

Final Official Statement Dated October 19, 2006

NEW ISSUE: Book-Entry-Only

Ratings : Moody's Investors Service : Aaa /MIG 1

Standard & Poor's : AAA /SP1+

Fitch Ratings: AAA/F1+

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended ("the Code"), under existing statutes, interest on the Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds and the Notes are not "private activity bonds" and interest on the Bonds and the Notes 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 and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendices B and C - "Form of Legal Opinion and Tax Exemption" herein.)



Town of Groton, Connecticut

\$16,570,000

General Obligation Bonds – Issue of 2006

Dated: November 1, 2006

Due: Serially October 1, 2007 – 2026,
As Detailed on Inside Front Cover.

Interest on the Bonds will be payable on April 1, 2007 and semiannually thereafter on April 1 and October 1 in each year until maturity.

The Bonds will be general obligations of the Town of Groton, secured by the pledge of the Town's full faith and credit. See "Security and Remedies" herein.

The Bonds are subject to redemption prior to maturity.

Citigroup

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation.



\$23,100,000

General Obligation Bond Anticipation Notes - Lot A

Dated:	November 1, 2006	Due:	October 30, 2007
Amount:	\$22,100,000	Amount:	\$1,000,000
Rate:	4.00%	Rate:	4.00%
Yield:	3.55%	Yield:	3.38%
Underwriter:	Eastern Bank	Underwriter:	Roosevelt & Cross, Inc.
CUSIP:	399352YL1	CUSIP:	399352YL1

\$1,130,000

General Obligation Sewer Bond Anticipation Notes – Lot B

Dated:	November 1, 2006	Due:	June 20, 2007
Rate:	4.00%	Yield:	3.40%
Underwriter:	Roosevelt & Cross, Inc.	CUSIP:	399352YK3

The Lot A Notes are payable from taxes levied on taxable property in the entire area of the Town. The Lot B Notes are payable from taxes levied against taxable property in the Town other than property within the City of Groton. See "Securities and Remedies" herein. The Lot A and Lot B Notes are not subject to redemption prior to maturity.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the approving opinion of Day, Berry & Howard LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in book-entry-only form will be made to DTC on or about November 1, 2006.

The Bonds and the Notes will be issued by means of a book-entry-only system and will be registered in the name of Cede & Co., as Bondowner or Noteowner, respectively, and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds and the Notes. Ownership of the Bonds will be in the denominations of \$5,000 or integral multiples thereof. Ownership of the Notes will be in the denominations of \$25,000 or integral multiples thereof, plus any odd amount. The Beneficial Owners will not receive certificates representing their ownership interest in the Bonds or the Notes. Principal and interest on the Bonds and the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds or the Notes. So long as Cede & Co. is the Bondowner or Noteowner, respectively, as nominee for DTC, reference herein to the Bondowner or owners or Noteowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds or the Notes. See "Book-Entry-Only System" herein.

The Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds and the Notes will be U.S. Bank, National Association, 225 Asylum Street, Hartford, Connecticut 06103.

Town of Groton, Connecticut
\$16,570,000
General Obligation Bonds – Issue of 2006

Dated: November 1, 2006

Due: Serially October 1, 2007 - 2026

Maturity Schedule

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2007	\$830,000	5.500%	3.350%	399352XN8	2017*	\$830,000	4.000%	3.820%	399352XY4
2008	830,000	5.500%	3.400%	399352XP3	2018*	830,000	4.000%	3.860%	399352XZ1
2009	830,000	5.500%	3.400%	399352XQ1	2019*	830,000	4.000%	3.900%	399352YA5
2010	830,000	4.000%	3.470%	399352XR9	2020*	830,000	4.000%	3.950%	399352YB3
2011	830,000	4.000%	3.490%	399352XS7	2021	825,000	4.000%	4.000%	399352YC1
2012	830,000	4.000%	3.540%	399352XT5	2022	825,000	4.000%	4.050%	399352YD9
2013	830,000	4.000%	3.580%	399352XU2	2023	825,000	4.000%	4.080%	399352YE7
2014	830,000	3.500%	3.620%	399352XV0	2024	825,000	4.000%	4.110%	399352YF4
2015	830,000	3.500%	3.660%	399352XW8	2025	825,000	4.100%	4.140%	399352YG2
2016	830,000	3.700%	3.770%	399352XX6	2026	825,000	4.100%	4.160%	399352YH0

* Priced assuming redemption on October 1, 2013; however, any such redemption is at the option of the Town.

Bond Issue Summary

Date of Sale: Thursday, October 19, 2006 at 11:00 A.M. (E.D.T).

Location of Sale: Groton Town Hall, (Finance Conference Room), 45 Fort Hill Road, Groton, Connecticut 06340.

Issuer: Town of Groton, Connecticut (the "Town").

Issue: \$16,570,000 General Obligation Bonds, Issue of 2006 (the "Bonds").

Dated Date: November 1, 2006

Interest Due: Interest on the Bonds is due April 1, 2007 and semiannually thereafter on April 1 and October 1 in each year until maturity.

Principal Due: Principal on the Bonds is due serially, October 1, 2007 through October 1, 2026 as detailed in this Official Statement.

Purpose: Bond proceeds will be used to finance various school and general purpose projects.

Redemption: The Bonds are subject to redemption prior to maturity, as provided herein.

Demoninations: \$5,000

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

Credit Rating: Moody's Investors Service, Standard & Poor's and Fitch Ratings have assigned ratings of "Aaa", "AAA" and "AAA", respectively, to the Bonds, with the understanding that a financial guarantee insurance policy will be issued by MBIA Insurance Corporation concurrently with the delivery of the Bonds. Underlying ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings are Aa3, AA- and AA- respectively.

Bond Insurance: MBIA Insurance Corporation has made a commitment to issue a financial guarantee insurance policy relating to the Bonds effective as of the date of issuance of the Bonds (See Appendix I – "Financial Guarantee Insurance Policy")

Basis of Award: The lowest True Interest Cost, as of the dated date of November 1, 2006.

Form of Legal Opinion and Tax Exemption: See Appendix B – "Form of Legal Opinion and Tax Exemption – The Bonds and the Lot A Notes" herein.

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

Continuing Disclosure: In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix D to this Official Statement.

Registrar, Transfer Agent, Certifying Agent, and Paying Agent: U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103

Financial Advisor: People's Bank, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.

Legal Opinion: Day, Berry & Howard LLP of Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about November 1, 2006. Delivery of the Bonds will be made against payment in Federal Funds.

Lot A Notes Issue Summary

Date of Sale: Thursday, October 19, 2006 at 11:30 A.M. (E.D.T).

Location of Sale: Groton Town Hall, (Finance Conference Room), 45 Fort Hill Road, Groton, Connecticut 06340.

Issuer: Town of Groton, Connecticut (the "Town").

Issue: \$23,100,000 General Obligation Bond Anticipation Notes – Lot A (the "Lot A Notes").

Dated Date: November 1, 2006

Interest Due: At Maturity: October 30, 2007.

Principal Due: At Maturity: October 30, 2007.

Purpose: Lot A Note proceeds will be used to finance various school and general purpose projects.

Redemption: The Lot A Notes are not subject to redemption prior to maturity, as provided herein.

Demoninations: \$25,000

Security: The Lot A Notes will be general obligations of the Town of Groton, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Lot A Notes when due as follows: *The Lot A Notes are payable from taxes levied on taxable property in the entire area of the Town.*

Credit Rating: Moody's Investors Service, Standard & Poor's and Fitch Ratings have assigned ratings of "MIG1", "SP1+" and "F1+", respectively, to the Lot A Notes.

Bond Insurance: The Town does not expect to purchase a credit enhancement facility.

Basis of Award: The lowest Net Interest Cost, as of the dated date of November 1, 2006.

Form of Legal Opinion and Tax Exemption: See Appendix B – "Form of Legal Opinion and Tax Exemption - The Bonds and the Lot A Notes" herein.

Bank Qualification: The Lot A Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Lot A Notes.

Continuing Disclosure: In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, notices of material events with respect to the Lot A Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix E to this Official Statement.

Registrar, Transfer Agent, Certifying Agent, and Paying Agent: U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103

Financial Advisor: People's Bank, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.

Legal Opinion: Day, Berry & Howard LLP of Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment: It is expected that delivery of the Lot A Notes in book-entry-only form will be made to The Depository Trust Company on or about November 1, 2006. Delivery of the Lot A Notes will be made against payment in Federal Funds.

Lot B Notes Issue Summary

Date of Sale: Thursday, October 19, 2006 at 12:00 Noon (E.D.T).

Location of Sale: Groton Town Hall, (Finance Conference Room), 45 Fort Hill Road, Groton, Connecticut 06340.

Issuer: Town of Groton, Connecticut (the "Town").

Issue: \$1,130,000 General Obligation Sewer Bond Anticipation Notes – Lot B (the "Lot B Notes").

Dated Date: November 1, 2006

Interest Due: At Maturity: June 20, 2007.

Principal Due: At Maturity: June 20, 2007.

Purpose: Lot B Note proceeds will be used to finance a sewer project.

Redemption: The Lot B Notes are not subject to redemption prior to maturity, as provided herein.

Demoninations: \$25,000, except for any odd amount.

Security: The Lot B Notes will be general obligations of the Town of Groton, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Lot B Notes when due as follows: *The Lot B Notes are payable from taxes levied against taxable property in the Town other than property within the City of Groton.*

Credit Rating: Moody's Investors Service, Standard & Poor's and Fitch Ratings have assigned ratings of "MIG1", "SP1+" and "F1+", respectively, to the Lot B Notes.

Bond Insurance: The Town does not expect to purchase a credit enhancement facility.

Basis of Award: The lowest Net Interest Cost, as of the dated date of November 1, 2006.

Form of Legal Opinion and Tax Exemption: See Appendix C – "Form of Legal Opinion and Tax Exemption The Lot B Notes" herein.

Bank Qualification: The Lot B Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Lot B Notes.

Continuing Disclosure: In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, notices of material events with respect to the Lot B Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix E to this Official Statement.

Registrar, Transfer Agent, Certifying Agent, and Paying Agent: U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103

Financial Advisor: People's Bank, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.

Legal Opinion: Day, Berry & Howard LLP of Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment: It is expected that delivery of the Lot B Notes in book-entry-only form will be made to The Depository Trust Company on or about November 1, 2006. Delivery of the Lot B Notes will be made against payment in Federal Funds.

I. Bond and Note Information

Introduction

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Groton, Connecticut, (the "Town") in connection with the issuance and sale of \$16,570,000 General Obligation Bonds, Issue of 2006 (the "Bonds") and \$23,100,000 General Obligation Bond Anticipation Notes (the "Lot A Notes") and \$1,130,000 General Obligation Sewer Bond Anticipation Notes (the "Lot B Notes") (collectively, the "Notes") of the Town.

U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103 will certify and act as Registrar, Transfer Agent, and Paying Agent for the Bonds and the Notes.

The Bonds and the Notes are being offered for sale at public bidding. Notices of Sale dated October 12, 2006 have been furnished to prospective bidders. Reference is made to the respective Notices of Sale for the terms and conditions of the bidding.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds and the Notes. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Town since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representation of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof.

