,071	200,815	2,974,569	254,868	2,719,701
2004	1,316,715	845,101	57,788	537,173	177,915	2,934,692	353,766	2,580,926
2003	1,304,695	826,284	63,152	530,052	167,032	2,891,215	389,342	2,501,873
2002	1,284,523	816,332	59,855	579,462	174,282	2,914,454	437,508	2,476,946

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

² Year of Revaluation. The Town's 10/1/11 revaluation was fully implemented.

³ Year of Revaluation. The Town's 10/1/06 revaluation was phased-in over a three year period. Without the phase-in, the Net Taxable Grand List as of 10/1/06 would have been \$4,049,712,213.

Source: Town Officials.

(Thousands of Dollars)

Groton Sewer District

Grand List as of 10/1	Residential Real Property	Commercial & Industrial Property	Land and Other Property	Personal Property	Motor Vehicles Property	Gross Taxable Grand List	Less Exemptions ¹	Net Taxable Grand List ¹
2011 ²	\$ 1,859,775	\$ 451,472	\$ 70,759	\$ 96,702	\$ 175,970	\$ 2,654,678	\$ 46,734	\$2,607,944
2010	1,983,569	516,550	76,247	92,258	160,608	2,829,232	47,460	2,781,772
2009	1,968,894	513,892	80,075	97,077	154,689	2,814,627	42,908	2,771,719
2008	1,953,709	510,251	83,553	94,320	152,966	2,794,799	46,097	2,748,702
2007	1,947,778	507,138	72,936	87,827	159,021	2,774,700	387,805	2,386,895
2006 ³	1,926,767	506,447	75,278	78,304	145,890	2,732,686	706,504	2,026,182
2005	1,116,007	326,890	45,003	71,688	157,743	1,717,331	45,051	1,672,280
2004	1,092,351	315,842	49,101	64,069	135,686	1,657,049	28,492	1,628,557
2003	1,081,353	300,480	52,429	67,192	128,448	1,629,902	30,857	1,599,045
2002	1,065,566	286,920	51,116	73,717	132,223	1,609,542	28,963	1,580,579

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

² Year of Revaluation. The Town's 10/1/11 revaluation was fully implemented.

³ Year of Revaluation. The Town's 10/1/06 revaluation was phased-in over a three year period. Without the phase-in, the Net Taxable Grand List as of 10/1/06 would have been \$4,049,712,213.

Source: Town Officials.

Exempt Property

	<i>Assessed Value</i>
	<i>\$(000)s</i>
Public	
United States of America	\$ 450,481
State of Connecticut	226,506
Municipal	223,116
Sub-Total Public	\$ 900,103
Private	
Scientific, educational, historical, charitable	\$ 21,089
Cemeteries	5,638
General Hospital (Pequot Medical Center)	9,906
Churches	26,758
Veteran's Organizations	454
Volunteer Fire Companies	4,840
Hospitals & Sanitariums	-
Miscellaneous	14,200
Sub-Total Private	82,885
Total Exempt	\$ 982,988
Percent Compared to Net Taxable Grand List ¹	25.0%

¹ Based on 10/1/11 Net Taxable Grand List of \$3,938,277,080 (after Board of Assessment Appeals action).

Source: Assessor's Office, Town of Groton.

Real Property Tax Levies and Collections

Town of Groton

<i>Grand List of 10/1</i>	<i>Fiscal Year Ending 6/30</i>	<i>Net Taxable</i>		<i>Adjusted Tax Levy</i>	<i>Percent Annual Levy Collected at End of Fiscal Year</i>	<i>Uncollected</i>	
		<i>Grand List (In Thousands)</i>	<i>Mill Rate</i>			<i>Annual Levy</i>	
						<i>Uncollected at End of Fiscal Year</i>	<i>Annual Levy Uncollected as of 6/30/12</i>
2011 ¹	2013	\$ 3,938,277	20.22	\$79,644,764	N/A	N/A	N/A
2010	2012	4,096,300	18.89	77,540,497	97.8 %	\$ 1,672,312	\$ 1,672,312
2009	2011	4,103,933	18.42	76,226,615	98.2	1,383,873	719,189
2008	2010	4,107,371	17.95	73,703,362	98.1	1,408,141	353,608
2007	2009	3,692,260	19.27	71,844,991	98.1	1,339,168	165,279
2006 ¹	2008	3,195,147	21.21	68,586,441	98.2	1,271,676	75,736
2005	2007	2,719,701	24.05	65,828,369	98.1	1,233,179	35,052
2004	2006	2,580,926	22.95	59,700,130	98.3	985,778	10,009
2003	2005	2,501,873	22.62	56,978,389	98.3	945,426	9,108
2002	2004	2,476,946	22.75	56,684,216	97.9	1,216,853	8,262

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</i>		<i>Adjusted Tax Levy</i>	<i>Percent Annual Levy Collected at End of Fiscal Year</i>	<i>Uncollected</i>	
		<i>Grand List (In Thousands)</i>	<i>Mill Rate</i>			<i>Annual Levy</i>	
						<i>Uncollected at End of Fiscal Year</i>	<i>Annual Levy Uncollected as of 6/30/12</i>
2011 ¹	2013	\$ 2,607,944	0.25	\$ 613,954	N/A	N/A	N/A
2010	2012	2,781,772	0.25	658,606	98.2 %	\$ 11,617	\$ 11,617
2009	2011	2,771,719	0.29	760,894	98.6	10,939	5,985
2008	2010	2,748,702	0.28	731,491	98.5	10,965	2,795
2007	2009	2,386,895	0.33	744,955	98.6	10,441	1,352
2006 ¹	2008	2,026,182	0.39	745,099	98.8	8,894	876
2005	2007	1,672,280	0.75	1,157,674	98.9	13,004	916
2004	2006	1,628,557	0.75	1,131,645	99.1	10,096	305
2003	2005	1,599,045	0.75	1,109,869	99.2	9,058	279
2002	2004	1,580,579	0.75	1,092,023	98.6	15,197	253

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 Vallue</i>	<i>Percent of Net</i>	
			<i>Taxable Grand List¹</i>	<i>Estimated Taxes Due²</i>
Pfizer Incorporated	Pharmaceutical	\$ 587,665,970	14.92%	\$ 11,882,606
Electric Boat Corporation	Submarine Mfg./R&D	215,640,790	5.48%	4,360,257
LCOR Groton Apartments LLC.....	Ledges Apartments	21,454,260	0.54%	433,805
Exit 88 Hotel LLC.....	Mystic Marriott Hotel	20,456,900	0.52%	413,639
Groton Development Associates Ltd. ..	Country Glen Apartments	17,533,460	0.45%	354,527
CW Groton Square LLC.....	Shopping Center	14,518,000	0.37%	293,554
ELK La Triumphe LLC.....	LaTriumphe Apartments	14,501,480	0.37%	293,220
Groton Estates LLC	Colonial Manor	12,232,050	0.31%	247,332
Branford Manor Associates.....	Apartments	10,932,390	0.28%	221,053
Computer Sciences Corp.....	Computer Leasing Co.	10,512,850	0.27%	212,570
Total		\$ 925,448,150	23.51%	\$ 18,712,563

¹ Based on a 10/1/11 Net Taxable Grand List of \$3,938,277,080 (after Board of Assessment Appeals action).

² Based on a 20.22 mill rate established for the 2012-13 budget for the Town.

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

Source: Town of Groton.

Groton Sewer District

<i>Name of Taxpayer</i>	<i>Nature of Business</i>	<i>Net Assessed Vallue</i>	<i>Percent of Net</i>	
			<i>Taxable Grand List¹</i>	<i>Estimated Taxes Due²</i>
LCor Groton Apartments LLC.....	Ledges Apartments	\$ 21,454,260	0.82%	5,364
Exit 88 Hotel LLC.....	Mystic Marriott Hotel	20,456,900	0.78%	5,114
Groton Development Associates Ltd. ..	Country Glen Apartments	17,533,460	0.67%	4,383
CW Groton Square LLC.....	Shopping Center	14,518,000	0.56%	3,630
ELK La Triumphe LLC.....	LaTriumphe Apartments	14,501,480	0.56%	3,625
Pfizer Inc.....	Pharmaceutical	13,677,610	0.52%	3,419
Groton Shoppers Mart LLP.....	Groton Shopping Plaza	9,910,593	0.38%	2,478
Mall Inc.....	Shopping Center	9,621,620	0.37%	2,405
Harvest Windham Falls Estates.....	Assisted Living Facility	9,570,680	0.37%	2,393
Cedar Groton LLC.....	Shopping Center	8,936,690	0.34%	2,234
Total		\$ 140,181,293	5.38%	35,045

¹ Based on a 10/1/11 Net Taxable Grand List of \$2,607,944,217 (after Board of Assessment Appeals action).

² Based on a 0.25 mill rate established for the 2012-13 budget for the Town.

Source: Town of Groton.

Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Revenues are recorded when measurable and available to finance current operations. Town revenues are summarized for fiscal years ended 2008-2012 in "Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis) - General Fund" herein.

Property Tax Revenues

<i>Fiscal Year</i>	<i>General Fund Revenues</i>	<i>Property Tax Revenues</i>	<i>Property Taxes Revenues as a Percentage of General Fund</i>
2013 ¹	\$ 120,896,368	\$ 79,981,815	66.2%
2012	123,676,477	77,709,085	62.8%
2011	123,214,945	78,333,574	63.6%
2010	120,062,813	74,812,435	62.3%
2009	121,351,153	71,813,206	59.2%
2008 ²	139,332,690	68,736,649	49.3%
2007	114,233,924	66,389,842	58.1%
2006	107,274,564	60,183,373	56.1%
2005	103,071,872	56,888,737	55.2%
2004	105,432,834	57,749,758	54.8%

¹ Adopted budget.

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

Source: Annual audited financial statements for fiscal years 2004-2012; adopted budget fiscal year 2013.

Intergovernmental Revenues

<i>Fiscal Year</i>	<i>General Fund Revenues</i>	<i>Federal & State Aid</i>	<i>Aid As a Percentage Of General Fund Revenue</i>
2013 ¹	\$ 120,896,368	\$ 36,355,271	30.1%
2012	123,676,477	43,940,965	35.5%
2011	123,214,945	42,525,983	34.5%
2010	120,062,813	42,969,276	35.8%
2009	121,351,153	46,927,346	38.7%
2008 ²	139,332,690	66,139,757	47.5%
2007	114,233,924	44,986,210	39.4%
2006	107,274,564	43,164,855	40.2%
2005	103,071,872	43,580,461	42.3%
2004	105,432,834	44,544,690	42.2%

¹ Adopted budget.

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

Source: Annual audited financial statements for fiscal years 2004-2012; adopted budget fiscal year 2013

Expenditures

<i>Fiscal Year</i>	<i>Education</i>	<i>Public Safety</i>	<i>Public Works</i>	<i>General Services</i>	<i>Debt Service</i>
2013 ¹	60.1%	5.5%	5.2%	3.7%	3.8%
2012	64.7%	5.1%	4.9%	3.3%	4.1%
2011	64.0%	5.2%	5.5%	3.6%	4.2%
2010	64.4%	5.2%	6.0%	3.8%	4.1%
2009	63.5%	5.4%	6.5%	3.8%	4.3%
2008	70.0% ²	4.6%	5.4%	3.2%	3.0%
2007	65.6%	5.5%	6.0%	3.9%	2.8%
2006	65.5%	5.4%	6.6%	3.9%	2.4%
2005	65.2%	5.8%	6.1%	4.0%	2.5%
2004	64.8%	7.2%	6.2%	4.8%	2.7%

¹ Adopted budget.

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

Source: Annual audited financial statements for fiscal years 2004-2012; adopted budget fiscal year 2013.

[The remainder of this page intentionally left blank]

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

	<i>Fiscal Year 2011-2012</i>			<i>Fiscal Year</i>
	<i>Revised Budget</i>	<i>Actual Operations</i>	<i>Variance Favorable (Unfavorable)</i>	<i>2012-13 Adopted Budget</i>
REVENUES				
Property taxes, interest and liens.....	\$77,546,606	\$ 77,638,571	\$ 91,965	\$ 79,981,815
Licenses and permits.....	216,875	172,551	(44,324)	204,254
Interest on investments.....	100,000	86,004	(13,996)	88,000
Intergovernmental - Federal.....	4,532,324	4,084,903	(447,421)	3,459,971
Integovernmental - State.....	32,667,606	32,310,831	(356,775)	32,895,300
Charges for current services.....	1,056,333	954,765	(101,568)	1,202,495
Schools, library and recreation fees..	286,606	328,923	42,317	319,432
Other revenue.....	418,400	476,613	58,213	461,606
TOTAL REVENUES	116,824,750	116,053,161	(771,589)	\$118,612,873
EXPENDITURES				
Current:				
General government.....	971,297	799,196	172,101	\$ 920,165
General services.....	4,386,262	4,204,515	181,747	4,433,831
Public safety.....	6,388,590	6,253,662	134,928	6,592,898
Public works.....	6,255,507	6,004,046	251,461	6,251,351
Planning and development.....	1,135,116	1,102,217	32,899	1,182,401
Health and human services.....	562,605	537,609	24,996	564,294
Community services.....	3,515,048	3,435,289	79,759	3,510,438
Nondepartmental.....	8,732,151	8,588,776	143,375	8,845,691
Education.....	72,645,500	72,562,755	82,745	72,645,500
Outside agencies.....	2,050,744	2,047,568	3,176	2,037,965
Subdivisions.....	4,881,072	4,883,336	(2,264)	5,228,394
Debt service.....	5,012,449	4,866,283	146,166	4,583,440
Contingency.....	127,000	-	127,000	450,000
TOTAL EXPENDITURES	116,663,341	115,285,252	1,378,089	117,246,368
Excess (deficiency) of revenues over expenditures.....	<u>161,409</u>	<u>767,909</u>	<u>606,500</u>	<u>1,366,505</u>
Other financing uses:				
Appropriation of Fund Balance.....	-	-	-	1,589,059
Transfers in.....	794,183	794,183	-	694,436
Transfers out.....	<u>(1,821,722)</u>	<u>(1,821,722)</u>	-	<u>(3,650,000)</u>
Total other financing uses.....	<u>(1,027,539)</u>	<u>(1,027,539)</u>	-	<u>(1,366,505)</u>
Net Change in Fund Balance.....	<u>\$ (866,130)</u>	<u>(259,630)</u>	<u>\$ 606,500</u>	<u>\$ -</u>
Fund Balance - Beginning of year....		<u>11,019,323</u>		
Encumbrances cancelled.....		<u>172,575</u>		
Fund Balance - End of year.....		<u>\$ 10,932,268</u>		

Sources: Annual audited financial statement; Groton Finance Department.

Comparative Balance Sheets - General Fund

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
ASSETS					
Cash and cash equivalents.....	\$ 21,051,258	\$ 18,960,973	\$ 19,442,735	\$ 19,819,135	\$ 18,286,950
Receivables, net:.....					
Property taxes.....	1,691,535	1,733,748	2,083,049	2,504,544	3,844,700
Other receivable.....	85,478	2,151,648	333,777	693,973	2,014,873
Due from other funds.....	1,034,015	1,502,206	190,947	-	-
Other assets.....	<u>3,505</u>	<u>577</u>	<u>76</u>	<u>200</u>	<u>9,714</u>
TOTAL ASSETS.....	<u>\$23,865,791</u>	<u>\$24,349,152</u>	<u>\$22,050,584</u>	<u>\$23,017,852</u>	<u>\$24,156,237</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued items.....	\$ 6,495,939	\$ 6,795,495	\$ 8,084,379	\$ 7,448,596	\$ 8,598,752
Due to other funds.....	-	-	-	100	-
Deferred revenue.....	<u>1,636,960</u>	<u>1,760,699</u>	<u>2,065,213</u>	<u>2,378,914</u>	<u>2,810,594</u>
TOTAL LIABILITIES.....	<u>8,132,899</u>	<u>8,556,194</u>	<u>10,149,592</u>	<u>9,827,610</u>	<u>11,409,346</u>
 FUND BALANCES					
Reserved for:.....	-	-	-	-	-
Encumbrances.....	2,655,295	3,289,619	2,139,367	-	-
Prepaid expenditures.....	-	-	-	-	-
Unreserved:.....	-	-	-	-	-
General fund.....	13,077,597	12,503,339	9,761,625	-	-
Nonspendable.....	-	-	-	-	-
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	-	-	-	3,029,419	3,325,543
Unassigned.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,160,823</u>	<u>9,421,348</u>
TOTAL FUND BALANCES.....	<u>15,732,892</u>	<u>15,792,958</u>	<u>11,900,992</u>	<u>13,190,242</u>	<u>12,746,891</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$23,865,791</u>	<u>\$24,349,152</u>	<u>\$22,050,584</u>	<u>\$23,017,852</u>	<u>\$24,156,237</u>

Source: Annual audited financial statements.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES					
Property taxes, interest and lien fees.....	\$ 68,736,649	\$ 71,813,206	\$ 74,812,435	\$ 78,333,574	\$ 77,709,085
Licenses and permits.....	308,948	229,903	203,543	219,643	172,551
Intergovernmental - State.....	60,412,937	40,473,266	34,883,447	33,769,265	39,856,061
Interest on investments.....	1,347,913	432,137	149,936	128,689	87,081
Intergovernmental - Federal.....	5,726,820	6,454,080	8,085,829	8,756,718	4,084,904
Charges for current services.....	1,926,157	1,042,088	1,008,535	1,045,037	961,240
Schools, library and recreation.....	461,072	455,396	433,701	383,922	328,918
Other revenues.....	412,194	451,077	485,387	578,097	476,637
TOTAL REVENUES.....	<u>139,332,690</u>	<u>121,351,153</u>	<u>120,062,813</u>	<u>123,214,945</u>	<u>123,676,477</u>
EXPENDITURES					
Current:					
General government.....	972,939	966,301	992,409	1,078,740	1,035,562
General services.....	4,408,325	4,589,704	4,624,308	4,397,592	4,319,947
Public safety.....	6,227,416	6,442,723	6,404,464	6,354,202	6,316,598
Public works.....	7,382,546	7,763,799	7,438,420	6,801,065	6,045,599
Planning and development.....	1,185,564	1,209,680	1,259,708	1,107,830	1,103,737
Health and human services.....	650,897	618,332	596,165	558,639	537,609
Community services.....	4,244,024	4,277,775	4,109,777	3,820,985	3,429,052
Education.....	95,600,470	76,365,187	79,363,536	78,536,129	79,722,039
Subdivisions.....	4,838,436	5,092,447	4,964,012	4,740,354	4,883,336
Non-departmental ¹	5,166,273	5,954,633	6,518,577	7,999,321	8,589,044
Outside agencies.....	1,771,930	1,782,982	1,887,719	2,013,541	2,034,066
Debt service.....	4,145,630	5,197,868	5,077,517	5,136,523	5,044,146
Capital Outlay.....	-	-	-	118,172	71,164
TOTAL EXPENDITURES.....	<u>136,594,450</u>	<u>120,261,431</u>	<u>123,236,612</u>	<u>122,663,093</u>	<u>123,131,899</u>
Excess (deficiency) of revenues over expenditures.....	<u>2,738,240</u>	<u>1,089,722</u>	<u>(3,173,799)</u>	<u>551,852</u>	<u>544,578</u>
Other financing sources (uses):					
Issuance of capital lease.....	-	-	43,613	-	-
Operating transfers in.....	630,992	650,837	670,251	729,556	797,972
Operating transfers out.....	(2,463,007)	(1,680,493)	(1,432,031)	(834,475)	(1,963,764)
Refunding bonds issued.....	-	-	-	-	16,305,000
Payments to refunded bond escrow agent....	-	-	-	-	(17,441,838)
Premiums/discounts on bond issuance.....	-	-	-	-	1,314,701
Total other financing sources (uses).....	<u>(1,832,015)</u>	<u>(1,029,656)</u>	<u>(718,167)</u>	<u>(104,919)</u>	<u>(987,929)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	906,225	60,066	(3,891,966)	446,933	(443,351)
Fund Balance - Beginning of year.....	<u>14,826,667</u>	<u>15,732,892</u>	<u>15,792,958</u>	<u>12,743,309¹</u>	<u>13,190,242</u>
Fund Balance - End of year.....	<u>\$ 15,732,892</u>	<u>\$ 15,792,958</u>	<u>\$ 11,900,992</u>	<u>\$ 13,190,242</u>	<u>\$ 12,746,891</u>

¹ Restated

Source: Annual audited financial statements.

SECTION VI - ADDITIONAL INFORMATION

Litigation

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

Availability of Continuing Disclosure Information

The Town prepares, in accordance with State law, annual audited financial statements and operating statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide the rating agencies ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested from time to time.

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

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

Financial Advisor

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

Documents Accompanying Delivery of the Bonds

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

1. 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 of the execution of the Bond Purchase Agreement, the descriptions and statements in the Official Statement relating to the Town of Groton and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. Receipts for the purchase prices of the Bonds;
4. The approving opinions of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut substantially in the form set forth in Appendices B and C hereto;
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix D;

6. Within seven business days after the award, the Town will furnish the underwriter of the Bonds a reasonable number of copies of the Official Statement as prepared by the Town; and
7. Such other documents as required by the bond purchase agreement.

Concluding Statement

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

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

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

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

TOWN OF GROTON, CONNECTICUT

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

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

Dated: February 27, 2013

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF GROTON CONNECTICUT

Table of Contents

June 30, 2012

	<u>Page</u>
<i>Independent Auditors' Report</i>	A-1
<i>Exhibit:</i>	
<i>General Purpose Financial Statements:</i>	
Management Discussion and Analysis	A-3
I Statement of Net Assets	A-16
II Statement of Activities	A-17
III Balance Sheet - Government Funds	A-18
IV Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	A-20
V Statement of Net Assets - Proprietary Funds	A-22
VI Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	A-23
VII Statement of Cash Flows - Proprietary Funds	A-24
VIII Statement of Net Assets - Fiduciary Funds	A-25
IX Statement of Changes in Fund Net Assets - Fiduciary Funds	A-26
Notes to General Purpose Financial Statements	A-27
RSI-1 General Fund Schedule of Revenues and Other Financing Sources - Budget and Actual	A-63
RSI-2 General Fund Schedule of Expenditures and Other Financing Sources – Budget and Actual	A-66

Appendix A - Financial Statements - is taken from the Comprehensive Annual Report of the Town of Groton for the Fiscal Year ending June 30, 2012 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.



Accounting | Tax | Business Consulting

Independent Auditors' Report

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

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, 2012, which collectively comprise the Town of Groton, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Groton, Connecticut, as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-3 through A-15 and the budgetary comparison information on pages A-63 through A-67 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, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blum, Shapiro & Company, P.C.

December 19, 2012

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, 2012 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.

Financial Highlights:

- The assets of the Town of Groton exceeded its liabilities at the close of the most recent fiscal year by \$194,044 (net assets). Of this amount, \$38,258 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,876. This increase is mainly attributable to revenues exceeding expenses.
- As of the close of the current fiscal year, the Town of Groton's governmental funds reported combined ending fund balances of \$29,195.
- For the fiscal year ended June 30, 2012, the unassigned fund balance for the General Fund was \$9,421 or 8.0% of total General Fund expenditures on a budgetary basis. The Town Council has an adopted policy for the maintenance of a minimum unassigned fund balance be "maintained in an amount equal to at least seven and one-half (7.5%) percent of the annual general fund expenditures".
- The Town of Groton's total debt decreased by \$8,140 (12.2%) during the current fiscal year. This was mainly due to decreases (\$3,690) in the principal amounts due on bonds for general government obligation debt and decreases (\$1,240) in the loan payment due to the State's Clean Water Fund. Also the bond anticipation notes that matured in FYE 2012 in the amount of \$3,210 did not need to be reissued.

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 2003 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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets 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, 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.

The government-wide financial statements (statement of net assets 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, the Capital Improvements Fund and the School Construction Fund which are considered to be major funds. Twenty-three special revenue funds, two Capital Project Funds, a Debt Service Fund and three Permanent Funds are combined into aggregate funds in this presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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 27-62 of this report.

Other Information. Required supplemental information for the General Fund is provided immediately following the Notes to the Financial Statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found beginning on page 68 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 \$194,044 on June 30, 2012.