The information in this Official Statement has been prepared by the Town of Groton, with the help of the financial advisor for this issue, People's Bank. People's Bank does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

The Bonds

Description of the Bonds

The \$16,570,000 principal amount of the Bonds will be paid as indicated on the inside front cover of this Official Statement.

The Bonds will be dated November 1, 2006 and will bear interest at the rate or rates per annum specified on the inside cover of this Official Statement, payable on April 1, 2007 and semiannually thereafter on October 1 and April 1 in each year until maturity as set forth on the cover of this Official Statement. Interest will be calculated on the basis of a thirty-day month and a 360-day year. Interest is payable to the registered owner as of the close of business on the fifteenth day of March and September in each year or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner at the address as shown on the registration books of the Town kept for such purpose, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. 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 Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103. The legal opinions on the Bonds will be rendered by Day, Berry & Howard LLP in substantially the forms set forth in Appendix B to this Official Statement.

Redemption Provisions

Optional Redemption

Bonds maturing on or before October 1, 2013 are not subject to redemption prior to maturity. The Bonds maturing on October 1, 2014 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 1, 2013 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective prices (expressed as a percentage of the principal amount of Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
October 1, 2013 and thereafter.....	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the date fixed for redemption to the registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

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

The Notes

The Notes will be dated November 1, 2006 and will be due and payable as to both principal and interest at maturity, October 30, 2007 for the Lot A Notes and June 20, 2007 for the Lot B Notes. The Notes will bear interest calculated on the basis of a 30-day month and a 360-day year at the rate or rates per annum as set forth on the inside front cover of this Official Statement. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$100,000 or integral multiples thereof, plus any odd amount, 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 Notes are not subject to redemption prior to maturity.

The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103. The legal opinions on the Bonds and the Notes will be rendered by Day, Berry & Howard LLP in substantially the forms set forth in Appendix B and Appendix C to this Official Statement.

Authorization and Purpose

Date of Approval

Project	Bond		Referendum (if applicable)
	Authorization	Town Council / RTM	
Pleasant Valley Road South Improvements.....	\$3,833,986	June 26, 2001 / August 8, 2001	November 6, 2001
Catherine Kolnaski Elementary School.....	26,100,000	March 2, 2004 / March 10, 2004	April 27, 2004
Northeast Academy.....	20,800,000	March 2, 2004 / March 10, 2004	April 27, 2004
Fitch High School.....	45,000,000	March 2, 2004 / March 10, 2004	April 27, 2004
WPCF Upgrade and Sewer System Evaluation		July 16, 1996 / August 14, 1996	November 5, 1996
Study ^{1,2}	15,500,000	February 22, 2000 / April 12, 2000	May 23, 2000
Totals	\$111,233,986		

¹ All sewer bond principal and interest is to be paid from the Sewer District 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).

² On October 19, 2004 and December 8, 2004 the Town Council and RTM approved an additional appropriation of \$2,000,000 for the WPCF and extended the appropriations pertaining to the additions and improvements for an additional five (5) years. Additionally, on August 22, 2006 and September 13, 2006 the Town Council and RTM approved an additional appropriation of \$3,400,000 for the WPCF and extended the appropriations pertaining to the additions and improvements for an additional five (5) years.

Use of Proceeds

Project	Authorized Amount	BAN's		The Lot A Notes ²	The Lot B Notes ³	The Bonds
		Maturing 07/28/06	New Money/ (Paydowns)			
Pleasant Valley Road South						
Improvements.....	\$ 3,833,986	\$1,525,000	\$ 45,000	\$ -	\$ -	\$ 1,570,000
Catherine Kolnaski Elem. School.....	26,100,000	1,375,000	11,925,000	7,300,000	-	6,000,000
Northeast Academy.....	20,800,000	1,175,000	8,925,000	6,100,000	-	4,000,000
Fitch High School.....	45,000,000	1,450,000	13,250,000	9,700,000	-	5,000,000
WPCF Upgrade & Sewer Study ¹	15,500,000	1,100,000	30,000	-	1,130,000	-
Totals	\$111,233,986	\$6,625,000	\$34,175,000	\$23,100,000	\$1,130,000	\$16,570,000

¹ All sewer bond principal and interest is to be paid from the Sewer District 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).

² To mature on October 30, 2007

³ To mature on June 20, 2007

Book-Entry-Only Transfer System

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

DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds or Notes 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 such other DTC nominee) will consent or vote with respect to the Bonds or the Notes unless authorized by a Direct Participant in accordance with DTC’s 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 or the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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.

Security and Remedies

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

The Lot B Notes will be general obligations of the Town of Groton, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Lot B Notes when due from taxes levied against taxable property within the Town of Groton, other than property within the City of Groton.

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

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

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

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

Enforcement of a claim for payment of principal of or interest on the Bonds and the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, 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.

Qualification for Financial Institutions

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

Availability of Continuing Information

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and notices of material events with respect to the Bonds and notices of material events with respect to the Notes pursuant to Continuing Disclosure Agreements to be executed in substantially the form of Appendices D and E to this Official Statement.

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). With one exception, discussed below, to date the Town has not failed to meet any of its undertakings under such agreements. In 2003, the Town failed to file in a timely fashion the audited financial statements of the Town for the fiscal year which ended June 30, 2002. This failure was due to the delay in completing its annual audit, which resulted from the delay the Town experienced in receiving certain information from a third party vendor that was providing services to the Town in connection with the Town's implementation of GASB 34. The Town requested and received an extension from the State of Connecticut to file its audited financial statements, and the Town requested an extension from the Government Finance Officers Association for submitting the CAFR to the Certificate of Achievement for Excellence in Financial Reporting program. The Town did file unaudited financial statements and financial information and operating data in a timely fashion, together with a notice explaining why the audited financial statements were not yet available, and it submitted its audited financial statements for the 2001-2002 fiscal year once they were complete on March 27, 2003. The underwriter's obligation to purchase the Bonds and the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and the Notes, an executed copy of the Continuing Disclosure Agreement for the respective Bonds and Notes.

Ratings

Application was made to Moody's Investors Service, Standard & Poor's Corporation, and Fitch Ratings (the "Rating Agencies") for a rating on the Bonds and the Notes. The Town furnished to the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings reflect only the views of the Rating Agencies and will be subject to revision or withdrawal, which could affect the market price of the Bonds and the Notes. The Rating Agencies should be contacted directly for their ratings on the Bonds and the Notes and the explanation of such ratings. The Town's Financial Advisor, People's Bank, recommends that all bonded debt be submitted for a credit rating.

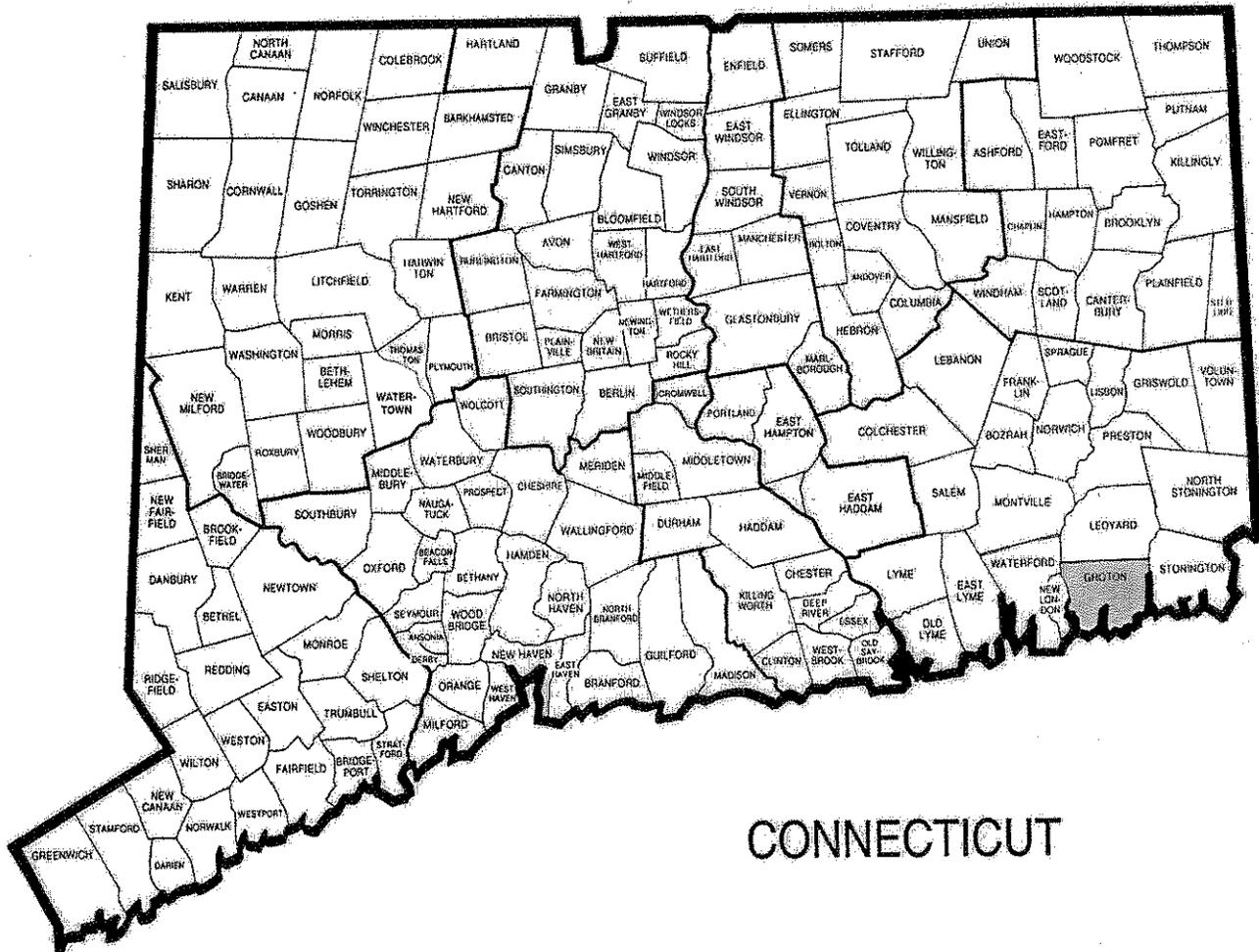
Moody's Investors Service, Standard & Poor's Corporation and Fitch Ratings have assigned ratings of "Aaa", "AAA" and "AAA", respectively, to the Bonds, with the understanding that a financial guarantee insurance policy will be issued by MBIA Insurance Corporation concurrently with the delivery of the Bonds. The Town received underlying ratings of "Aa3", "AA-", and "AA-" by Moody's Investors Service, Standard & Poor's Corporation and Fitch Ratings, respectively, on this Bond issue.

The Lot A and Lot B Notes were assigned a "MIG1" rating from Moody's Investors Service Inc., an "SP1+" from Standard & Poor's and an "F1+" from Fitch Ratings.

Bond Insurance

MBIA Insurance Corporation has made a commitment to issue a financial guarantee insurance policy relating to the Bonds effective as of the date of issuance of the Bonds.