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

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 59,759	\$ 60,483
Capital assets, net of accumulated depreciation	214,210	218,270
Total assets	<u>273,969</u>	<u>278,753</u>
Long-term liabilities outstanding	66,773	72,307
Other liabilities	13,152	14,278
Total liabilities	<u>79,925</u>	<u>86,585</u>
Net Assets:		
Invested in capital assets, net of related debt	155,539	151,539
Restricted	247	326
Unrestricted	<u>38,258</u>	<u>40,303</u>
Total Net Assets	<u>\$ 194,044</u>	<u>\$ 192,168</u>

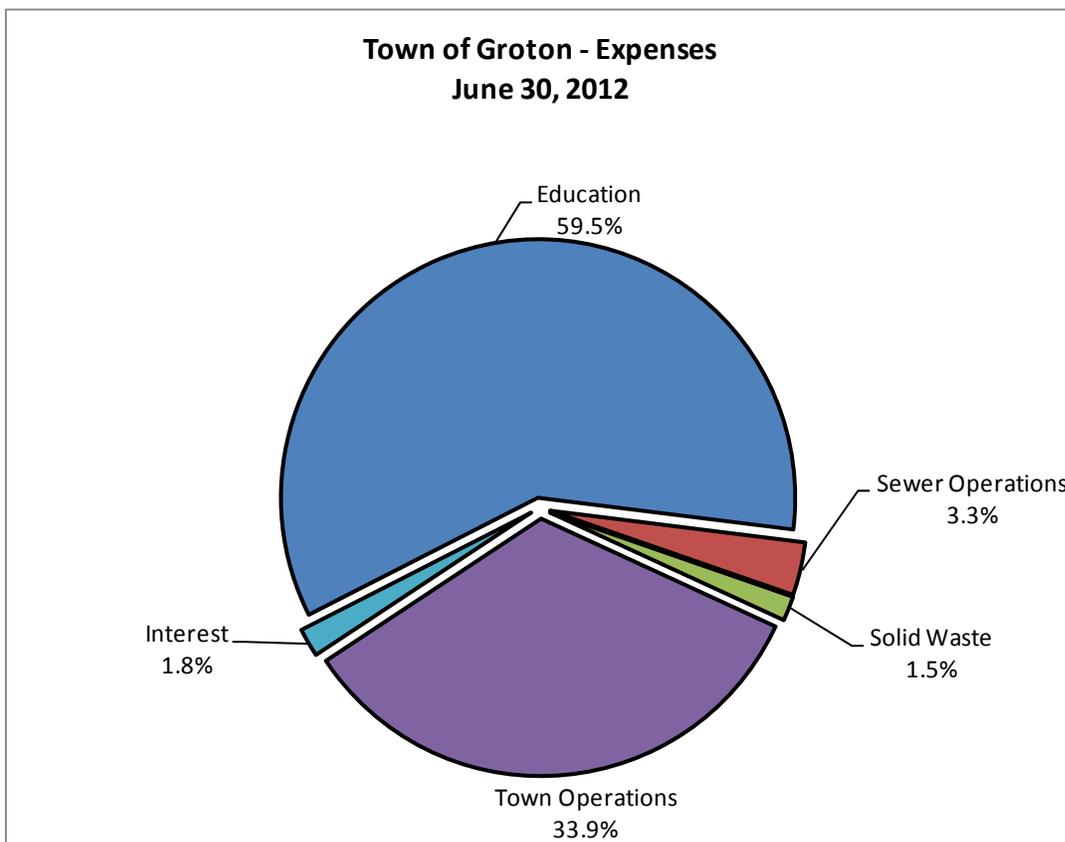
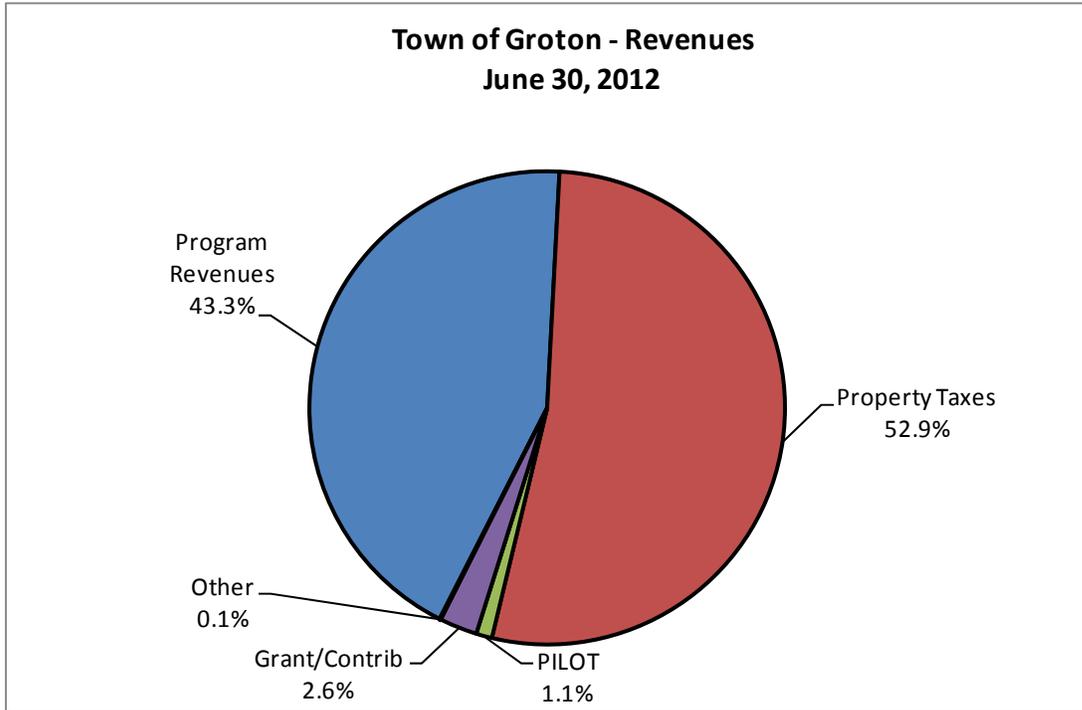
By far the largest portion of the Town of Groton's net assets (80.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Groton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Groton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets (\$38,258) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities. Approximately 52.9% of the revenues were derived from property taxes, followed by 37.0% from grants and contributions, then 8.9% from other program revenues, 1.1% from payments in lieu of taxes and finally less than 1% of the Town's revenue in this fiscal year was derived from investment earnings.

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

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 13,323	\$ 13,605
Operating grants and contributions	45,277	43,753
Capital grants and contributions	6,164	3,763
General revenues:		
Property taxes	79,098	79,310
Payments in lieu of taxes	1,623	1,946
Grants and contributions (not restricted)	3,849	2,596
Other unrestricted investment earnings	129	242
Total revenues	149,463	145,215
Expenses:		
General government/services	9,061	7,954
Public safety	12,371	11,271
Public works	17,352	11,857
Planning and development	1,641	1,576
Human service	2,743	2,861
Community services	6,798	7,032
Board of Education	87,769	84,645
Sewer operations	4,925	4,550
Solid waste	2,287	2,636
Interest on long-term debt	2,640	2,226
Total expenses	147,587	136,608
Increase in Net Assets	1,876	8,607
Net Assets July 1	192,168	183,561
Net Assets June 30	\$ 194,044	\$ 192,168



Major revenue factors for all Governmental Funds included:

- ◆ Total revenues were \$4,248 higher in 2012 when compared to 2011 or an increase of 2.9%.
- ◆ Grants and Contributions were more in 2012 as the Town recognized more in State and Federal grants.
- ◆ Property tax revenues recorded for fiscal year 2012 decreased mainly due to a reduction in the amount of prior year taxes and interest and lien fees received. The Town's tax rate increased from 18.42 mills to 18.89 mills.
- ◆ Investment earnings decreased by \$113 from the prior fiscal year to \$129 for the fiscal year ended June 30, 2012. The reduction to interest and dividend earnings was the result of lower interest rates on investments and less funds available for investment purposes.

For Governmental Activities, 59.5% of the Town's expenses relate to education, 11.8% relate to public works, 8.4% relate to public safety, 6.1% to general government/services, 4.6% to community services and the remainder relates to planning & development, human services, sewer operations, solid waste, human services and interest on long term debt.

Major expense factors for all Governmental Funds include:

- ◆ Total expenses were \$10,977 higher in 2012 when compared to 2011 or an increase of 8.0%.
- ◆ Town Operations expenses were \$7,415 higher in 2012 when compared to 2011 or an increase of 17.4%.
- ◆ Education expenses were \$3,122 higher in 2012 when compared to 2011 or an increase of 3.7%
- ◆ Increases in Sewer Operations, Solid Waste and Interest on Long Term Debt accounted for an increase of \$440 in expenses over 2011 or an increase of 4.7%.

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 \$29,195, a decrease of \$1,448 in comparison with the prior year. Of this amount, \$9,171 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 \$9,421, which is included in the total fund balance of \$12,747. 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 8.0% of total general fund expenditures, while total fund balance represents 10.9% of that same amount.

The total fund balance of the Town of Groton's General Fund decreased by \$443 during the current fiscal year. The unassigned fund balance decreased by \$709. Key factors in the total fund balance decrease of \$443 are as follows:

- ◆ Revenues were \$772 less than budgeted mainly due to decreases in State and Federal funding and also reduction in local revenues.
- ◆ Expenditures were under budget by \$1,378 due to unexpended funds in Town Operations, the Board of Education, Debt Service and Contingency.
- ◆ Although revenue was under budget this was offset by unexpended appropriations at year end. As a result only \$260 of the \$866 fund balance applied to FYE 2012 was required to balance the FYE 2012 budget.
- ◆ The reserve for encumbrances was reduced by \$253.
- ◆ The amount designated for the subsequent year budget was increased from \$866 to \$1,589.

Capital Improvements Fund. This fund has a total fund balance of \$6,506, down from \$6,729 in the prior year. The decrease is mainly explained by the increase in Capital Outlays.

School Construction Fund. This fund has a total fund balance of \$214 which is a increase from the prior year deficit of \$1,608. The increase in the fund balance is attributed to an increase in the receipt of State grant reimbursements.

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 \$1,014 for the Fleet Reserve Fund, \$8,388 for the Health Insurance Fund and a deficit of \$519 for the Workers' Compensation Fund that includes the liability for heart and hypertension claims. The total increase in net assets for the internal service funds was \$117 mainly due an increase in the Health Insurance Fund.

General Fund Budgetary Highlights:

There was no difference between the original budget and the final budget because there were no supplemental appropriations made during the fiscal year. Transfers of \$223 occurred from the Contingency function to other functions within the General Fund.

During the year, actual revenues and other financing sources on a budgetary basis amounted to \$116,847 which was under the adopted budget by \$772. The majority of this decrease can be attributed to a reduction in State and Federal revenues.

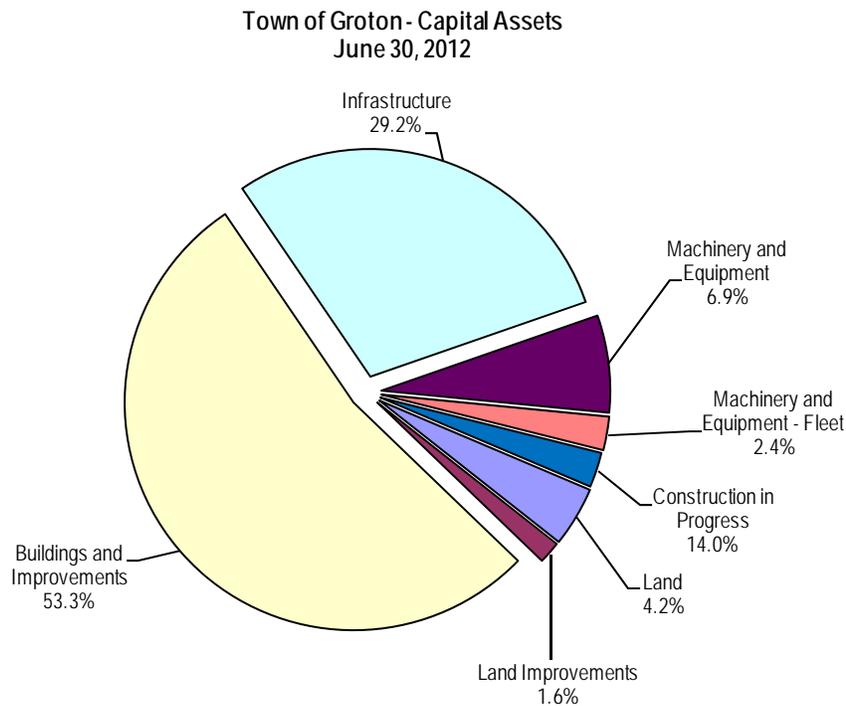
Actual expenditures on a budgetary basis and other financing uses totaled \$117,107; with actual revenues totaling \$116,847, expenditures exceeded revenues on a budgetary basis by \$260. The fiscal year 2011 audit had a designation of fund balance in the amount of \$866 to support FYE 2012 but only \$260 was needed. Actual expenditures were under budget by \$1,378 with the town operations returning about \$1,022, the Board of Education returning \$83 and \$127 was left unspent in the Contingency function.

Capital Asset and Debt Administration:

Capital Assets. The Town of Groton's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$326,056. 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 0.9% mainly which reflects the purchase of equipment at the Water Pollution Control Facility, acceptance of roads in various subdivisions, road resurfacing and vehicle purchases.

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

	Governmental Activities	
	2012	2011
Land	\$ 13,836	\$ 13,836
Land improvements	5,130	4,453
Buildings and improvements	173,739	153,492
Infrastructure	95,166	92,656
Machinery and equipment	22,364	19,153
Machinery and equipment - fleet	7,745	7,647
Construction in progress	8,076	31,789
Total	\$ 326,056	\$ 323,026



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

- Regarding the use of the State's Local Capital Improvement Project funds, the following major amounts (over \$50) were expended:
 - Sidewalks on Route 1: \$146,
 - Golf Course Fuel Tanks & Windows: \$68.