II. The Issuer



Description of the Municipality

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 Town 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.

Town 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, business outreach, marketing and participation in regional economic development efforts.

Business Retention: The Town's Economic Development Commission and staff work with existing Town businesses to identify problem areas and assist with any expansion plans.

Business Outreach: Efforts to attract new businesses to Groton have involved several endeavors including acting as a public broker with respect to identifying users for existing properties and buildings. The Town maintains an inventory of available land and buildings and has also forwarded this information to regional and state economic development agencies. Town staff also participates in a number of trade shows.

Marketing: The goal of attracting businesses to Groton has required the development of marketing information and materials. New promotional materials have been developed and are continually updated. Other marketing efforts have included advertising in national relocation/ development magazines and other trade journals.

Regional Activities: The Town has been involved with regional organizations, projects and efforts so that it can pool its resources with neighboring jurisdictions. These efforts include the Thames Maritime Heritage Park, seCTer (Southeastern Connecticut Enterprise Region), Technology for Connecticut, Inc. (TECHCONN), the Port of New London/State Pier Project, the Groton-New London Airport, the Marine Science Center at Avery Point, Chamber of Commerce of Eastern Connecticut, Greater Mystic Chamber of Commerce, and Mystic Coast and Country.

The following are non-residential projects that were recently completed:

Pfizer, Inc. – Pfizer's Groton facilities have 2.7 million square feet of space and over 90% of the facilities in Groton are new or have been renovated in the last 10 years. There continues to be major investment in their Groton campus.

- Pfizer completed the extensive updating of its north entrance off of Eastern Point Road. These improvements included realigning and improving the intersection allowing them to fully integrate their new front entrance into the roadway, including extensive landscaping.
- Numerous renovations to laboratories and offices were also undertaken.

Connecticut Center for Massage Therapy – The first phase of this project, an addition to an existing historic Groton home, was completed in May of 2003. The new facility houses a massage therapy training facility. The second phase, a 1,492 square feet addition that includes a student lounge, practice room, and library, was completed in fall of 2005. The facility received the Community Project Award from the Connecticut Economic Development Association in December of 2005.

Groton Shopper's Mart – The center has undergone an extensive renovation and recent additions, such as Big Y grocery store and Blockbuster Video, have been joined by Cold Stone Creamery and Candy Bouquet. Applications for additional expansion of the center have recently been submitted to the Town.

Groton Utilities Facility – Groton Utilities recently completed a 21,000 square foot addition to the Poquonnock Road operations facility which will accommodate the consolidation of the water division.

Fairview/Odd Fellows Home – Recently completed a 15,000 square foot addition to the Assisted Living area of this continuing care facility. This will provide for each room to become a private room. An additional terrace and enclosed courtyard were also completed as part of the addition.

Groton Square – This center has undergone renovations with the expansion of Stop and Shop, demolition of a former bank building and the relocation of a liquor store.

Mystic Business Park, LLC, Flanders Road - Construction was recently completed on three warehousing/light manufacturing buildings totaling 19,000 square feet.

Projects Recently Submitted, Approved And/Or Under Construction:

Commercial/Industrial/Institutional:

Hilton Garden Inn – Approval was recently granted for a new 128-room, four-story inn near the Route 12 and Interstate 95 interchange. The owners hope to have the facility open in August of 2007.

Haley Brook Center – Is currently under construction and will include a 5,200 square foot neighborhood market with a drive-through Dunkin’ Donuts, a three-bay automatic car wash, 7,500 square feet of retail space and 7,500 square feet of office space.

Major Retail Proposal - A 182,111 square foot major retail project is working its way through the approval process. This project will also have outlying pad sites for smaller developments.

Oh Boy Diner – A proposal for a new restaurant building with a 1950’s theme has been submitted across from Wal-Mart on Route 184 at Kings Highway.

Leonard Drive Subdivision, Tower Avenue – This site has received approval for a 14-lot subdivision of industrially-zoned land off of Tower Avenue, which property is part of the Airport Business Park near the Groton-New London Airport. Numerous inquiries have been received regarding the park.

Mystic Executive Park – This is a 110,000 square foot Class “A” office building, which has been approved at the Mystic Executive Park on Route 117, off of Exit 88 of Interstate 95. The building will be located near the Marriott Hotel and Conference Center, and the site contains an additional 150 acres of land available for development.

Girard Nissan – A proposal for a 16,000 square foot, state-of-the-art automobile collision care center on Antonino Drive has been received.

Residential:

Haley Brook Congregate Living Facility – Construction was recently completed on a 62-unit congregate living facility on Route 184. The project includes recreation improvements to the Town’s open space in the Deerfield neighborhood. A significant number of the units have been sold.

Mystic Run, Allyn Street – Phase II is under final construction for a 42-unit residential life care community consisting of 11 townhouse-type residence structures.

Way Subdivision (Oxford Court), Algonquin Drive, Mystic – This is an 8-lot subdivision, which is currently under construction and is 90% complete.

Park Place Condominium Project – Construction is currently underway on a 61-unit housing project in the City of Groton, a political subdivision of the Town.

Mystic Weigh Subdivision – Construction is under way on a 75-lot open space subdivision off of Flanders Road.

Mystic Ice Subdivision, Route 1 – Construction has commenced on a 7-lot residential subdivision on the site of the former Mystic Ice House.

Woods Walk Subdivision – Construction has commenced on a 19-lot subdivision which will house duplex homes accessing Pleasant Valley Road North.

Midway Commons Subdivision – Construction is 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.

Four Winds – Plans are being finalized for a 147 unit active adult community off of Noank-Ledyard Road. All local approvals have been obtained.

Great Brook Subdivision – Approval has been granted for a 51-lot single family subdivision on Route 184 and Gales Ferry Road.

The Ledges - This 339-unit multi-family complex was recently completed on Drozdyk Drive at the edge of Groton's Downtown. The project includes townhouse and apartment units and amenities such as a fitness center, pool, walking paths, barbecue and picnic areas and a trail system. An additional 213 units on the adjacent parcel have received approval.

Carriage Park – Approval has been granted for a 250-unit apartment complex located at the end of Colver Avenue.

The Woodlands – Approval has been granted for a 60-unit apartment complex in three buildings north of the Country Glen Apartments off of Meridian Street Extension.

Other Significant Developments:

Central Hall Block – An application has been received, and the local review process is currently underway, for a proposal to build a 4-story building with 6 units of retail space on the first floor and 16 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.

Navy Housing Privatization – The Navy is now undertaking new construction and reconstruction of roughly 1800 dwelling units of its original 2100 residences located off base on Federal land. The project is part of the Navy's housing privatization project for the Subase.

Other Initiatives:

Mystic Streetscape Project –This project, which will include almost \$3.5 million dollars in improvements to Mystic, including utility undergrounding, parklet development and streetscape furniture, is in the final design phase with construction anticipated to begin in April of 2007.

Thames Maritime Heritage Park – A joint project to link the area's existing cultural and historic resources is being pursued by the City of New London, Town of Groton, City of Groton, and Connecticut DECD and DEP. This project includes constructed docking facilities at Fort Street in Groton and in New London and a future docking facility at the Historic Ship Nautilus/Submarine Force Library and Museum. Construction of public rest room facilities at Fort Griswold in Groton is expected to begin in the near future. Other components of this project include exhibit design, marketing, and coordinated project signage.

Marine Science Magnet High School – A marine science high school is currently under design by the State of Connecticut for a location on Thomas Road.

Thomas Road Bikeway Project – This is a multi-purpose path that is now in preliminary design. The project is valued at \$800,000, with the Federal Government financing 80% of costs through SAFETEA-LU program legislation.

Economic Development Strategic Plan – Phillips, Preiss, Shapiro Associates and the Town recently completed the update of the Town's Economic Development Strategic Plan. The plan has been widely accepted and the final document and an implementation schedule are expected to be available by early summer.

Major Initiatives: For the Year Ended June 30, 2006:

Public Works Projects: In FYE 2001 the Town Council and the Representative Town Meeting approved various ordinances approving these projects. Because these projects are to be funded through general obligation bonds they required voter approval. These four projects totaling approximately \$7.6 million were approved at referendum on November 6, 2001. Of the four projects that were approved three (Closure of Welles Road Bulky Waste Site and the Flanders Road Transfer Station and the Town Hall Annex Sewer Line) were completed in December 2003, October 2002 and December 2003, respectfully. Below is a listing of the one remaining project and its status:

- 1) **Pleasant Valley Road South Improvements:** Pleasant Valley Road South is a major traffic artery that parallels Route 12. It is approximately 4,250 feet long varying in width from 26 feet to just over 30 feet. It serves an elementary school, several residential areas and a number of large businesses that front Route 12. The authorization appropriates approximately \$3.8 million for this project. This project was sent out to bid in March 2005 with an estimated completion date in the fall of 2006.

Base Realignment and Closure (BRAC) Commission: As part of the 2002 National Defense Authorization Act, the BRAC 2005 process began with a memorandum from the United States Secretary of Defense (DOD) Donald H. Rumsfeld to defense leaders entitled "Transformation Through Base Realignment and Closure."

By the end of 2003, the Department of Defense published the draft selection criteria. In March 2004, the department submitted the force-structure plan and infrastructure inventory to Congress. The next month, Congress approved the final selection criteria. In March 2005, the president nominated the commissioners that will serve on the BRAC Commission.

On May 13, 2005, Secretary Rumsfeld forwarded DOD's list of recommended base closings to the BRAC Commission. The list included the closure of bases nationwide, including the New London Submarine Base in Groton, CT.

A unified, bipartisan effort by our public officials got underway to make the state's case to the nine-member BRAC Commission to take the submarine base off the Pentagon's closure list. On July 6, 2005 a delegation including former military officials, state, regional and local representatives made a two hour presentation at the Boston Regional BRAC hearing, putting forth a comprehensive case against the closure of the New London Submarine Base. Over the next month and a half additional documentation was submitted to the BRAC Commission supporting the Town's position that the Submarine Base should not be closed. In August 2005, the BRAC Commission voted to remove the base from the closure list. On Thursday September 8, 2005 the BRAC Commission filed their recommendation to the President of the United States that the Naval Submarine Base in Groton remain open. On September 15, 2005 President Bush endorsed the BRAC Commission's recommendations. On October 27, 2005 the U. S. House of Representatives took final legislative action that formally ended the federal base-closure process, ensuring that the Naval Submarine Base in Groton will remain open.

Grand List increases by 5.3%: The October 1, 2005 net adjusted taxable Grand List totals \$2,718,209,269, up 5.3% over 2004 and was signed on February 28, 2006. Expiring exemptions at Pfizer – both on personal and real property – account for about half of the approximately \$137 million increase in this year's Grand List. Real estate rose about 3.6%, from about \$2.14 billion to almost \$2.22 billion. About half of the total \$78 million increase in real estate assessments can be attributed to expiring enterprise zone exemptions at Pfizer's Buildings 230, part of Building 123 and most of Building 220, the mammoth state-of-the-art research and development building constructed between 1998 and 2001. The enterprise zone exemption for industrial properties provides eligible property owners with an exemption of 80% of the assessment increase of a qualifying project. Pfizer had been receiving a total assessment exemption of \$58.1 million, but about \$37.2 million of those exemptions expired this year.