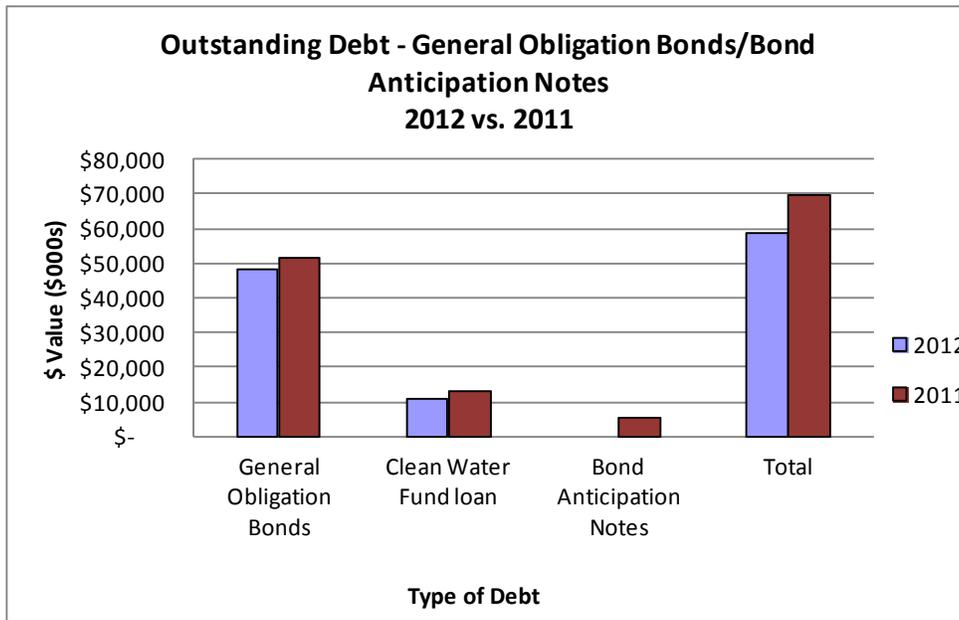
- Regarding the use of local capital funds, the following major amounts (over \$50) were expended:
 - Annex: Salt/Sand Storage: \$99
 - Bridge Construction - Groton Long Point: \$556
 - Flanders Road Utility Installation: \$72,
 - Judson Avenue Drainage: \$128
 - Middle School Modifications: \$338
 - Mystic Streetscapes Project: \$2,032
 - Pavement Management Program: \$236
 - Pavement Management Program-GLP: \$62
 - Roads-River Road: \$191
 - Thames Street Retaining Wall: \$112
 - Water Pollution Control Facility; Facility Renovations: \$495
 - Water Pollution Control Facility; Sewer Line Replacements: \$1,130

Additional information on the Town of Groton's capital assets can be found in Note 3D on pages 44-45 and on pages 96 through 98 of this report.

Outstanding Debt. At the end of the current fiscal year, the Town of Groton had total debt outstanding of \$58,565. Of this amount, \$52,915 comprises debt backed by the full faith and credit of the government and \$5,650 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	
	2012	2011
General obligation bonds	\$ 47,990	\$ 51,590
Clean Water Fund loan	10,665	11,905
Bond anticipation notes and notes payable	_____	3,210
Total	\$ 58,655	\$ 66,705



The Town of Groton's general obligation bonds have decreased \$3,690. The total debt including bond anticipation notes decreased \$8,140 or 12.2% during the current fiscal year mainly due to no new bonds being issued, bonds being paid down and the Clean Water fund principle being reduced due to loan payments made to the State.

For FYE 2012, the Town of Groton's bond rating was maintained at an "AA" rating with Fitch Ratings and Standard & Poors and at an "Aa2" rating with Moody's Investors Service.

The overall statutory debt limit for the Town of Groton is equal to seven times annual receipts from taxation or \$637,479. As of June 30, 2012, the Town recorded total indebtedness of \$58,276 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 49-52 of this report.

Economic Factors and Next Year's Budgets and Rates:

- As of June 2012, the Town had an unemployment rate of 8.8% as compared to the New London County rate of 8.6%, the state's average rate of 8.4% and the national average of 8.2%.
- New London County has an employed labor force of approximately 140,064 residents.
- Inflationary trends in the region compare similarly to national indices.

Grand List decreases by 3.9%:

The October 1, 2011 net adjusted taxable Grand List fell 3.9% from last year's after appeals were heard by the Board of Assessment Appeals. The net adjusted grand list now totals \$3,938,277. The combined assessments of the top 10 taxpayers comprises 23.5% of the town's net grand list.

Net real estate fell about 6.3%, from about \$3.6 billion to about \$3.4 billion. Most of this change is reflective of the recently completed 2011 revaluation of all real estate. Penalty assessments, which this year contribute about \$5.2 million to the net grand list and are down substantially from last year's \$10.3 million. These penalties, equal to 10% of their corresponding base assessments, were imposed on 92 properties where the owners of commercial real estate failed to file an income and expense statement prior to June 1, 2011. Last year, these penalties were imposed on 97 parcels.

Net residential **real estate** assessments dropped 6.9%, from about \$2,418 billion to \$2,251 billion. This year, with the increase in the personal property portion of the grand list, the residential real estate's share of the entire net grand list dropped slightly - from 59% of the 2010 grand List to 57% of the 2011 grand list. Net commercial real estate dropped this year, falling 10.5% to \$580 million. Although the gross assessment for industrial property which includes Pfizer and EB, remained flat at \$610 million, the net industrial assessments increased by 3.3% to \$568.3 million due to the expiration of state enterprise zone exemptions.

Thirteen single-family homes were started for the October 1, 2011 grand List, compared to 33 last year.

For the first time in four years, the **personal property** grand list increased in both the gross and net assessments. With a 16.8% increase, the net grand list rose to \$353 million, up from \$302 million in 2010. The majority of the increase is attributable to an increase in the net assessment for Pfizer, which increased by slightly over \$47 million from the 2010 declared asset list. The increase in assessments for furniture, fixtures, machinery & equipment indicates an increase in assets on the Groton campuses, probably from the closing of the New London office complex and the moving of those assets to the Groton site.

In the past the town was eligible for state reimbursement of the taxes lost on the bulk of the exemptions applied to manufacturing machinery & equipment and commercial vehicle personal property assessments. The 2011 legislative session adopted changes to the program, and State Office of Policy and Management (OPM) has shifted away from a direct reimbursement of manufacturing machinery & commercial vehicles tax losses to a Manufacturing Transition Grant. The town's grant will now be based on a proportionate amount of the overall annual amount available through OPM, along with other towns and cities that also claim the exemption.

There were 26 fewer businesses listed this year, with 2,114 accounts on the grand list.

The assessments of the top ten personal property taxpayers now comprise 78.6% of the personal property portion of the net grand list.

The **motor vehicles** portion of the grand list, adjusted for military exemptions, rose 11.3% this year, rising from \$177,292 in 2010 to \$197,354. An in-depth analysis of vehicles left unpriced by CT DMV resulted in an increase in values during the processing of the motor vehicle grand list. This is believed to have brought the assessments more in-line with current market values. Also discovered during the grand list process was an increase in vehicle values, especially compact & economy cars as reflected in the National Automobile Dealers Association guide (NADA), used and recommended by the state assessors association to price vehicles by Connecticut municipalities. It's notable that the assessed value of motor vehicles rose despite the fact that there were 228 fewer motor vehicles registered in town in 2011.

Other Information:

During the fiscal year ended June 30, 2012, the Town of Groton's General Fund received 31.1% 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 2012 is at 8.0% of operating expenses which is above the minimum acceptable guideline set by the Town Council. With an overwhelming reliance on property taxes, 66.4% of the General Fund revenues are derived from 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 decreased to \$9,421. The Town Council has assigned \$1,589 of the total fund balance to fund the 2012 fiscal year budget.

Requests for Information:

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

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 46,375,416
Investments	2,964,000
Receivables (net of allowances for collection losses):	
Property taxes	3,631,898
Special assessments	538,825
Accounts receivable	765,382
Federal and state governments	2,825,172
Other receivables	631,150
Other assets	267,229
Net pension asset	1,022,046
Net other postemployment benefit asset	490,489
Capital assets, nondepreciable	21,911,626
Capital assets, net of accumulated depreciation	192,298,312
Restricted assets:	
Cash	138,560
Investments	108,983
Total assets	<u>273,969,088</u>
Liabilities:	
Accounts payable and accrued liabilities	12,446,217
Unearned revenue	706,012
Noncurrent liabilities:	
Due within one year	4,515,784
Due in more than one year	62,257,163
Total liabilities	<u>79,925,176</u>
Net Assets:	
Investment in capital assets, net of related debt	155,538,608
Restricted for:	
Trust, nonexpendable	247,543
Unrestricted	<u>38,257,761</u>
Total Net Assets	<u>\$ 194,043,912</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Capital Improvements Fund	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 15,322,950	\$ 8,523,788	\$ 213,645	\$ 10,329,317	\$ 34,389,700
Investments	2,964,000			108,983	3,072,983
Receivables, net	3,844,700	1,529,133		2,084,123	7,457,956
Due from other funds	2,014,873				2,014,873
Other assets	9,714			14,023	23,737
Total Assets	<u>\$ 24,156,237</u>	<u>\$ 10,052,921</u>	<u>\$ 213,645</u>	<u>\$ 12,536,446</u>	<u>\$ 46,959,249</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,598,752	\$ 2,002,951		\$ 1,069,928	\$ 11,671,631
Due to State				73,762	73,762
Due to other funds		1,542,308		472,565	2,014,873
Deferred revenues	2,810,594	1,453		1,192,428	4,004,475
Total liabilities	<u>11,409,346</u>	<u>3,546,712</u>	<u>-</u>	<u>2,808,683</u>	<u>17,764,741</u>
Fund balances:					
Nonspendable				261,566	261,566
Restricted		6,506,209	213,645	916,814	7,636,668
Committed				8,799,862	8,799,862
Assigned	3,325,543				3,325,543
Unassigned	9,421,348			(250,479)	9,170,869
Total fund balances	<u>12,746,891</u>	<u>6,506,209</u>	<u>213,645</u>	<u>9,727,763</u>	<u>29,194,508</u>
Total Liabilities and Fund Balances	<u>\$ 24,156,237</u>	<u>\$ 10,052,921</u>	<u>\$ 213,645</u>	<u>\$ 12,536,446</u>	<u>\$ 46,959,249</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:
Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 29,194,508
--	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 318,310,796	
Less accumulated depreciation	<u>106,935,930</u>	
Net capital assets		211,374,866

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

Net pension asset	1,022,046
Net other postemployment benefit asset	490,489
Property taxes and assessments receivable greater than 60 days	2,791,923
Loan receivables greater than 60 days	506,540
Interest receivable on property taxes	773,575
Bond issuance costs	203,101

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 assets.