In its fourth year on the tax rolls, the Mystic Marriott property again contributed about \$4.6 million to the grand list. There were about 66 single-family homes, three two-family homes and 62 residential condominium units either started or newly completed for the October 1, 2005 Grand List. Assessments on the new residential buildings totaled about \$11.6 million.

In addition to normal new construction, hundreds of real estate accounts changed due to data discrepancies discovered during the aborted 2005 revaluation.

Assessment penalties totaling about \$5 million were imposed on about 59 commercial parcels in 2005 for failure to return income and expense statements by June 1.

The net personal property grand list rose 19.6%, from about \$275 million to about \$328 million. Again, Pfizer led the way, with a net increase of about \$41.6 million. This sharp increase is misleading, however, because most of the increase is due to expiring exemptions on 5-year-old manufacturing equipment. There were 142 businesses added to the tax rolls this year, including Walgreen's, Webster Bank and the Ninety-Nine Restaurant.

The motor vehicles portion of the grand list, adjusted for military exemptions, rose from \$164,827,939 in 2004 to \$172,163,364, up about 4.5 percent. Despite the fact that the motor vehicle portion of the grand list grew in value, there were 62 fewer motor vehicles registered in town this year.

Major Initiatives: For the Future

School Construction: Construction has begun on three school projects which were approved by the Town of Groton voters in an April 27, 2004 referendum. These projects totaling \$91.9 million are the first phase of a three-part plan to overhaul the Town's aging schools. The referendum approved three town ordinances that appropriated \$91.9 million and authorized the issuance and sale of bonds and notes to fund the construction of two elementary schools and renovations and additions to the high school. The Architectural firm hired in November 2004 completed the constructions drawing and received approval to bid the elementary school projects in May 2006. The Construction Manager took bids for the elementary schools in June 2006 and construction began in August. Construction drawings for the high school renovation and addition were completed in July 2006 and bids were taken in August. Early site work for the high school, which consisted of constructing a new parking lot that will replace parking lost during construction of the addition, was completed in early September to support the opening of school. The Town is in the process of awarding contracts to all construction contractors and site work is underway on all three projects with building construction to begin by October 2006. The elementary schools are anticipated to be occupied in August 2007. The addition to the high school is scheduled finish early 2008 with renovations being finished the summer of 2008. At the end of this project the facilities and educational needs of the Town will be evaluated to identify additional school enhancement projects.

Water Pollution Control Facility, Additions and Improvements: Voters of the Town of Groton approved a referendum on the November 5, 1996 ballot for additions and improvements to the Water Pollution Control Facility and Sewer System Evaluation Study. The referendum approved a Town Ordinance that appropriated \$10,388,000 and authorized the issuance and sale of bonds and notes to fund the additions and improvements. This project was delayed for about a year by a lawsuit filed by three residents concerned about the legality by the Town Council in setting the referendum date. The state's appellate court denied their appeal and the State Supreme Court eventually dismissed the case. Design work commenced in January 1998. In June 1999 plans were submitted to the DEP along with an application for use of Clean Water Funds. DEP denied the request and the Town was informed that if the construction plans and specifications were to include additional treatment facilities for the removal of nitrogen from the wastewater, state grants and low interest loans would be available in FYE 2000. Although the costs would increase from \$10.4 million to \$15.5 million, the use of State grants and low interest loans would not increase the Town's debt service. The Town Council and Representative Town Meeting approved the additional \$5.1 million appropriation in the spring of 2000 and a voter referendum in May of 2000 also approved the increased appropriation and borrowing authorization. It is anticipated that this project will support the wastewater treatment capability needs through the year 2015. In the process to obtain DEP approval on the state grants and loans, an analysis of the projects environmental impact had to be performed. That analysis involved a state review of the proposed project's consistency with the various environmental policies and with the States Conservation and Development Policies Plan (C&D). During the review, the state determined that the WPCF upgrade included an increase in flow capacity. The increase in flow capacity triggered a review of the Town's 20-year sewer plan to determine the sources of additional flows. The state determined that some of the areas in the Town of Groton identified to be sewerred in the future were inconsistent with the C&D plan. Staff is still attempting to work out the issues revolving around the State's claim that our Sewer Facility Plan is inconsistent with the State's C&D plan. On April 16, 2003 the Town revised its Zoning Regulations to resolve the issue that the DEP had concerning storm-water management in the Water Resource Protection District. DEP concurred with the changes and began moving forward with State grant and loan approval process. During the 2004 State Legislative process, the Town sought a \$2.0 million grant to the town to offset inflationary cost that have resulted from the town's negotiations with the State DEP concerning the Environmental Impact Evaluation. In June 2004, the Governor signed a bill that included \$2.0 million grant for this project. In September 2004 the Town received a copy of a letter that was sent from the Secretary of OPM to the Deputy Commission of DEP approving the Town of Groton's WPCF Upgrade EIE. In October and December 2004 the Town Council and Representative Town Meeting respectively passed a resolution approving the additional appropriation and extending the appropriations for additions and improvements to the WPCF in the amount of \$17.5 million.

Bid opening for the project was in May 2006. Only one bid was received and it was over budget. Market forces had outpaced the amount of funds appropriated for the project. The project is now estimated to cost \$20.9 million with the increase costs of \$3.4 million to be funded by the balances in the Sewer Operating Fund (\$1,932,000) and Sewer Capital Reserve Fund (\$418,000) and deferring several capital projects (\$1,050,000). The bonding authorization of \$15.5 million will remain unchanged. The Water Pollution Control Authority at its August 7, 2006 meeting passed a resolution requesting that the Town Council/RTM appropriate additional funds to complete the project. On August 22, 2006 the Town Council approved a resolution approving additional appropriations as listed above and extending the appropriation for additions and improvements to the Water Pollutions Control Facility. This item was referred to the Representative Town Meeting and approved unanimously at their September 13, 2006 meeting.

Fort Hill Homes Sewer Rehabilitation Project; Voter of the Town of Groton approved a referendum on the November 8, 2005 ballot for the rehabilitation and replacement of sewers, manholes and laterals in the Poquonnock Bridge section of town. The referendum approved a Town Ordinance that appropriated \$6,381,200 and authorized the issuance and sale of bonds and notes to fund the improvements. The town anticipates that the project will be funded by a 20-year loan at 2% from the State's Clean Water Fund. Although the financing will be secured by the Town's full faith and credit, payable from taxes levied in the Sewer District, the Town intends to fund the debt service for this project with revenue generated by the Town's sewer use fee rate. The sewer project will be phased in through December 2008.

Revaluation: The Groton Town Council elected to postpone the October 1, 2005 revaluation of all real property until October 1, 2006. The Town Council exercised an option permitted under CT State Statute that allows municipalities to postpone revaluations that were scheduled for 2003, 2004 or 2005 until 2006. The firm of Tyler/CLT has been contracted to conduct the 2006 revaluation.

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 Postemployment 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 FYE 2008. Based on an actuarial study conducted in FYE 2005 it was estimated that the Town's OPEB liability was is in the range of \$76 to \$111 million.

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 FYE 2005. To date \$740,000 has been set aside into an OPEB special revenue fund. The Town is in the process of having another actuarial study done to provide a more current estimate of its OPEB liability and to meet the actuarial requirements of the GASB statement.

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.

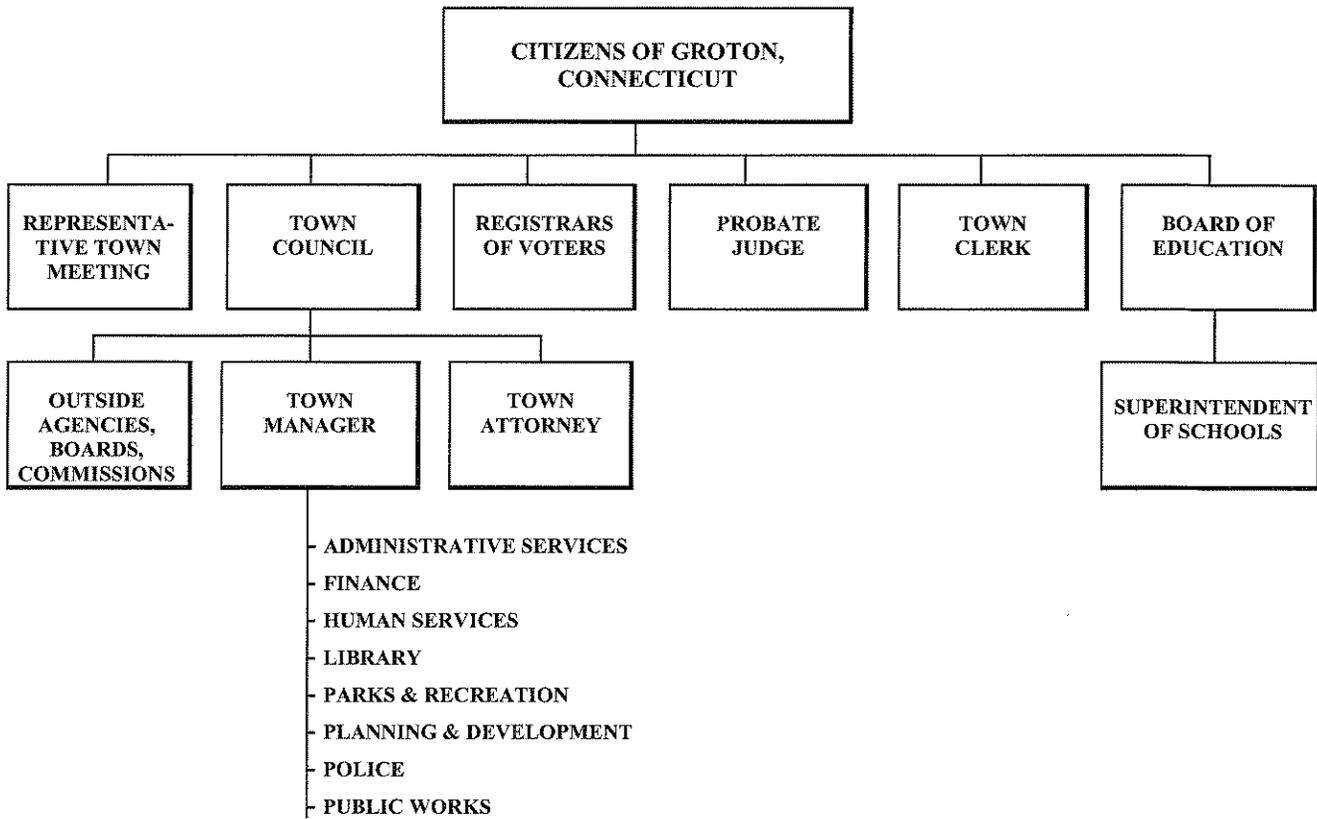
The Town Council (a nine member elected body) is responsible for determining policy and appointing the Town Manager to execute this policy and administer the day to day affairs of the Town. The Council holds public hearings on the budget and sets the property tax mill rate. One of the nine members is 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-two 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.