	11,718,558
--	------------

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	(47,990,000)
Bond premium	(1,263,009)
Deferred amounts on refunding	1,258,880
Clean water fund loan payable	(10,665,325)
Interest payable on bonds	(589,688)
Capital lease obligations	(11,876)
Compensated absences	(2,149,076)
Landfill closure costs	<u>(2,621,600)</u>

Net Assets of Governmental Activities (Exhibit I)	<u>\$ 194,043,912</u>
---	-----------------------

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and lien fees	\$ 77,709,085	\$	\$	\$ 682,132	\$ 78,391,217
Assessments				28,252	28,252
Licenses and permits	172,551				172,551
Intergovernmental - state	39,856,061	2,552,522	1,853,856	2,857,129	47,119,568
Interest on investments	87,081	16,798	34	13,247	117,160
Intergovernmental - federal	4,084,904			3,203,298	7,288,202
Charges for current services	961,240	5,086		3,783,142	4,749,468
Schools, library and recreation fees	328,918				328,918
Sewer use charges				5,040,588	5,040,588
Solid waste management charges				2,489,102	2,489,102
Other revenue	476,637	351,161		637,565	1,465,363
Total revenues	<u>123,676,477</u>	<u>2,925,567</u>	<u>1,853,890</u>	<u>18,734,455</u>	<u>147,190,389</u>
Expenditures:					
Current:					
General government	1,035,562			546,120	1,581,682
General services	4,319,947				4,319,947
Public safety	6,316,598			826,915	7,143,513
Public works	6,045,599			101,308	6,146,907
Planning and development	1,103,737				1,103,737
Health and human services	537,609			303,613	841,222
Community services	3,429,052			2,072,669	5,501,721
Education	79,722,039			5,891,647	85,613,686
Subdivisions	4,883,336				4,883,336
Sewer operations				4,274,215	4,274,215
Solid waste management				2,286,841	2,286,841
Nondepartmental	8,589,044				8,589,044
Outside agencies	2,034,066			357,926	2,391,992
Debt service	5,044,146			2,788,569	7,832,715
Capital outlay	71,164	6,233,980	31,831		6,336,975
Total expenditures	<u>123,131,899</u>	<u>6,233,980</u>	<u>31,831</u>	<u>19,449,823</u>	<u>148,847,533</u>
Revenues over (under) Expenditures	<u>544,578</u>	<u>(3,308,413)</u>	<u>1,822,059</u>	<u>(715,368)</u>	<u>(1,657,144)</u>
Other Financing Sources (Uses):					
Transfers in	797,972	3,085,000		211,440	4,094,412
Transfers out	(1,963,764)			(2,130,648)	(4,094,412)
Refunding bonds issued	16,305,000			2,710,000	19,015,000
Payments to refunded bond escrow agent	(17,441,838)			(2,665,189)	(20,107,027)
Premiums/discounts on bond issuance	1,314,701			(13,419)	1,301,282
Total other financing sources (uses)	<u>(987,929)</u>	<u>3,085,000</u>	<u>-</u>	<u>(1,887,816)</u>	<u>209,255</u>
Net Change in Fund Balances	(443,351)	(223,413)	1,822,059	(2,603,184)	(1,447,889)
Fund Balances at Beginning of Year	<u>13,190,242</u>	<u>6,729,622</u>	<u>(1,608,414)</u>	<u>12,330,947</u>	<u>30,642,397</u>
Fund Balances at End of Year	<u>\$ 12,746,891</u>	<u>\$ 6,506,209</u>	<u>\$ 213,645</u>	<u>\$ 9,727,763</u>	<u>\$ 29,194,508</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

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)	\$ (1,447,889)
---	----------------

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	1,903,195
Depreciation expense	(7,259,765)
Donated capital assets	1,487,180

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	489,219
Interest income on property taxes	189,299
Intergovernmental revenue on school bonds	(54,689)
Revenue on loan receivables greater than 60 days	135,862

Change in pension asset	(2,291)
-------------------------	---------

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.

Accrued interest on bonds	(54,807)
Principal payments on bonds	22,615,000
Principal payments on Clean Water Fund loan payable	1,239,505
Principal payments on capital leases	13,956
Bond proceeds	(19,015,000)
Bond premium proceeds	(1,263,009)
Deferred amounts on refunding	1,258,880
Landfill closure payments	168,200
Change in other post employment benefit liability	757,195
Change in other post employment benefit asset	490,489
Bond issuance costs	203,101

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	(95,015)
--------------------------------	----------

The net expense of certain activities of internal service funds is reported in governmental activities	<u>117,216</u>
--	----------------

Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 1,875,832</u>
--	---------------------

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2012

	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 12,124,276
Accounts receivable	160,896
Other assets	40,391
Total current assets	<u>12,325,563</u>
Noncurrent assets:	
Property and equipment, net	<u>2,835,072</u>
Total assets	<u>15,160,635</u>
Liabilities:	
Current liabilities:	
Accounts payable	111,136
Claims incurred but not reported	927,922
Total current liabilities	<u>1,039,058</u>
Noncurrent liabilities:	
Claims incurred but not reported, net of current portion	<u>2,403,019</u>
Total liabilities	<u>3,442,077</u>
Net Assets:	
Invested in capital assets	2,835,072
Unrestricted	<u>8,883,486</u>
Total Net Assets	<u>\$ 11,718,558</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 16,014,702
Other revenue	40,945
Total operating revenues	<u>16,055,647</u>
Operating Expenses:	
Operating expenses	817,006
Claims	13,523,013
Depreciation	561,476
Administration	1,037,474
Total operating expenses	<u>15,938,969</u>
Operating Income	<u>116,678</u>
Nonoperating Revenues and Expenses:	
Intergovernmental revenue	8,200
Interest on investments	11,876
Loss on disposal of capital assets	(19,538)
Net nonoperating revenues	<u>538</u>
Change in Net Assets	117,216
Net Assets at Beginning of Year	<u>11,601,342</u>
Net Assets at End of Year	<u>\$ 11,718,558</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, 2012

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 16,010,520
Cash paid to other funds	(1,897)
Cash paid to vendors	(816,012)
Cash paid to beneficiaries	(14,411,174)
Net cash provided by operating activities	<u>781,437</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of property and equipment	(404,894)
Proceeds from sale of property and equipment	14,784
Capital grants	8,200
Net cash used in capital and related financing activities	<u>(381,910)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>11,876</u>
Net Increase in Cash and Cash Equivalents	411,403
Cash and Cash Equivalents - Beginning of Year	<u>11,712,873</u>
Cash and Cash Equivalents - End of Year	<u>\$ 12,124,276</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 116,678
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	561,476
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,736)
(Increase) decrease in other assets	(40,391)
(Decrease) increase in accounts payable	994
(Decrease) increase in due to other funds	(1,897)
(Decrease) increase in claims payable	<u>149,313</u>
Net Cash Provided by Operating Activities	<u>\$ 781,437</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2012

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:				
Cash and cash equivalents	\$ 2,029,640	\$ 369,085	\$ 147,948	\$ 1,535,579
Investments, at fair value:				
Mutual funds	84,102,328	6,085,862		
Accounts receivable	352	48,846		
Total assets	<u>86,132,320</u>	<u>6,503,793</u>	<u>147,948</u>	<u>1,535,579</u>
Liabilities:				
Due to employees/others	64,904			
Claims incurred but not reported		225,505		
Due to contractors/developers				1,305,860
Due to student groups				212,992
Due to fire districts				16,727
Other liabilities		21,649		
Total liabilities	<u>64,904</u>	<u>247,154</u>	<u>-</u>	<u>1,535,579</u>
Net Assets:				
Held in Trust for Benefits and Other Purposes	<u>\$ 86,067,416</u>	<u>\$ 6,256,639</u>	<u>\$ 147,948</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:			
Contributions:			
Employer	\$ 2,968,475	\$ 3,226,700	\$
Plan members	1,286,607	2,560,396	
Other additions			150
Total contributions	<u>4,255,082</u>	<u>5,787,096</u>	<u>150</u>
Investment income:			
Net appreciation in fair value of investments	3,096,467	151,816	
Interest and dividends			299
	<u>3,096,467</u>	<u>151,816</u>	<u>299</u>
Less investment expenses:			
Investment management fees	275,477	453,280	
Net investment income	<u>2,820,990</u>	<u>(301,464)</u>	<u>299</u>
Total additions	7,076,072	5,485,632	449
Deductions:			
Benefits	<u>4,819,716</u>	<u>4,086,798</u>	<u>32,835</u>
Change in Net Assets	2,256,356	1,398,834	(32,386)
Net Assets Held in Trust - Beginning of Year	<u>83,811,060</u>	<u>4,857,805</u>	<u>180,334</u>
Net Assets Held in Trust - End of Year	<u>\$ 86,067,416</u>	<u>\$ 6,256,639</u>	<u>\$ 147,948</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basis of Presentation

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements, 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 that are clearly identifiable with a specific function or segment. Indirect expenses were also classified to the appropriate functions. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The Town reports the following major governmental funds.

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

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The *School Construction Fund* accounts for projects associated with construction, renovations and additions for Groton school facilities that have been authorized by voter referendum. 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 Trust Fund* is used to account for the accumulation of resources to be used for retirement benefits.

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

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

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

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

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

C. Cash and Cash Equivalents

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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 estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

F. Compensated Absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies and vests according to such contracts and policies. Sick leave and vacation leave expenditures are recognized in the governmental fund financial statements in the current year only if they have matured, for example, as a result of employee resignations and retirements.

Vacation and sick leave expenses to be paid in future periods are accrued when earned in the government-wide and proprietary fund financial statements.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

A summary of the provisions in certain union contracts is as follows:

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>
Nonunion Employees	<p>15 days per year. Accumulated up to 250 days.</p> <p>Accrued sick leave in excess of 250 days on June 30 is paid out annually in the ratio of 3 days to 1.</p> <p>Payment upon retirement shall be subject to retirement withholdings and included in average annual pay for purposes of calculation of retirement benefits; if employee has a minimum of 100 days accumulated - all accumulated sick leave shall be paid at the rate of 4 sick days equal to 1 day's pay at rate of pay at time of retirement.</p> <p>Employees not participating in the Town of Groton retirement plan providing they have a minimum of 100 days accumulated - accumulated sick leave paid at the rate of 2 sick days equal to 1 day's pay at rate of pay at time of retirement.</p>	<p>< 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>2 additional days are accrued every July 1st.</p> <p>Employees may carry over leave balances up to twice the number of days accrued the previous year.</p> <p>Each June 30th, employees with balances exceeding two years of accruals may convert up to 11 days of excess leave to cash provided they have taken a minimum of 15 days during the fiscal year.</p>
Nonunion Police Officers	<p>Officers retiring with a minimum of 100 accumulated hours are eligible for payment of accumulated sick days up to a maximum of 225 days under either of the following options:</p> <p>a. At the rate of 3/8 of accumulated sick leave with payment subject to retirement withholding and included in average annual pay for the purpose of calculating retirement benefits.</p> <p style="text-align: center;">OR</p> <p>b. At the rate of 3/4 of accumulated sick leave with said payment not subject to retirement withholding and not included in average annual pay for the purpose of calculating retirement benefits.</p>	<p>Upon retirement, officers receive full credit for any accumulated annual leave or paid holidays.</p>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Groton Municipal Employees Association (GMEA/CILU)	<p>Employees hired before January 1, 2006 accrue 15 days per year up to 200 days.</p> <p>Employees hired after December 31, 2005 accrue 12 days per year. Accumulated up to 200 days.</p> <p>Accrued sick leave in excess of 200 on June 30 is paid out annually at the rate of 3 sick days to 1 day's pay up to 250 days.</p> <p>After vesting (5 years of service), employees with a minimum of 100 days up to 200 days receive 75% of their accrued sick time (maximum of 75 days) when they leave employment or retire.</p>	<p>< 5 years = 12 days 5 - 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>Employees may carry over one year worth of accruals each June 30th (can be extended by Director of Administrative Service approval).</p> <p>Employees hired before January 1, 2006 are granted 2.5 additional days each July 1st.</p> <p>Employees hired after December 31, 2005 are granted 2 additional days each July 1st.</p>
Groton Police Union (AFSCME), Council #15	<p>Employees with less than 5 years of service accrue 12 days. Employees with more than 5 years of service accrue 15 days.</p> <p>As of February 1, 2012, employees with less than 5 years of service accrue 9 days. Employees with more than 5 years of service accrue 12 days.</p> <p>Hire date on or before July 1, 1996 - Accumulate up to 275 days.</p> <p>Hire date after July 1, 1996 - Accumulate up to 225 days.</p> <p>Upon retirement - any officer with at least 100 up to a maximum of 225 days accumulated can receive:</p> <p>a. At the rate of 3/8 of accumulated sick leave with payment subject to retirement withholding and included in average annual pay for the purpose of calculating retirement benefits.</p>	<p>< 5 years = 12 days 5 - 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>< 5 years = 9 days 5 - 10 years = 12 days 10 - 15 years = 15 days > 15 years = 18 days</p> <p>Employees are entitled to carryover up to one year's worth of vacation accrual each June 30.</p> <p>Two additional days granted July 1st.</p> <p>Leave taken by March 31st of second calendar year after the year in which it was accrued (may be extended to September 30th of said year).</p>

OR

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

b. At the rate of 3/4 of accumulated sick leave with said payment not subject to retirement withholding and not included in average annual pay for the purpose of calculating retirement benefits.

Groton Public Works Union (USWA)

Employees with less than 5 years of service accrue 12 days per year. Accumulate up to 200 days.

< 5 years = 12 days
 5 - 10 years = 15 days
 10 - 15 years = 18 days
 > 15 years = 24 days

Employees with 5 or more years of service accrue 15 days per year. Accumulate up to 200 days.

Accrued leave must be taken before June 30th of the year following the year in which it is accrued (a six-month extension can be granted).

The difference between 100 days and up to 200 days accumulated is paid out at retirement up to the maximum of 100 days. No pay out for individuals with less than 100 days accumulated.

One additional day for each year of employment over 25 years up to a maximum of 5 additional days.

Sick leave accrued in excess of 200 days shall be converted to cash at a ratio of 5 to 1 each June 30th.

Two additional days are accrued every July 1st.

Groton Supervisors Union (AFSCME)

12 days per year. Accumulate up to 200 days.

< 5 years = 12 days
 5 - 10 years = 15 days
 10 - 15 years = 18 days
 > 15 years = 24 days

The difference between 100 days and up to 200 days accumulated is paid out at retirement. No pay out for individuals with less than 100 days accumulated.