Organizational Chart



Principal Municipal Officials

Office	Name	Manner of Selection	Term Expires	Length of Town Service
Mayor	Harry A. Watson	Elected	11/2007	16 years
Town Manager	Mark R. Oefinger	Appointed	Indefinite	24 years
Finance Director	Salvatore M Pandolfo	Appointed	Indefinite	16 years
Mgr. of Planning & Dev.	Michael J. Murphy	Appointed	Indefinite	18 years
Public Works Director	Gary Schneider	Appointed	Indefinite	23 years
Chief of Police	Kelly Fogg	Appointed	Indefinite	24 years
Town Clerk.....	Barbara Tarbox	Elected	1/2009	20 years
Superintendent of Schools.....	Dr. James E. Mitchell	Appointed	Indefinite	34 years
Treasurer/Accounting Mgr.....	Cindy R. Landry	Appointed	Indefinite	24 years

Resumes of Principal Municipal Officials

Mr. Harry A. Watson was elected by the Town Council to be Mayor in November 2003 and most recently was elected by the Town Council to be Mayor in November 2005. Mr. Watson had been on the Town Council since November 1990. A retired Principal Research Investigator with Pfizer, he has served and continues to serve on numerous Town Commissions and Task Forces.

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 previously employed as Senior Planner from September 1988 through December 1999. He was appointed as Assistant Director of Planning and Development in January 2000. Subsequently he was appointed as Acting Director of Planning and Development in January, 2003. He was appointed to the permanent position of Director of Planning and Development effective July 14, 2003. Mr. Murphy received a B.A., Political Science, with a Minor Degree in French from Fairleigh Dickinson University College at Florham and a Master of Public Administration (MPA) from Long Island University/C.W. Post Center.

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 Bachelors Degree in Civil Engineering from Marquette University and a Masters Degree in Industrial Engineering from the University of New Haven.

Kelly Fogg was appointed as Police Chief on June 27, 2005. He has been a member of the police department for twenty-three years and has served the department in the positions of Patrol Officer; Youth Officer; School Resource Officer; Police Sergeant; Police Lieutenant; Police Captain; Assistant Chief of Police and since January 2005 as Acting Police Chief. Chief Fogg has received a Bachelor's Degree in Criminal Justice Law Enforcement Administration and a Juris Doctor Degree from Western New England College School of Law.

Barbara Tarbox received a Bachelor of Science Degree in Mathematics from Boston College; a Master of Library Science from the University of Rhode Island; she is a Certified Municipal Clerk, International Institute of Municipal Clerks; and completed Advanced Education course work with IIMC.

Dr. James E. Mitchell was appointed Superintendent of Schools in September 2001. He brings extensive experience and knowledge as a public school administrator to the position and community having served thirty-two years in the Groton Public School System as a teacher, guidance counselor, and administrator. He served twenty-one years at the district level in the following positions: Acting Superintendent, Deputy Superintendent, Assistant Superintendent, and Director of Pupil Personnel Services. Dr. Mitchell received his Bachelor of Education from Lamar University, his Masters in Guidance and Counseling from the University of Rhode Island, and Ph.D. in Educational Leadership from the University of Connecticut.

Ms. Cindy 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.

Administrative Services

The Administrative Services Department is responsible for the following functional areas: Human Resources, Labor Relations, Risk Management, Employee Benefits, Information Technology, Emergency Management and Emergency Communications.

Human Resources responsibilities include 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 also coordinates employee training and development programs and is responsible for maintaining employee personnel records.

Labor Relations activities include negotiation and administration of collective bargaining agreements with the Town's four unions as well as handling grievance and arbitration proceedings.

Employee Benefits involve the administration of employee health insurance and retirement plans as well as worker's compensation.

Risk Management involves assessing the Town's insurance needs, recommending levels and types of coverage and monitoring claims. The Town maintains proactive loss control and safety programs.

Information Technology (IT) 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 insure 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 plans for essential services for the Town 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.

Emergency Communications serves the entire Town of Groton, as well as provides a full range of dispatching services to the Town of North Stonington. The Emergency Communications Center serves as the public safety answering point 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.

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. The implementation of Government Accounting Standards Board (GASB) Statement #44 *Economic Condition Reporting: The Statistical Section and GASB Statement #45 Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* are also the responsibility of the Finance Department. GASB #44 will be implemented in fiscal year 2006 and GASB #45 will be implemented in fiscal year 2008. 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 Assessment Division continues to upgrade its electronic databases and public information sources.

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 delivery and pickup of all U. S. and interdepartmental mail as well as processing outgoing mail.

Revenue Collection Division: The Revenue Collection Division involves collection of Town taxes, the collection of nine districts' taxes, political subdivisions, and the Groton Sewer District tax. 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 22 different sewer benefit assessment systems, each having their own beginning date, collection due date, and scheduled bond interest rate; collection of the sewer use charge for 5,596 residential sewer use accounts and approximately 388 commercial accounts, which are billed monthly; collection of 2 Center Groton water benefit assessment system; collection of 414 commercial solid waste and 23 landfill accounts which are billed monthly; and other miscellaneous accounts.

Human Services

Groton Human Services includes three divisions: Groton Social Services, Groton Youth and Family Services and the Groton Family Support Center.

Groton Social Services provides 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 provides intervention and prevention services for at risk Groton youth. Intervention services include short-term counseling, crisis intervention, screening 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 offers Groton parents, caregivers and children the opportunity to come together for a mix of friendship, counseling and support services. 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 through information, educational and recreational materials, and cultural and leisure time activities. It has been located at its present site since 1977 when a one-floor 23,100 square foot building was constructed. In 1996, after receiving voter approval, the building was extensively renovated and 13,700 square feet of additional floor space was added. Site improvements included additional parking for the library and senior center as well as landscaped areas for outdoor activities. The facility presently houses 120,000 books, videos, compact discs, toys and other items available for loan. The library contains local, state and federal documents, and a trained staff which provides answers to more than 50,000 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 provide services to groups and help the library maintain its function as a community center.

The library also functions as a local history center by providing archives and by publishing historical works written by local authors. Additionally, the library offers a variety of computers for public use, and has a video production facility which supports cable casting of public meetings and other video services. The expanded and improved library facility supports library services for all age groups and provides high speed Internet access to the public.

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 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 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; making recommendations concerning land use regulations; 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 and conducts investigations and issues necessary cease-and-desist orders. In addition, Historic District Regulations, Housing Code for Rental Properties, State Demolition Code, 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. To date, the Town has been awarded more than \$9.3 million dollars in state and federal funds.

Economic Development: Groton's Economic Development division is responsible for encouraging the continued economic well being of the Groton community through the retention of existing businesses and the promotion of Groton as a location for new businesses. The 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 the Recreation Division include providing cultural events, instructional programs, sports leagues, trips, fitness activities, inclusive programming, special events and safety programs for residents of all ages and capabilities. The Division also provides support to programs and activities sponsored by other Town agencies and groups. Scholarship funds are available for deserving families and individuals. The Division performs fundraising.

Parks and Forestry Division: The Parks and Forestry Division maintains over 85 locations, which includes parks, playgrounds, town grounds, athletic fields, memorials, waterfronts, docks and beaches, trails, cemeteries and open spaces. Some of the wide variety of tasks provided includes turf management, hardscape, landscape, tree and shrub care, installation of play structures, carpentry and construction along with logistical work for special events. The division also provides support work for the other recreation divisions, schools, 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: The responsibilities of the Senior Center include providing nutrition, health and recreational classes, special events and trips, transportation, information and referral services for Groton residents 55 years and older. The Center sponsors a club actively engaged in fundraising and community service projects including flu clinics, food baskets for the needy, children's programs and recreation projects, entertainment groups that perform for other senior centers, schools, and civic groups, and more. Programs in health, finance, fitness, art and living wills are offered on a monthly basis throughout the year. A variety of classes are offered quarterly which include aerobics, yoga, chorus, dance, arts & crafts and ceramics. A cafeteria style kitchen is available for light breakfast and lunch, the Federal Elderly Nutrition program and the Meals on Wheels program for the homebound are also available for lunch.

Shennecossett Golf Course: Responsibilities include maintaining 140 acres of highly manicured fairways, tees and greens. 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 resident professional and the restaurant service. Fee structures for the course are reviewed annually as the course is run as a special revenue account.

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, drug education, and juvenile matters; (2) Records which is responsible for providing all statistics related to police work, (3) Patrol acts as a proactive deterrent to crime and provides quick response to citizen calls for service; includes a full Community Policing Program; (4) Detective division conducts investigations, interviews and interrogations on more serious crimes.

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

The Police Department does not operate in the two political subdivisions, the City of Groton and Groton Long Point Association. They provide their own police protection. However for FYE 2006 the Town of Groton will fund the police budgets of both of its political subdivisions. The Town of Groton funds approximately 48% of the City of Groton's police budget and 32% 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, Facility Management, and Fleet Maintenance.

The Engineering Division is responsible for survey, studies, designs, cost estimates, inspections and contract administration duties for the construction of streets, sidewalks, bridges, culverts, sanitary and storm sewer, 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.

The Roads and Streets Division maintains approximately 93 miles of roads and appurtenances. The division is responsible for snow removal, crack sealing, patching, resurfacing and recycles 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.

The Water Pollution Control Division is responsible for a wastewater collection and treatment system with the operations being fully funded through the collection of user fees. The division maintains and repairs the collection and treatment mechanical and electrical equipment, instrumentation and data collection and performs laboratory testing to ensure permit compliance. The treatment plant treats about 3.6 million gallons per day (mgd) with a total plant capacity of 5 mgd. The division maintains 130 miles of sewer mains and 22 pump stations.

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 (formerly the Borough of Groton) and is a separate taxing district. The Sewer District is responsible for funding the capital construction program.

The Facility Management Division is responsible for the management, maintenance and repair of over 227,000 S.F. of general government buildings (not responsible for schools) and other structures such as communication towers, an historic building and park structures. This compasses equipment maintenance, emergency power generation, electronic security, underground tank management, internal and external environmental compliance, energy management, housekeeping, internal support to town departments and supervision of contracted services.

The Fleet Maintenance Division is responsible for procurement, repair and management of the general government fleet of staff and construction equipment and, on a contractual basis, for the repair of certain political subdivision Fire, Police and Ambulance type vehicles. It provides refueling facilities for the town.

The Solid Waste Division manages solid waste disposal within Town. The Department operates a residential transfer station for bulky waste. The Department is only responsible for municipal solid waste collected from commercial and industrial units within the Town. All other collection of municipal solid waste is managed either by political subdivision or by individual homeowner contracts with the private haulers.

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 (SCRRRA) pursuant to which it participates, with eleven 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 therefor. 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 31,000 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 to be 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. They provide their own public works service. However for FYE 2006 the Town of Groton will fund the public works budgets of both of its political subdivisions. The Town of Groton funds approximately 93% of the City of Groton's public works budget and 100% of the Groton Long Point Association's public works budget.

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 agencies 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 Groton Utilities. Each public agency operates its own separate collection and treatment system. Each agency operates a separate wastewater treatment plant.

Cable TV: This information utility is operated under a non-exclusive franchise with Comcast Cable and also by Thames Valley Communications, a division of Groton Utilities.

Telephone: Telephone service is provided by AT&T.

Political Subdivisions

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 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 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 the Stonington residents.

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 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 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 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, 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.

Municipal Employees

(Full-time)

Fiscal Year

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government	286	288	294	300	310
Board of Education	659	665	670	722	722
Total	945	953	964	1,022	1,032

The following is a breakdown by category of full time Town employees for fiscal year ending 2006:

<u>Department</u>	<u>Full-time Positions</u>
Administrative Services.....	28
Board of Education.....	659
Community Services.....	43
Finance.....	20
Golf Course ¹	7
Human Services.....	10
Planning and Development.....	18
Public Safety	72
Public Works.....	53
Town Clerk.....	5
Town Manager.....	4
Fleet	8
Water Pollution Control Authority ¹	18
Total	945

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

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

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Employee Bargaining Organizations

<u>General Government</u>	<u>Union Representation</u>	<u>Posititons Covered</u>	<u>Current Contract Expiration Date</u>
Clerical/ Professional	Groton Municipal Employees Association CILU Local 62	105	June 30, 2009
Police.....	Groton Police Union Association Local 342 of Council 15 AFSCME	66	June 30, 2008
Public Works/Maintenance....	United Steel Workers of America AFL-CIO #7766	57	June 30, 2010
Supervisors.....	Local 818 of Council 4 AFSCME	7	June 30, 2010
 <u>Board of Education</u>			
Teachers	Groton Educational Association	462	August 31, 2010
Custodians.....	Groton Custodial and Maintenance Association	54	June 30, 2008
Para-Professionals.....	Groton Para - Professional Association	52	June 30, 2008
Secretaries.....	Groton School Secretaries Association	23	June 30, 2009
Administrators.....	Groton School Administrators	34	June 30, 2008

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

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of an affected municipality 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 of the parties. In reaching its determination, the arbitration panel shall give 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 the light of the employer's financial capability, the panel shall consider 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.

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Educational System

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

School Facilities

<u>School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>Type of Construction</u>	<u>Enrollment 10/01/05</u>	<u>Rated Capacity¹</u>
Charles Barnum ²	Pre K-5	1965, 1970, 1990	21	Masonry	312	419
Claude Chester	Pre K-5	1952, 1956, 1965	27	Masonry	404	505
Colonel Ledyard	Pre K-2	1963	10	Masonry	159	172
Eastern Point	Pre K-5	1902, 1925, 1941, 1954	26	Masonry/wood	439	480
Groton Heights	4-6	1912, 1962	9	Masonry	130	101
Mary Morrisson ²	Pre K-5	1963, 1990	24	Masonry	367	442
Noank	Pre K-5	1947, 1963, 1968	17	Masonry	335	336
Pleasant Valley ³	Pre K-5	1942, 1955, 1960, 1992, 1994	25	Masonry/wood	242	356
S.B. Butler ⁴	Pre K-5	1952, 1962, 1993	21	Masonry	349	350
William Seely ⁶	Pre K-5	1952, 1955	15	Masonry	-	287
Cutler Middle	6-8	1960, 1962, 1968	38	Masonry	412	403
Fitch Middle ⁵	6-8	1928, 1944, 1948, 1955, 1971, 1979, 1990	42	Masonry	468	483
West Side Middle	6-8	1956, 1994	17	Masonry	314	494
Fitch Senior High	9-12	1953, 1958, 1963, 1967, 1971, 1981, 1989	72	Masonry	1,379	1,460
Total.....					5,310	6,288

¹ Capacity based on current programming.

² Two portable classrooms are included.

³ Four portable classrooms are included.

⁴ Three portable classrooms are included.

⁵ Five portable classrooms are included.

⁶ William Seeley School was closed on June 30, 2003.

School Enrollment

<u>School Year</u>	<u>PreK-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Spec. Ed</u>	<u>Total</u>
Historical					
1996-1997	3,592	1,324	1,092	181	6,189
1997-1998	3,406	1,217	1,095	145	5,863
1998-1999	3,247	1,276	1,170	134	5,827
1999-2000	3,196	1,256	1,216	155	5,823
2000-2001	3,229	1,280	1,272	140	5,921
2001-2002	3,139	1,220	1,345	142	5,846
2002-2003	3,002	1,271	1,377	130	5,780
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
Projected					
<u>School Year</u>	<u>Pre K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Spec. Ed</u>	<u>Total</u>
2006-2007	2,600	1,110	1,412	139	5,261
2007-2008	2,509	1,048	1,388	139	5,084
2008-2009	2,522	993	1,325	139	4,979
2009-2010	2,515	919	1,280	139	4,853

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

III. Economic and Demographic Information

Population and Density

Year	Actual Population ¹	% Increase	Density ²	New London		State of Connecticut	
				County	% Increase	Connecticut	% Increase
1960	29,937	-	956	185,745	-	2,535,234	-
1970	38,244	27.75	1,222	230,654	24.18	3,032,217	19.60
1980	41,062	7.37	1,312	238,409	3.36	3,107,576	2.49
1990	45,144	9.94	1,442	254,957	6.94	3,287,116	5.78
2000	39,907	(11.60)	1,275	259,088	1.62	3,405,565	3.60
2004 ³	40,522	1.54	1,295	263,989	1.89	3,503,604	2.88

¹ 1960-2000, U.S. Department of Commerce, Bureau of Census.

² Per square mile: 31.3 square miles.

³ State of Connecticut, Department of Public Health; July 1, 2004.

Age Distribution of the Population

Age	Town of Groton		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years.....	3,220	8.1	223,344	6.6
5 - 9 years.....	2,959	7.4	244,144	7.2
10 - 14 years.....	2,497	6.3	241,587	7.1
15 - 19 years.....	2,476	6.2	216,627	6.3
20 - 24 years.....	3,469	8.7	187,571	5.5
25 - 34 years.....	7,015	17.6	451,640	13.3
35 - 44 years.....	6,146	15.4	581,049	17.0
45 - 54 years.....	4,394	11.0	480,807	14.1
55 - 59 years.....	1,611	4.0	176,961	5.2
60 - 64 years.....	1,291	3.2	131,652	3.9
65 - 74 years.....	2,353	5.9	231,565	6.8
75 - 84 years.....	1,764	4.4	174,345	5.1
85 years and over.....	712	1.8	64,273	1.9
Total.....	39,907	100.0	3,405,565	100.0
Median Age (Years).....	32.5		37.4	

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

Income Distribution

Income	Town of Groton		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	283	2.8	33,423	3.8
\$10,000 to \$14,999.....	347	3.4	23,593	2.7
\$15,000 to \$24,999.....	875	8.7	63,262	7.1
\$25,000 to \$34,999.....	1,406	14.0	75,413	8.5
\$35,000 to \$49,999.....	1,922	19.1	120,134	13.6
\$50,000 to \$74,999.....	2,301	22.8	198,924	22.5
\$75,000 to \$99,999.....	1,372	13.6	141,981	16.0
\$100,000 to \$149,999.....	1,154	11.5	132,177	14.9
\$150,000 to \$199,999.....	208	2.1	42,472	4.8
\$200,000 or more.....	204	2.0	54,368	6.1
Total.....	10,072	100.0	885,747	100.0

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

Income Levels

	<u>Town of Groton</u>	<u>State of Connecticut</u>
Per Capita Income, 2000	\$23,995	\$28,766
Per Capita Income, 1990	\$15,454	\$20,189
Per Capita Income, 1980	\$7,008	\$16,094
Median Family Income, 2000	\$51,402	\$65,521
Percent Below Poverty, 2000	4.90%	5.60%

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

Educational Attainment

Population 25 Years and Over

	<u>Town of Groton</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	855	3.4	132,917	5.8
9th to 12th grade, no diploma.....	2,209	8.7	234,739	10.2
High School graduate (includes equivalency).....	7,770	30.4	653,300	28.5
Some college, no degree.....	6,092	23.9	402,741	17.5
Associate degree.....	1,957	7.7	150,926	6.6
Bachelor's degree.....	3,718	14.6	416,751	18.1
Graduate or professional degree.....	2,902	11.3	304,243	13.3
Total	25,503	100.0	2,295,617	100.0
Total high school graduate or higher (%).....	88%		84%	
Total bachelor's degree or higher (%).....	26%		31%	

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

Major Employers (non-retail)

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Employees</u>
U.S. Navy Submarine Base	Military Base	10,550
Electric Boat Corporation	Submarines	7,979
Pfizer, Inc.	Pharmaceuticals	5,260 ¹
Town of Groton	Municipality	945 ²
AVCRAD	Helicopter Repair	400 ³
Wyman-Gordon Company DBA as PCC Structural (Groton Division)....	Manufacturer	275
City of Groton	Municipality	218 ⁴
Pequot Medical Center.....	Hospital	145
Doncasters Precision Castings	Manufacturer	128
Proto-Power Corporation.....	Engineering/Design	120
Anteone Corporation	Engineering/Technology	93
Total		26,113

¹ Includes Contractors

² Includes 286 Town of Groton employees and 659 Board of Education employees

³ Includes 129 full time and part time personnel on the weekends.

⁴ Includes 104 City of Groton employees and 114 Groton Utilities employees.

Source: Office of Planning & Development Services, Town of Groton, September 2006

Employment by Industry

Sector	Town of Groton		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	46	0.4	7,445	0.4
Construction	363	3.1	99,913	6.0
Manufacturing	886	7.6	246,607	14.8
Wholesale trade	523	4.5	53,231	3.2
Retail trade	993	8.6	185,633	11.2
Transportation and warehousing, and utilities	217	1.9	64,662	3.9
Information	853	7.4	55,202	3.3
Finance, insurance, real estate, rental & leasing	2,257	19.5	163,568	9.8
Professional, scientific, management, administrative, and waste mgmt services	2,537	21.9	168,334	10.1
Education, health and social services	1,733	14.9	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	577	5.0	111,424	6.7
Other services (except public administration)	383	3.3	74,499	4.6
Public Administration	226	1.9	67,354	4.0
Total Labor Force, Employed	11,594	100.0	1,664,440	100.0

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

Employment Data ¹ By Place of Residence

Period	Town of Groton		Percentage Unemployed		
	Employed	Unemployed	Town of Groton	New London Labor Market	State of Connecticut
August 2006	19,265	882	4.4	4.1	4.4
Annual Average					
2005	18,414	885	4.6	4.5	4.9
2004	17,228	815	4.5	4.2	4.7
2003	17,080	947	5.3	4.9	5.5
2002	17,750	668	3.6	3.8	4.3
2001	16,821	483	2.8	2.8	3.3
2000	17,094	390	2.2	2.2	2.3
1999	16,802	568	3.3	3.3	3.2
1998	17,136	653	3.7	3.9	3.4
1997	17,059	1,013	5.6	5.7	5.1
1996	17,667	1,019	5.5	5.9	5.7