Employees are entitled to carryover up to 1 year's worth of vacation accrual each June 30th.

Sick leave accrued in excess of 200 days shall be converted to pay at a ratio of 3 to 1 each June 30th.

Two additional days are accrued every July 1st. Employees with over 5 years of service shall receive 4 days of leave on July 1.

Groton BOE Paraprofessionals Union

Employees hired prior to July 1, 2008 receive 15 days per year. Accumulate up to 125 days. Employees hired on or after July 1, 2008 receive 12 days per year.

No provisions.

No provision for pay out of accumulated days at retirement.

Groton BOE Teachers Union

15 days per year. Accumulate up to 165 days.

No provisions.

No provision for pay out of accumulated days at retirement.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Groton BOE Administrators Union	15 days per year. Accumulate up to 165 days.	No provisions.
	No provision for pay out of accumulated days at retirement.	
Groton BOE Secretaries Union	12 days per year. Accumulate up to 150 days.	No provisions.
	No provision for pay out of accumulated days at retirement.	
Groton BOE Custodians Union	12 days per year. Accumulate up to 150 days.	< 5 years = 10 days 5 - 14 years = 15 days > 14 years = 20 days
	No provision for pay out of accumulated days at retirement.	All vacation accrued as of July 1 of any calendar year must be taken prior to July 31 of the following year (13 months).
Groton BOE Nonunion: Superintendent	18 days per year. Accumulate up to 200 days.	22 days per year.
Central Office Administrators	18 days per year. Accumulate up to 162 days.	22 days per year.
Central Office Clerical	18 days per year. Accumulate up to 162 days.	< 5 years = 10 days 5-13 years = 15 days > 14 years = 20 days
	No provision for pay out of accumulated days at retirement.	All vacation accrued as of July 1, of any calendar year must be taken prior to October 31 of the following year.

G. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

H. Pension Accounting

Pension Trust Fund

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

Governmental Funds

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

Funding Policy

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

I. Other Post Employment Benefits (OPEB) Accounting

OPEB Trust Fund

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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 Governmental Accounting Standards Board Statement No. 45. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net OPEB asset is recorded in the government-wide financial statements. In prior years, the General Fund has been used to liquidate the net OPEB obligation.

Funding Policy

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

J. Encumbrances

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

K. Fund Equity and Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - 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 Assets - This category includes net assets 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 Assets - This category represents the net assets of the Town that are not restricted for any project or other purpose by third parties.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

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

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

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

L. Property Taxes

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

M. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

After one public hearing and numerous public meetings, the Town Council, on or before April 28th, recommends these budgets, as revised, to the Representative Town Meeting (RTM). The RTM reviews and takes final action on each function's budget no later than May 25th. These appropriations become the legal level of control. Following RTM approval of a final budget, the Town Council shall determine the final tax rate on or before June 9th. The Town Council must authorize all transfers of legally budgeted amounts between functions, with RTM authorization required on all transfers over \$10,000. In this process, function budget accounts serve as the legal level of control. Transfers within functions are not necessary. Additional appropriations may only be made by the Town Council and RTM in accordance with Town Charter provisions. For the year ended June 30, 2012, there were no additional appropriations.

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

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

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

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

- State of Connecticut payments on behalf of the Town teachers for the State teacher retirement system are reported for GAAP purposes only.
- The revenues and expenditures for budgeted funds that do not meet the definition for inclusion in the GAAP financial statements as special revenue funds are included in the General Fund, in accordance with GASB Statement No. 54.

B. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2012:

Nonmajor Funds:	
Educational Grants	\$ (198)
Sewer Construction	(250,281)
Internal Service:	
Workers' Compensation	(518,682)

The Educational Grants deficit will be funded with future federal and state grants. The Sewer Construction deficit will be funded with future financing. The Internal Service Fund deficit will be funded on a current basis with future premiums.

C. Over Expended Appropriations

In the General Fund, the subdivisions line item was overexpended by \$2,264. The sewer system maintenance line of the Sewer Operations Fund was overexpended by \$215,948 during the current year due to the nonreceipt of a clean water fund grant.

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

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

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$27,726,548 of the Town's bank balance of \$39,430,281 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 12,759,886
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>14,966,662</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 27,726,548</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Cash Equivalents

At June 30, 2012, the Town's cash equivalents amounted to \$16,582,600. 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
Cutwater Asset Management - Connecticut CLASS Plus	AAAm
Bank of America, N.A. Cash Management Assets	Not rated

Investments

As of June 30, 2012, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Common stock	N/A	\$ 3,267
Mutual funds	N/A	90,293,905
Certificates of deposit	N/A	<u>2,964,000</u>
Total Investments		<u>\$ 93,261,172</u>

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, 2012, 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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Deposits and investments for retirement funds are also disclosed in Note 4.

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>130,446</u>	<u>18,144</u>	<u>497</u>	<u>149,087</u>
Total Value	<u>\$ 150,446</u>	<u>\$ 45,687</u>	<u>\$ 200,497</u>	<u>\$ 396,630</u>

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

C. Fund Receivables

Receivables at June 30, 2012, 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	\$ 3,057,149	\$	\$ 24,674	\$ 3,081,823
Assessments		1,453	537,372	538,825
Intergovernmental	952,851	1,524,262	348,059	2,825,172
Accounts receivable	54,700	3,418	412,136	470,254
User fees receivable			1,065,382	1,065,382
Gross receivables	<u>4,064,700</u>	<u>1,529,133</u>	<u>2,387,623</u>	<u>7,981,456</u>
Allowance for collection losses	<u>(220,000)</u>		<u>(303,500)</u>	<u>(523,500)</u>
Net Receivables	<u>\$ 3,844,700</u>	<u>\$ 1,529,133</u>	<u>\$ 2,084,123</u>	<u>\$ 7,457,956</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Delinquent property taxes receivable	\$ 2,758,993	\$
Various grants		46,849
Various payments in advance		4,752
Capital Improvements Fund:		
Assessments receivable	1,453	
Nonmajor Governmental Funds:		
Delinquent assessments receivable	31,477	
CDBG loans receivable	506,540	
Various grants		<u>654,411</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 3,298,463</u>	<u>\$ 706,012</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,835,731	\$	\$	\$ 13,835,731
Construction in progress	31,788,866	5,647,452	29,360,423	8,075,895
Total capital assets not being depreciated	45,624,597	5,647,452	29,360,423	21,911,626
Capital assets being depreciated:				
Land improvements	4,452,982	677,046		5,130,028
Buildings and improvements	153,491,635	20,247,080		173,738,715
Machinery and equipment	19,090,418	3,669,115	458,505	22,301,028
Machinery and equipment - fleet	7,646,666	404,894	306,553	7,745,007
Infrastructure	92,655,791	2,510,105		95,165,896
Machinery and equipment - capital-leased	63,503			63,503
Total capital assets being depreciated	277,400,995	27,508,240	765,058	304,144,177
Less accumulated depreciation for:				
Land improvements	2,687,002	112,624		2,799,626
Buildings and improvements	33,881,299	3,660,456		37,541,755
Machinery and equipment	12,507,416	653,430	458,505	12,702,341
Machinery and equipment - fleet	4,620,690	561,476	272,231	4,909,935
Infrastructure	51,047,269	2,827,413		53,874,682
Machinery and equipment - capital-leased	11,684	5,842		17,526
Total accumulated depreciation	104,755,360	7,821,241	730,736	111,845,865
Total capital assets being depreciated, net	172,645,635	19,686,999	34,322	192,298,312
Governmental Activities Capital Assets, Net	\$ 218,270,232	\$ 25,334,451	\$ 29,394,745	\$ 214,209,938

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

Governmental Activities	
General government services	\$ 1,642,055
Public safety	67,506
Public works, including depreciation of general infrastructure assets	2,281,787
General services	59,958
Community services	23,978
Education	2,407,262
Sewer operating	727,474
Planning and development	1901
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of assets	561,476
Golf Course	47,844
Total Depreciation Expense - Governmental Activities	\$ 7,821,241

TOWN OF GROTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Construction Commitments

The Town has the following construction commitments as of June 30, 2012:

	Project Amount
Roads/Streets/Sidewalks:	
Resurfacing and Sidewalks	\$ 2,246,561
Building Improvements/Modifications:	
Public Buildings	675,751
WPCF Projects	355,635
Sewer System	
Land Improvements	2,785
Land Improvements	

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

E. Interfund Receivables, Payables and Transfers

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	\$ 1,542,308
	Nonmajor governmental funds	472,565
		\$ 2,014,873

The balance of \$2,014,873 due from other funds represents amounts committed to the General Fund from various special revenue and capital project funds.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Interfund Transfers

Interfund transfers during the year ended June 30, 2012 were as follows:

	Transfers In			Total Transfers Out
	General Fund	Capital Improvements Fund	Nonmajor Funds	
Transfers out:				
General Fund	\$	\$ 1,950,000	\$ 13,764	\$ 1,963,764
Nonmajor funds	<u>797,972</u>	<u>1,135,000</u>	<u>197,676</u>	<u>2,130,648</u>
 Total Transfers In	 \$ <u>797,972</u>	 \$ <u>3,085,000</u>	 \$ <u>211,440</u>	 \$ <u>4,094,412</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, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

F. Fund Balance

The components of fund balance for the governmental funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>Major Capital Projects Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total</u>
		<u>Capital Improvements Fund</u>	<u>School Construction Fund</u>		
Fund balances:					
Nonspendable:					
Prepaid items	\$	\$	\$	\$ 14,023	\$ 14,023
Endowments				247,543	247,543
Restricted for:					
Grants				195,839	195,839
Bonded capital projects		6,506,209	213,645	232,216	6,952,070
General government				7,834	7,834
Parks & recreation				331,838	331,838
Trust expenditures				149,087	149,087
Committed to:					
Loan program				203,961	203,961
General government				3,081,589	3,081,589
Public safety				396,503	396,503
Public works				18,276	18,276
Human services				333,590	333,590
Community services				286,846	286,846
Education				121,848	121,848
Sewer				2,730,167	2,730,167
Solid waste management				1,532,886	1,532,886
Outside agencies				94,196	94,196
Assigned to:					
Subsequent year's budget	1,589,059				1,589,059
General government	158,102				158,102
Public safety	66,987				66,987
Public works	193,420				193,420
Planning and development	132,011				132,011
Human services	69				69
Community services	6,265				6,265
Outside agencies	560				560
Education	665,240				665,240
Revaluation	105,546				105,546
Computer replacement	408,284				408,284
Unassigned	<u>9,421,348</u>			<u>(250,479)</u>	<u>9,170,869</u>
Total Fund Balance	\$ <u>12,746,891</u>	\$ <u>6,506,209</u>	\$ <u>213,645</u>	\$ <u>9,727,763</u>	\$ <u>29,194,508</u>

Encumbrances are included in the General Fund in the general government and board of education line items.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

G. Leases

Operating Leases

The Town leases buildings and copiers under noncancelable operating leases. The total costs for such leases were \$93,807 for the year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2013	\$ 74,109
2014	71,172
2015	35,353
2016	91,681
2017	12,971
Thereafter	24,232

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

Capital Leases

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

	<u>Governmental Activities</u>
Equipment	\$ 57,661
Less accumulated depreciation	<u>(17,526)</u>
Total	<u>\$ 40,135</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2013	\$ 8,321
2014	4,199
Less amount for interest	<u>(644)</u>
Minimum lease payments	<u>\$ 11,876</u>

H. Bond Anticipation Notes Payable

Bond anticipation note transactions for the year ended June 30, 2012 were as follows:

Ousting, July 1, 2011	\$ 3,210,000
Repayments	<u>(3,210,000)</u>
Ousting, June 30, 2012	<u>\$ -</u>

The Town issued the bond anticipation notes to fund school construction projects.

I. Long-Term Debt

Long-term liability activity for the year ended June 30, 2012 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	\$ 51,590,000	\$ 19,015,000	\$ 22,615,000	\$ 47,990,000	\$ 3,595,000
Clean Water Fund loan	11,904,830		1,239,505	10,665,325	612,363
Premium / Discount		1,301,282	38,273	1,263,009	
Total	<u>63,494,830</u>	<u>20,316,282</u>	<u>23,892,778</u>	<u>59,918,334</u>	<u>4,207,363</u>
Less deferred amounts on refunded bonds		<u>(1,297,027)</u>	<u>(38,147)</u>	<u>(1,258,880)</u>	
Total bonds and loans payable	<u>63,494,830</u>	<u>19,019,255</u>	<u>23,854,631</u>	<u>58,659,454</u>	<u>4,207,363</u>
Landfill post-closure monitoring	2,789,800		168,200	2,621,600	168,200
Capital lease obligations	25,832		13,956	11,876	7,773
Compensated absences	2,054,061	375,311	280,296	2,149,076	132,448
Net OPEB obligation	<u>757,195</u>		<u>757,195</u>	<u>-</u>	
Long-Term Liabilities	<u>\$ 69,121,718</u>	<u>\$ 19,394,566</u>	<u>\$ 25,074,278</u>	<u>\$ 63,442,006</u>	<u>\$ 4,515,784</u>

Included in long-term liabilities is the estimated obligation for employee compensated absences aggregating \$2,149,076 as of June 30, 2012. The liability will be funded through the General Fund, the Golf Course Fund and the Sewer Operating Fund.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Bonds

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

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

<u>Fiscal Year</u>	<u>Town of Groton</u>		<u>Groton Sewer District</u>	
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2013	\$ 3,385,000	\$ 1,687,549	\$ 210,000	\$ 8,400
2014	3,380,000	1,572,513		
2015	3,400,000	1,458,625		
2016	3,380,000	1,349,206		
2017	3,365,000	1,234,656		
2018-2022	14,450,000	4,451,569		
2023-2027	13,515,000	1,828,578		
2028-2030	<u>2,905,000</u>	<u>119,019</u>		
	<u>\$ 47,780,000</u>	<u>\$ 13,701,715</u>	<u>\$ 210,000</u>	<u>\$ 8,400</u>

Total authorized but unissued long-term debt at June 30, 2012 consists of the following:

	<u>Bonds Authorized Unissued</u>
Animal Shelter	\$ 65,459
Senior Center	2,845,000
School Construction	<u>1,618,137</u>
	<u>\$ 4,528,596</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 204,903,819	\$ 21,236,893	\$ 183,666,926
Schools	409,807,638	30,624,459	379,183,179
Sewers	341,506,365	6,415,000	335,091,365
Urban renewal	295,972,183		295,972,183
Pension deficit	273,205,092		273,205,092

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, including coterminous municipalities, or \$637,478,548. 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 \$5,757,756 is included in the calculation of indebtedness. Bonds authorized and unissued amounted to \$4,528,596 at June 30, 2012.

Refunding

On December 13, 2011, the Town issued \$16,305,000 of general obligation refunding bonds with interest rates ranging from 2% to 5% and \$2,710,000 of general obligation sewer refunding bonds with interest rates ranging from 2% to 3.75% to currently refund the specified portions of the general obligation bonds listed below.

Original Issuance	Amount Refunded
General Obligation Bonds (Lot A), June 1, 2002	\$ 2,025,000
General Obligation Bonds, August 1, 2005	3,150,000
General Obligation Bonds, November 1, 2006	8,285,000
General Obligation Sewer Bonds (Lot A), October 15, 2008	2,925,000
General Obligation Bonds (Lot B), October 15, 2008	2,425,000
	\$ 18,810,000

The refunding was undertaken to reduce total debt service payments over the term of the bonds by \$1,258,780 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,130,048. The net proceeds (with premium and after payment of underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded bonds. As a result, the refunded bonds are considered defeased. The balance in escrow is \$17,763,156 at June 30, 2012. The outstanding balance of the defeased bonds as of June 30, 2012 is \$16,785,000.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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, 2012, the Town has received financing of \$12,235,166. This amount includes the original approved amount of \$9,361,766 and \$2,873,400 of the amended funding of \$3,502,645 that the Town has received to date. The total funding is \$12,235,166, and the Town will not receive any additional funding on this project. The additional funding was recognized in prior years, and the remaining amended funding not yet received had been recorded as a receivable in the Sewer Construction Fund, which has been written off against the loan balance as of June 30, 2012. The loan bears interest at 2% and is to be repaid over 20 years. Repayments began in November 2010.

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

<u>Fiscal Year</u>	<u>Sewer Construction Fund</u>	
	<u>Principal Payments</u>	<u>Interest Payments</u>
2013	\$ 612,363	\$ 207,693
2014	612,363	195,446
2015	612,363	183,199
2016	612,363	170,951
2017	612,363	158,704
2018-2022	3,061,815	609,815
2023-2027	3,061,815	303,630
2028-2030	1,479,880	36,997
	<u>\$ 10,665,325</u>	<u>\$ 1,866,435</u>

J. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the Town to place a final cover on two landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. One of the Town's municipal solid waste landfills stopped accepting waste in 1994. The remaining postclosure costs for this site are estimated to be \$1,421,000 (\$101,500 per year for 14 years). The other landfill site stopped accepting waste in the fall of 2001, and its remaining postclosure cost is \$1,200,600 (\$66,700 for 18 years). Actual costs may be higher due to inflation, changes in technology or changes in regulations.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. PUBLIC EMPLOYEE RETIREMENT SYSTEM

A. Plan Description and Provisions

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

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

Board of Education - School Secretaries: 1.25% of average annual pay for service years prior to 1989, 1.85% for service years between 1989 and 2001, and 2% for service years after 2001 (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 (highest 3 years) times years of service after June 30, 1989 and for those retiring after June 30, 2003, 2% of average annual pay times number of continuous years of service 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, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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. The Rule of 85 (sum of age and years of service) may be applied if under 60 and the Rule of 75 may be applicable if over the age of 60.

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. Benefits are reduced where age and years are less than the Rule of 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. Benefits are reduced where age and years are less than the Rule of 75.

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

B. Funding Policy

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

At July 1, 2011, TGRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	206
Terminated employees entitled to benefits but not yet receiving them	21
Active plan members	<u>410</u>
Total	<u><u>637</u></u>

TOWN OF GROTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

C. Method Used to Value Investments

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

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

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

Annual required contribution	\$ 2,968,475
Interest on net pension obligation	(81,947)
Adjustment to annual required contribution	<u>84,238</u>
Annual pension cost	2,970,766
Contributions made	<u>2,968,475</u>
Decrease in net pension asset	2,291
Net Pension Asset, July 1, 2011	<u>(1,024,337)</u>
Net Pension Asset, June 30, 2012	<u><u>\$ (1,022,046)</u></u>

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

Actuarial valuation date	7/1/2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level \$ amount, open
Remaining amortization period	30 years
Asset valuation method	5-Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases	Vary by age group
Cost-of-living adjustments	None

*includes an inflation rate of 3.25%

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

E. Trend Information

<u>Fiscal Year End</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2010	\$	1,503,130	95.9%	\$ (1,026,633)
6/30/2011		2,286,188	99.9%	(1,024,337)
6/30/2012		2,970,766	99.9%	(1,022,046)

F. Schedule of Funding Progress and Schedule of Employer Contributions

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>		<u>Actuarial Value of Assets (a)</u>		<u>Actuarial Accrued Liability (AAL) (b)</u>		<u>Funding Excess (Unfunded) (a-b)</u>		<u>Funded Ratio (a/b)</u>		<u>Covered Payroll (c)</u>		<u>Excess Funded AAL as a % of Covered Payroll ((a-b)/c)</u>
7/1/06	\$	78,791,829	\$	75,542,546	\$	3,249,283	\$	104.3%	\$	21,603,225	\$	(15.0)%
7/1/07		82,698,074		80,107,841		2,590,233		103.2%		22,370,382		(11.6)%
7/1/08		86,317,508		84,196,700		2,120,808		102.5%		23,647,808		(9.0)%
7/1/09		85,476,282		92,732,994		(7,256,712)		92.2%		24,190,793		30.0%
7/1/10		84,453,080		98,515,524		(14,062,444)		85.7%		24,744,677		56.8%
7/1/11		85,612,289		105,160,036		(19,547,747)		81.4%		25,075,727		78.0%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/07	\$	848,582	103.0%
6/30/08		1,168,188	100.0%
6/30/09		1,367,891	100.0%
6/30/10		1,441,333	100.0%
6/30/11		2,283,892	100.0%
6/30/12		2,968,475	100.0%

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

G. Connecticut State Teachers' Retirement System

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

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

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were \$7,523,151 for the year ended June 30, 2012.

5. POSTEMPLOYMENT HEALTHCARE PLAN - GROTON RETIRED EMPLOYEES HEALTHCARE PLAN

Summary of Significant Accounting Policies

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

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

Plan Description

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The plan is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial report as the Other Post-Employment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

At July 1, 2011, plan membership consisted of the following:

	<u>Retiree Health Plan</u>
Retired members	200
Spouses of retired members	97
Active plan members	<u>839</u>
Total Participants	<u><u>1,136</u></u>

Funding Policy

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

Town Employees

The cost per month for Town employees receiving coverage under Anthem Blue Cross Blue Shield is \$804 per month for retiree only coverage and \$1,710 per month for retiree and spouse coverage, to age 65, and \$578 and \$1,325 per month, respectively, thereafter.

Board of Education Employees

The cost per month for Board of Education employees receiving coverage under Anthem Blue Cross is \$654 per month for retiree only coverage and \$1,308 per month for retiree and spouse coverage to age 65. The cost for Medicare eligible employees is \$305 per month for retiree only and \$610 per month for retiree and spouse.

Contributions

For the year ended June 30, 2012, plan members contributed \$2,560,396. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Employer contributions to the plan of \$3,226,700 were made in accordance with actuarially determined requirements. Of this amount, \$1,433,649 represents premium payments, \$388,351 represents implicit rate subsidy and \$1,404,700 was contributed to prefund benefits. Additional contributions of \$1,470,536 were recorded, representing amounts contributed but not reflected in the past.

Annual OPEB Cost and Net OPEB Obligations

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

Annual required contribution	\$ 3,463,000
Interest on net OPEB obligation	(53,501)
Adjustment to annual required contribution	<u>40,053</u>
Annual pension cost	3,449,552
Contributions made	<u>4,697,236</u>
Increase in net OPEB asset	(1,247,684)
Net OPEB Obligation, July 1, 2011	<u>757,195</u>
Net OPEB Asset, June 30, 2012	<u><u>\$ (490,489)</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ended June 30, 2012 is presented below.

<u>Fiscal Year End</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2010	\$ 3,058,297	\$ 2,618,700	85.6%	\$ 687,028
6/30/2011	3,328,867	3,258,700	97.9%	757,195
6/30/2012	3,449,552	4,697,236	136.2%	(490,489)

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 9% initially, reduced by decrements to an ultimate rate of 5% after four years. The general inflation assumption is 2.5% - 3.0%. Projected salary increases were 4.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2011 was 30 years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<i>Retiree Medical Program</i>						
7/1/2007	\$	\$ 30,780,000	\$ 30,780,000	0.0%	n/a	n/a
7/1/2008		1,384,000	32,642,000	4.0%	n/a	n/a
7/1/2009		1,911,000	34,734,000	5.0%	n/a	n/a
7/1/2010		3,234,000	35,668,000	8.3%	n/a	n/a
7/1/2011		5,065,000	35,390,000	12.5%	n/a	n/a

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2010	\$ 3,058,297	86.0%
6/30/2011	3,328,867	97.9%
6/30/2012	3,463,000	135.6%

n/a - The covered payroll is not available.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss, including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health and medical; and natural disasters. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation and employee health and medical claims. Under the Town's current policy, the Health Insurance Fund covers all employee claims up to \$200,000 per claim with a stop-loss policy covering amounts exceeding the limit. The Town also purchases aggregate stop-loss coverage for claims in excess of 125% of expected claim level, which approximates \$10.1 million. The Workers' Compensation Fund covers claims associated with work-related injuries. The Town purchases commercial insurance for claims in excess of coverage provided by the Workers' Compensation Fund with an individual claim maximum of \$300,000 and a \$1,000,000 aggregate maximum per year. Town management has estimated a liability using actuarial methods at June 30, 2012 for claims incurred but not reported to be \$801,447 in the Health Insurance Fund and \$2,529,494 in the Workers' Compensation Fund, which includes heart and hypertension of \$1,915,528. The estimate for claim liability also includes amounts for incremental claim adjustment expenses.

Changes in the claims liability were as follows:

		Liability		Current Year Claims and Changes in Estimates		Claim Payments		Liability June 30,		Due Within One Year
		<u>July 1,</u>		<u>Estimates</u>		<u>Payments</u>		<u>June 30,</u>		<u>One Year</u>
<u>Health Insurance Fund</u>										
2011 - 2012	\$	689,030	\$	12,896,452	\$	12,784,035	\$	801,447	\$	801,447
2010 - 2011		943,668		11,075,205		11,329,843		689,030		689,030
<u>Workers' Compensation Fund</u>										
2011 - 2012	\$	2,496,199	\$	626,561	\$	593,266	\$	2,529,494	\$	126,475
2010 - 2011		2,537,641		639,187		680,629		2,496,199		124,810

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

TOWN OF GROTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

B. Contingencies

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

C. Concentration of Taxes

The Town's two largest taxpayers, based on the October 2010 grand list, comprise 18.0% of the net taxable grand list of the Town and approximately 11.2% of the total General Fund revenues for the year ended June 30, 2012.