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

Age Distribution of Housing

Year Built	Town of Groton		State of Connecticut	
	Units	Percent	Units	Percent
1999 to March 2000	233	1.4	15,993	1.2
1995 to 1998	597	3.5	47,028	3.4
1990 to 1994	918	5.5	56,058	4.0
1980 to 1989	2,567	15.3	183,405	13.2
1970 to 1979	2,343	13.9	203,377	14.7
1960 to 1969	3,184	18.9	212,176	15.3
1940 to 1959	3,839	22.8	359,042	25.9
1939 or earlier	3,139	18.7	308,896	22.3
Total Housing Units, 1999	16,820	100.0	1,385,975	100.0
Percent Owner Occupied, 1999		50.5		66.8

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

Housing Inventory

Type	Units	Percent
1-unit, detached.....	8,163	48.5
1-unit, attached.....	1,927	11.5
2 units.....	1,154	6.8
3 or 4 units.....	1,395	8.3
5 to 9 units.....	1,227	7.3
10 to 19 units.....	834	5.0
20 or more units.....	1,522	9.0
Mobile home.....	584	3.5
Boat, RV, van, etc.....	14	0.1
Total Inventory	16,820	100.0

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

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Building Permits

Town of Groton

Fiscal Year Ending 6/30	Residential		Commercial/Industrial		Other		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
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
2003	64	1,836,000	25	9,641,750	530	9,233,229	619	20,710,979
2002	51	6,184,457	8	1,294,480	529	8,183,658	588	15,662,595
2001	76	8,253,785	7	1,952,501	486	22,267,977	569	32,474,263
2000	118	11,744,497	8	15,159,899	436	6,539,227	562	33,443,623
1999	121	11,404,350	6	1,116,113	475	15,733,265	602	28,253,728
1998	88	8,244,794	5	210,000	507	7,547,367	600	16,002,161
1997	66	5,831,208	4	656,700	512	5,726,759	582	12,214,667

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

Fiscal Year	Residential		Commercial/Industrial		Other		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
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
2003	21	3,110,015	15	11,374,342	367	11,328,863	403	25,813,220
2002	11	744,369	11	13,567,515	231	13,984,168	253	28,296,052
2001	11	919,750	10	29,878,865	234	14,768,119	255	45,566,734
2000	14	1,685,771	5	395,000	182	6,134,824	201	8,215,595
1999	6	1,589,600	13	11,729,067	156	12,373,037	175	25,691,704
1998	5	227,000	11	22,386,200	165	20,921,415	181	43,534,615
1997	9	476,500	5	67,057	161	11,926,107	175	12,469,664

Source: Building Office, City of Groton

Combined Values

Groton Long Point			(Town of Groton, City of Groton, Groton Long Point)		
Fiscal Year Ending 6/30	No.	Total Residential Value	Fiscal Year Ending 6/30	No.	Total Value
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
2003	20	2,929,350	2003	1,042	55,846,955
2002	20	2,598,100	2002	861	46,556,747
2001	28	3,846,000	2001	852	81,886,997
2000	23	1,691,000	2000	786	43,350,218
1999	24	2,210,000	1999	801	56,155,432
1998	21	2,175,500	1998	802	61,712,276
1997	16	1,305,320	1997	773	25,989,651

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

Owner-Occupied Housing Values

Specified Owner-Occupied Units	Town of Groton		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000	48	0.8	5,996	0.8
\$50,000 to \$99,999	975	15.3	85,221	11.7
\$100,000 to \$149,999	2,670	42.0	212,010	29.1
\$150,000 to \$199,999	1,089	17.1	156,397	21.5
\$200,000 to \$299,999	867	13.6	137,499	18.9
\$300,000 to \$499,999	511	8.0	79,047	10.9
\$500,000 to \$999,999	182	2.9	38,168	5.2
\$1,000,000 or more	22	0.3	13,906	1.9
Total	6,364	100.0	728,244	100.0
Median Sales Price	\$140,000		\$166,900	

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

Breakdown of Land Use

Developed Land	1998¹		1989		Acreage	
	Acreage	%	Acreage	%	Change	%
Residential.....	4,816	24.0	4,510	21.4	306	6.8
Commercial.....	660	3.0	559	2.6	101	18.1
Industrial ²	2,493	12.0	2,791	13.2	(298)	(10.7)
Public, and Semi-Public.....	1,738	9.0	2,113	10.0	(375)	(17.7)
Total Developed Uses.....	9,707	48.0	9,973	47.2	(266)	(3.5)

Undeveloped Land	1998		1989		Acreage	
	Acreage	%	Acreage	%	Change	%
Recreation and Open Space.....	4,386	22.0	3,888	18.4	498	12.8
Other Uses (agricultural, Water and Vacant).....	6,231	31.0	7,259	34.4	(1,028)	(14.2)
Total Undeveloped Uses....	10,617	53.0	11,147	52.8	(530)	(1.4)

Total Area: 20,325 Acres or 31.75 square miles

¹ The 1998 Groton Land Use Summary reflects the new baseline for land use analysis based on the Town's Geographic Information System

² Includes Roads/Parking

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IV. Tax Base Data

Property Tax

Assessments

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 (Grand List 10/1/05). The next revaluation of the Grand List is scheduled for October 1, 2006.

The Town of Groton had a general property revaluation effective October 1, 2001. 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. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List are the responsibilities of the Town's assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located with the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

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 proration 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.

Levy

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 one hundred dollars for the Town and Groton Sewer District are payable in two installments - July 1 and January 1. Real estate and personal property taxes of less than \$100 are due in full in July. All District and Political Subdivision taxes are due in full in July. Motor Vehicle taxes are due in full regardless of the amount, on July 1. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor certificates of corrections, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed twice yearly, with interest charged at the rate of one and one-half percent per month eighteen percent per annum. In accordance with State law, any monies received by the Tax Collection Office must be applied to the oldest outstanding tax first. Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. A Uniform Commercial Code lien is filed with the Secretary of State each year on delinquent Personal Property accounts. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years. The obligation to pay on delinquent accounts does not cease until fifteen years has passed from the date they became due.

Comparative Assessed Valuations
(\$000 omitted)

Town of Groton

Grand List as of 10/1	Residential	Commercial & Industrial	Land and Other	Personal	Motor Vehicles	Gross Taxable	Less	Net Taxable
	Real Property	Property	Property	Property	Property	Grand List	Exemptions ¹	Grand List ¹
2005	\$1,343,138	\$863,682	\$49,718	\$515,071	\$200,815	\$2,972,424	\$254,868	\$2,717,556
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
2001 ²	1,288,061	787,880	67,320	541,221	164,543	2,849,025	412,078	2,436,947 ³
2000	874,971	713,511	29,184	543,819	147,381	2,308,866	437,885	1,870,981
1999	855,593	678,240	32,879	419,297	138,202	2,124,211	296,833	1,827,378
1998	843,961	635,054	32,655	392,392	142,437	2,046,499	250,695	1,795,804
1997	836,087	595,779	33,948	354,957	140,785	1,961,556	213,184	1,748,372
1996	825,844	577,391	35,349	311,316	142,631	1,892,531	150,865	1,741,666

¹ Reflects State of Connecticut Manufacturing Equipment Exemptions which became effective on the 10/1/91 Grand List.

² Revaluation. Real Estate assessments are based on 70% of fair market value as of October 1, 2001; Personal Property and Motor Vehicles are based upon 70% of current market value and are revalued annually.

³ Before Board of Assessment Appeals (BAA) action. For the 2001 Grand List reports produced at the end of the BAA process do not contain class code breakdowns that differentiate between the various classes of real estate. Total Net Taxable Grand List for 2001 is \$2,415,040,000.

Groton Sewer District

Grand List as of 10/1	Residential	Commercial & Industrial	Land and Other	Personal	Motor Vehicles	Gross Taxable	Less	Net Taxable
	Real Property	Property	Property	Property	Property	Grand List	Exemptions ¹	Grand List ¹
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
2001 ²	1,069,617	280,392	58,568	73,674	125,064	1,607,315	21,415	1,585,900 ³
2000	708,471	220,085	25,826	61,345	110,092	1,125,819	12,399	1,113,420
1999	691,584	203,435	29,393	58,580	103,426	1,086,418	7,036	1,079,382
1998	679,328	202,419	29,062	51,336	93,182	1,055,327	7,674	1,047,653
1997	671,350	202,985	30,270	54,856	93,331	1,052,792	6,706	1,046,086
1996	662,014	203,273	31,199	52,936	92,409	1,041,831	6,333	1,035,498

¹ Reflects State of Connecticut Manufacturing Equipment Exemptions which became effective on the 10/1/91 Grand List.

² Revaluation. Real Estate assessments are based on 70% of fair market value as of October 1, 2001; Personal Property and Motor Vehicles are based upon 70% of current market value and are revalued annually.

³ Before Board of Assessment Appeals (BAA) action. For the 2001 Grand List reports produced at the end of the BAA process do not contain class code breakdowns that differentiate between the various classes of real estate. Total Net Taxable Grand List for 2001 is \$2,415,040,000.

Source: Town Officials.

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Exempt Property

<u>Public</u>	<u>Assessed Value</u>
United States of America	\$ 191,483,890
State of Connecticut	216,249,560
Municipal	126,871,480
Sub-Total Public	\$ 534,604,930
<u>Private</u>	
Scientific, educational, historical, charitable	\$ 15,928,740
Cemeteries	3,377,092
General Hospital (Pequot Medical Center)	4,531,330
Churches	17,374,700
Veteran's Organizations	383,950
Volunteer Fire Companies	3,402,360
Hospitals & Sanitariums	7,232,260
Miscellaneous	6,696,040
Sub-Total Private	58,926,472
Total Exempt	\$ 593,531,402
Percent Compared to Net Taxable Grand List ¹	21.8%

¹ Based on 10/1/05 Net Taxable Grand List of \$2,717,555,319 (after Board of Assessment Appeals action).

Source: Assessor's Office, Town of Groton.

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Property Tax Levies and Collections

Town of Groton

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List (000 omitted)	Mill Rate	Adjusted Annual Levy	Percent Annual Levy Collected at End of Fiscal Year	Uncollected	
						Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/06
2004	2006	\$2,580,926	22.95	\$59,413,237	98.0	2.0	2.0
2003	2005	2,501,873	22.62	56,555,294	98.0	2.0	1.0
2002	2004	2,476,946	22.75	56,353,113	97.9	2.1	0.4
2001 ¹	2003	2,415,039	20.57	49,691,462	98.4	1.6	0.2
2000	2002	1,870,981	23.50	44,489,280	97.4	2.6	0.1
1999	2001	1,827,378	23.50	43,277,381	97.9	2.1	Nil
1998	2000	1,795,804	24.00	43,196,613	98.0	2.0	Nil
1997	1999	1,748,372	24.45	42,917,087	97.5	2.5	Nil
1996	1998	1,741,666	22.75	39,630,288	97.1	2.9	Nil
1995	1997	1,927,577	22.30	41,970,891	96.7	3.3	Nil

¹ Revaluation.