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Property Taxes (Including Interest and Lien Fees)	\$ 77,546,606	\$ 77,546,606	\$ 77,638,571	\$ 91,965
Licenses and Permits:				
Building permits	194,832	194,832	148,286	(46,546)
Sporting licenses	1,300	1,300	931	(369)
Dog licenses	8,000	8,000	9,417	1,417
Other licenses and permits	12,400	12,400	13,278	878
Building permits - education fee	193	193	157	(36)
State land use fees	150	150	482	332
Total licenses and permits	<u>216,875</u>	<u>216,875</u>	<u>172,551</u>	<u>(44,324)</u>
Interest on Investments	<u>100,000</u>	<u>100,000</u>	<u>86,004</u>	<u>(13,996)</u>
Intergovernmental - State:				
General:				
Town aid road	203,490	203,490	189,622	(13,868)
Nuclear safety drill	31,626	31,626	24,754	(6,872)
Highway illumination	1,619	1,619	1,619	-
Telephone access	161,000	161,000	176,044	15,044
PILOT Enterprise zone	574,000	574,000	415,993	(158,007)
PILOT manufacturing machinery and equipment	1,373,459	1,373,459	-	(1,373,459)
PILOT - state and tax exemptions	1,204,227	1,204,227	1,206,867	2,640
TVCCA - supp. housing program	9,000	9,000	9,000	-
Youth Service Bureau	31,434	31,434	31,444	10
Pequot/Mohegan funds	1,362,025	1,362,025	1,395,130	33,105
Manufacturing transition grant			984,717	984,717
911 Enhancement	165,482	165,482	162,976	(2,506)
Property tax relief	472,797	472,797	391,874	(80,923)
Miscellaneous state grants	163,653	163,653	159,688	(3,965)
Board of Education:				
Education cost sharing	25,374,989	25,374,989	25,358,393	(16,596)
Adult education	114,517	114,517	106,271	(8,246)
Instruction for the blind	13,843	13,843	8,290	(5,553)
Special education	1,020,572	1,020,572	1,127,798	107,226
Transportation - private school	27,020	27,020	33,859	6,839
Transportation	274,373	274,373	443,041	168,668
School building grants	54,689	54,689	54,689	-
Bond interest subsidy	940	940	941	1
Nonpublic pupil services	32,851	32,851	27,821	(5,030)
Total State of Connecticut	<u>32,667,606</u>	<u>32,667,606</u>	<u>32,310,831</u>	<u>(356,775)</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, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Intergovernmental - Federal:				
Pupil impact aid	\$ 4,397,751	\$ 4,397,751	\$ 3,890,198	\$ (507,553)
Education - misc. federal funds	119,377	119,377	55,977	(63,400)
FEMA Reimbursement			125,113	125,113
Public safety - federal funds			625	625
Emergency management	15,196	15,196	12,990	(2,206)
Total federal government	<u>4,532,324</u>	<u>4,532,324</u>	<u>4,084,903</u>	<u>(447,421)</u>
Charges for Current Services:				
Planning Commission fees	10,000	10,000	16,300	6,300
Recording instruments	170,000	170,000	148,216	(21,784)
Conveyance tax	586,000	586,000	469,530	(116,470)
Planning department - other	1,000	1,000	971	(29)
Collection subdivisions taxes	95,257	95,257	95,257	-
Accident reports	2,100	2,100	1,587	(513)
Dispatch/paramedics services	1,000	1,000	1,000	-
North Stonington - dispatch	52,819	52,819	52,819	-
Stonington ambulance - dispatch	5,000	5,000	5,000	-
Groton Utilities - dispatch	5,000	5,000	5,000	-
Housing Authority shelter rent	49,250	49,250	51,107	1,857
Coordinated Medical Emergency Director	22,832	22,832	22,079	(753)
Board of Education - FHS/ground mowing	48,875	48,875	48,875	-
GIS - revenue	1,000	1,000	1,389	389
Vital statistics	6,200	6,200	4,876	(1,324)
Snow/Ice control services			30,759	30,759
Total charges for current services	<u>1,056,333</u>	<u>1,056,333</u>	<u>954,765</u>	<u>(101,568)</u>
Schools, Library and Recreation:				
Tuition from other towns	138,066	138,066	163,098	25,032
Other school receipts	50,000	50,000	72,113	22,113
Library fines	28,000	28,000	26,767	(1,233)
Lost and damaged book fees	3,000	3,000	3,143	143
Senior Center fees	42,540	42,540	39,207	(3,333)
Park concession and rental	1,000	1,000	1,200	200
Library - copier fees	6,000	6,000	6,152	152
Library fees	15,000	15,000	14,053	(947)
Park rentals	3,000	3,000	3,190	190
Total schools, library and recreation	<u>286,606</u>	<u>286,606</u>	<u>328,923</u>	<u>42,317</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, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Other Revenue:				
Court fines	\$ 13,210	\$ 13,210	\$ 16,478	\$ 3,268
Parking tickets	2,700	2,700	2,650	(50)
Aircraft registration fees	20,000	20,000	18,470	(1,530)
Lease fees	109,004	109,004	117,123	8,119
Land record copies	28,000	28,000	27,367	(633)
Vital copies	60,000	60,000	69,771	9,771
Miscellaneous	39,118	39,118	57,909	18,791
Dog warden - sold and redeemed	5,100	5,100	3,805	(1,295)
Public Works Disposal fees	134,498	134,498	154,466	19,968
Returned check fees	1,320	1,320	1,380	60
Sale of capital assets	4,100	4,100	5,455	1,355
Finance Dept. copies	1,350	1,350	1,739	389
Total other revenue	<u>418,400</u>	<u>418,400</u>	<u>476,613</u>	<u>58,213</u>
Other Financing Sources:				
Transfers in:				
Golf course	63,103	63,103	63,103	-
Sewer/landfill services	612,698	612,698	612,698	-
Sewer District	112,175	112,175	112,175	-
Mumford Cove	1,007	1,007	1,007	-
Community Investment Act Fund	5,200	5,200	5,200	-
Total other financing sources	<u>794,183</u>	<u>794,183</u>	<u>794,183</u>	<u>-</u>
Total Revenues and Other Financing Sources	\$ <u>117,618,933</u>	\$ <u>117,618,933</u>	116,847,344	\$ <u>(771,589)</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			7,523,151	
Property tax revenue receivable accrual basis change			71,095	
Certain bonds outstanding of the Town were refunded using refunding bonds, which were not recorded for budget purposes, as the transaction nets to zero			17,619,701	
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			29,631	
Elimination of interfund activity between the General Fund and funds combined for GASB 54 purposes			3,785	
Other differences			<u>(557)</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>\$ 142,094,150</u>	

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government:				
Legislative policy	\$ 43,436	\$ 43,436	\$ 37,850	\$ 5,586
Voter registration	114,971	137,971	136,299	1,672
Town Clerk	366,940	366,940	360,612	6,328
Legal services	422,950	422,950	264,435	158,515
Total general government	948,297	971,297	799,196	172,101
General Services:				
Executive management	292,233	292,233	280,006	12,227
Financial administration	1,340,012	1,340,012	1,320,702	19,310
Administrative services	2,754,017	2,754,017	2,603,807	150,210
Total general services	4,386,262	4,386,262	4,204,515	181,747
Public Safety:				
Police services	6,388,590	6,388,590	6,253,662	134,928
Public Works	6,255,507	6,255,507	6,004,046	251,461
Planning and Development Services	1,135,116	1,135,116	1,102,217	32,899
Human Services:				
Human services	562,605	562,605	537,609	24,996
Community Services:				
Parks and recreation	1,833,649	1,833,649	1,810,089	23,560
Library	1,681,399	1,681,399	1,625,200	56,199
Total community services	3,515,048	3,515,048	3,435,289	79,759
Nondepartmental:				
Insurance and claims	574,250	574,250	430,963	143,287
Contingency	350,000	127,000		127,000
Self-funded plans	8,157,901	8,157,901	8,157,813	88
Total nondepartmental	9,082,151	8,859,151	8,588,776	270,375
Education	72,645,500	72,645,500	72,562,755	82,745
Debt Service:				
Town	2,086,367	2,086,367	2,027,795	58,572
Board of Education	2,926,082	2,926,082	2,838,488	87,594
Total debt service	5,012,449	5,012,449	4,866,283	146,166

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Outside Agencies:				
Regional agencies	\$ 113,802	\$ 113,802	\$ 113,802	\$ -
Ambulance services	115,705	115,705	115,705	-
Health services - cultural agencies	1,614,804	1,614,804	1,611,628	3,176
Probate court	13,433	13,433	13,433	-
Other libraries	193,000	193,000	193,000	-
Total outside agencies	<u>2,050,744</u>	<u>2,050,744</u>	<u>2,047,568</u>	<u>3,176</u>
Subdivisions:				
City of Groton	4,268,631	4,268,631	4,270,850	(2,219)
Groton Long Point	366,429	366,429	366,474	(45)
Fire districts	246,012	246,012	246,012	-
Total subdivisions	<u>4,881,072</u>	<u>4,881,072</u>	<u>4,883,336</u>	<u>(2,264)</u>
Total expenditures	<u>116,863,341</u>	<u>116,663,341</u>	<u>115,285,252</u>	<u>1,378,089</u>
Other Financing Uses:				
Transfers out:				
Capital Reserve	1,500,000	1,700,000	1,700,000	-
Revaluation	30,000	30,000	30,000	-
Computer Replacement	91,722	91,722	91,722	-
Total other financing uses	<u>1,621,722</u>	<u>1,821,722</u>	<u>1,821,722</u>	<u>-</u>
Total Expenditures and Other Financing Uses	\$ <u>118,485,063</u>	\$ <u>118,485,063</u>	117,106,974	\$ <u>1,378,089</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	7,523,151
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	80,537
Certain bonds outstanding of the Town were refunded using refunding bonds, which were not recorded for budget purposes, as the transaction nets to zero	17,619,701
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	328,832
Elimination of transfers between General Fund and funds combined for GASB 54 purposes	(121,722)
Other differences	<u>28</u>

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

\$ 142,537,501

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

The following information has been prepared by Bond Counsel in connection with 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 initial purchaser 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 initial purchaser.

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 \$19,060,000 General Obligation Refunding Bonds, Issue of 2013, Lot A, dated as of March 12, 2013.

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, 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.

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

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

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

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

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

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

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The 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 Bonds were ultimately sold to the public.

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

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. For example, on September 13, 2011, S.B. 1549, the "American Jobs Act of 2011" (the "Jobs Act"), was introduced into the United States Senate, which legislation, if enacted as introduced, would have subjected to federal income taxation a portion of the interest on all tax-exempt bonds (including the Bonds) received for taxable years beginning on or after January 1, 2013 by certain individuals with incomes above specified limits. The Jobs Act was not enacted; however, on February 13, 2012, President Obama released his fiscal 2013 Federal budget request, which includes a proposal to cap at 28% the value of tax preferences, including tax-exempt interest for municipal bonds. No assurance can be given that Federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other Federal tax law consequences 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 affecting municipal bonds.

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

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

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 initial purchaser 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 initial purchaser.

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 \$2,020,000 General Obligation Sewer Refunding Bonds, Issue of 2013, Lot B, as of March 12, 2013.

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, *other than property in the City of Groton*, 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, 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.

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

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

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

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

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

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

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The 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 Bonds were ultimately sold to the public.

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

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. For example, on September 13, 2011, S.B. 1549, the "American Jobs Act of 2011" (the "Jobs Act"), was introduced into the United States Senate, which legislation, if enacted as introduced, would have subjected to federal income taxation a portion of the interest on all tax-exempt bonds (including the Bonds) received for taxable years beginning on or after January 1, 2013 by certain individuals with incomes above specified limits. The Jobs Act was not enacted; however, on February 13, 2012, President Obama released his fiscal 2013 Federal budget request, which includes a proposal to cap at 28% the value of tax preferences, including tax-exempt interest for municipal bonds. No assurance can be given that Federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other Federal tax law consequences 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 affecting municipal bonds..

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

APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE BONDS

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

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of March 12, 2013 by the Town of Groton, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$19,060,000 General Obligation Refunding Bonds, Issue of 2013, Lot A, dated as of March 12, 2013 and \$2,020,000 General Obligation Sewer Refunding Bonds, Issue of 2013, Lot B, dated as of March 12, 2013 (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 February 27, 2013 prepared in connection with the Bonds.

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

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

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

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

Section 2. Annual Financial Information.

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

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

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

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

- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
- (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 Issuer's fiscal year currently ends on June 30.

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

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

Section 3. Notice of Certain Events.

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

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

- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

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

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

Section 8. Miscellaneous.

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

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

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

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

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

TOWN OF GROTON

By _____
Mark R. Oefinger
Town Manager

By _____
Salvatore M. Pandolfo
Director of Finance