Source: Tax Collector and Assessor, Town of Groton

Groton Sewer District

Grand List of 10/1	Fiscal Year Ending 10/1	Net Taxable Grand List (000 omitted)	Mill Rate	Adjusted Annual Levy	Percent Annual Levy Collected at End of Fiscal Year	Uncollected	
						Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/06
2004	2006	\$1,628,557	0.75	\$1,132,220	99.0	1.0	1.0
2003	2005	1,599,045	0.75	1,110,434	98.0	2.0	0.3
2002	2004	1,580,579	0.75	1,586,671	98.6	1.4	0.1
2001 ¹	2003	1,564,990	0.75	1,091,742	98.4	1.6	0.1
2000	2002	1,113,420	1.75	1,757,862	98.3	1.7	Nil
1999	2001	1,079,382	1.75	1,708,451	98.3	1.7	Nil
1998	2000	1,047,653	1.75	1,850,430	97.9	2.1	Nil
1997	1999	1,046,082	1.75	1,835,760	97.1	2.9	Nil
1996	1998	1,035,570	1.95	2,028,856	96.4	3.6	Nil
1995	1997	1,022,745	1.85	1,894,594	95.1	4.9	Nil

¹ Revaluation.

Source: Tax Collector and Assessor, Town of Groton

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Largest Taxpayers

Town of Groton

Name of Taxpayer	Nature of Business	Net Assessed Value	Percent of Net Taxable Grand List ¹	Estimated Taxes Due ²
Pfizer Incorporated	Pharmaceutical	\$ 505,370,925	18.60%	\$ 11,598,263
Electric Boat Corporation	Submarine Mfg./R&D	178,844,390	6.58%	4,104,479
Exit 88 Hotel LLC	Mystic Marriott Hotel	22,882,650	0.84%	525,157
KRT Property Holdings, Inc.	Groton Square Shopping	12,537,679	0.46%	287,740
Groton Community LLC	Ledges Apartments	12,308,690	0.45%	282,484
Groton Development Associates Ltd.	Country Glen	10,701,390	0.39%	245,597
Kaliman Elias Trustee	LaTriumphe Apartments	9,487,200	0.35%	217,731
Groton Estates LLC	Colonial Manor	8,511,870	0.31%	195,347
CSC Outsourcing Inc., Computer Sciences Corp.	Leased Equip. at Electric	7,530,610	0.28%	172,827
Branford Manor Associates	Apartment Complex	7,420,020	0.27%	170,289
Total		\$ 775,595,424	28.54%	\$ 17,799,915

¹ Based on a 10/1/05 Net Taxable Grand List of \$2,717,555,319 (after Board of Assessment Appeals action).

² Based on a 22.95 mill rate established for the 2005-06 budget for the Town.

Note: Pfizer, Inc. and General Dynamics (the parent company of Electric Boat Corporation) are SEC reporting companies.

Source: Town of Groton.

Groton Sewer District

Name of Taxpayer	Nature of Business	Net Assessed Value	Percent of Net Taxable Grand List ¹	Estimated Taxes Due ²
Exit 88 Hotel LLC	Mystic Marriott Hotel	\$ 22,882,650	1.37%	17,162
Pfizer Inc	Pharmaceutical	13,995,575	0.84%	10,497
KRT Property Holdings, Inc.	Groton Square Shopping	12,537,679	0.75%	9,403
Groton Community LLC	Ledges Apartments	12,308,690	0.74%	9,232
Groton Development Associates Ltd.	Country Glen	10,701,390	0.64%	8,026
Kaliman Elias, Trustee	LaTriumphe Apts.	9,487,200	0.57%	7,115
Groton Associates of CT LP	Convalescent Home	7,294,700	0.44%	5,471
Mall Inc.	Groton Shopping Plaza	6,796,300	0.41%	5,097
Groton Retirement Residence Ltd	Retirement Residence	6,551,580	0.39%	4,914
Wal-Mart Stores	Retail Store	6,313,570	0.38%	4,735
Total		\$ 108,869,334	6.51%	81,652

¹ Based on a 10/1/05 Net Taxable Grand List of \$1,672,280,265 (after Board of Assessment Appeals action).

² Based on a 0.75 mill rate established for the 2005-06 budget for the Sewer District.

Source: Town of Groton.

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V. Debt Summary

Principal Amount of Indebtedness As of November 1, 2006 (Pro Forma)

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Bonds Outstanding</u>	<u>Fiscal Year Maturity</u>
01/15/92	Sewer ¹	5.75-6.10	\$ 650,000	\$ 40,000	2007
07/15/93	Sewer ¹	4.30-6.20	880,000	110,000	2009
01/01/01	Refunding Public Improvement	4.00-4.50	3,027,400	1,021,000	2010
01/01/01	Refunding School	4.00-4.50	917,600	304,000	2010
01/01/01	Refunding Sewer ¹	4.00-4.50	2,200,000	735,000	2010
06/01/02	Public Improvement	3.00-4.55	5,700,000	4,470,000	2017
06/01/02	Sewer	3.00-4.00	2,110,000	1,470,000	2013
10/01/03	Refunding Public Improvement	2.00-5.00	2,502,000	1,035,000	2007
10/01/03	Refunding School	2.00-5.00	2,107,000	754,000	2007
10/01/03	Refunding Water	2.00-5.00	566,000	456,000	2012
08/01/05	Public Improvement	3.50-5.50	3,705,000	3,515,000	2026
08/01/05	Schools	3.50-5.50	1,300,000	1,225,000	2026
	Sub-Total		\$ 25,665,000	\$ 15,135,000	
<u>This Issue</u>					
11/01/06	Public Improvement	3.50-5.50	\$ 1,570,000	\$ 1,570,000	2027
11/01/06	Schools	3.50-5.50	15,000,000	15,000,000	2027
	Total This Issue		\$ 16,570,000	\$ 16,570,000	
	Grand Total		\$ 42,235,000	\$ 31,705,000	

¹ All sewer bonds principal and interest is paid from the Sewer District 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).

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Short Term Debt
As of November 1, 2006
(Pro-Forma)

<u>Project</u>	<u>Authorized Amount</u>	<u>The Lot A Notes Due: 10/30/07</u>	<u>The Lot B Notes Due: 6/20/07</u>
Pleasant Valley Road South Improvements	\$ 3,833,986	\$ -	\$ -
Catherine Kolnaski Elementary School	26,100,000	7,300,000	-
North Academy	20,800,000	6,100,000	-
Fitch High School	45,000,000	9,700,000	-
WPCF Upgrade & Sewer Study	15,500,000	-	1,130,000
Total	\$ 111,233,986	\$ 23,100,000	\$ 1,130,000

Capital Leases

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

Associates Commercial Corporation:

- *Golf Course:* Forty-five (45) fleet golf carts – fifty-seven month lease at \$3,736.25 per month (8 payments per year). The lease commenced on 10/1/2003.

Xerox Corporation:

- *Library:* Two (2) coin-operated copiers - five year lease agreement at \$6,357.60 per year which commenced on 1/08/03; and One (1) document center - five year lease agreement at \$4,679.64 per year which commenced on 1/08/03.
- *Police Department/Youth Division:* One (1) copier - five year lease agreement at \$624.36 per year which commenced on 2/17/03.
- *Probate Court:* One (1) document center - five year lease agreement at \$3,417.96 per year which commenced on 1/08/03.

RISO, Inc.:

- *Parks & Recreation:* Risograph Duplicator – five year lease at \$79.95 per month which commenced on 2/17/03.

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General Fund¹
Annual Long-Term Bonded Debt Service
As of November 1, 2006
(Pro Forma)

Fiscal Year	Groton Sewer District ¹		Groton General Fund		Total	Pro-forma		Cumulative Principal Retired (%)
	Principal	Interest	Principal	Interest		This Issue: The Bonds	Total Principal	
2007 ¹	\$ 250,000	\$ 48,691	\$ 410,000	\$ 261,631	\$ 970,322	\$ -	\$ 660,000	
2008	515,000	80,565	1,885,000	472,089	2,952,654	830,000	3,230,000	
2009	510,000	59,231	1,865,000	391,864	2,826,095	830,000	3,205,000	
2010	450,000	39,000	1,365,000	327,076	2,181,076	830,000	2,645,000	
2011	210,000	25,200	910,000	281,364	1,426,564	830,000	1,950,000	
2012	210,000	16,800	905,000	247,876	1,379,676	830,000	1,945,000	
2013	210,000	8,400	670,000	218,289	1,106,689	830,000	1,710,000	
2014	-	-	670,000	192,409	862,409	830,000	1,500,000	
2015	-	-	665,000	165,814	830,814	830,000	1,495,000	
2016	-	-	665,000	138,374	803,374	830,000	1,495,000	
2017	-	-	665,000	110,269	775,269	830,000	1,495,000	
2018	-	-	260,000	81,636	341,636	830,000	1,090,000	
2019	-	-	255,000	71,336	326,336	830,000	1,085,000	
2020	-	-	255,000	61,136	316,136	830,000	1,085,000	
2021	-	-	255,000	50,809	305,809	830,000	1,085,000	
2022	-	-	255,000	40,322	295,322	825,000	1,080,000	
2023	-	-	255,000	29,644	284,644	825,000	1,080,000	
2024	-	-	255,000	18,806	273,806	825,000	1,080,000	
2025	-	-	255,000	7,969	262,969	825,000	1,080,000	
2026	-	-	60,000	1,275	61,275	825,000	885,000	
2027	-	-	-	-	-	825,000	825,000	100.00
Total	\$ 2,355,000	\$ 277,888	\$12,780,000	\$ 3,169,986	\$ 18,582,874	\$16,570,000	\$31,705,000	

¹ Excludes \$2,290,000 of principal paid and \$368,284 of interest paid for the period July 1, 2006 through November 1, 2006.

Overlapping/Underlying Debt

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:

District or Association	Oustanding Bonds	Oustanding Notes	Authorized But Unissued Debt
Center Groton Fire District	\$ 131,696	\$ -	\$ -
City of Groton ¹	5,495,500 ²	1,160,000	-
Groton Long Point Association	-	-	275,000
Mystic Fire District	805,000	-	-
Noank Fire District	346,987	-	-
Old Mystic Fire District	1,890,000	-	250,000
Poquonnock Bridge Fire District	-	-	-
West Pleasant Valley Fire District	-	-	-
Total Net Underlying Debt (applicable to the Town of Groton)	\$ 8,669,183	\$ 1,160,000	\$ 525,000

¹ Excludes \$14,239,220 of enterprise fund long term debt for outstanding electric bonds and \$9,485,280 of enterprise fund long term debt for outstanding water bonds.

² Consists of General Purpose debt in the amount of \$1,741,500 and Sewer debt in the amount of \$3,754,000.

Town of Groton Debt Statement
As of November 1, 2006
(Pro-Forma)

Long-Term Debt:

Public Improvement (\$10,041,000 Outstanding Plus \$1,570,000 of This Issue).....	\$ 11,611,000
Schools (\$2,283,000 Outstanding Plus \$15,000,000 of This Issue)	17,283,000
Sewers	2,355,000
Water	456,000
Total Long-Term Debt	<u>31,705,000</u>

Short-Term Debt:

Bond Anticipation Notes (This Issue Lot A and Lot B).....	24,230,000
Total Direct Debt	<u>55,935,000</u>
Less: Amount Due from State of Connecticut (As of 6/30/06) ¹	(685,269)
Sewer Assessment Receivable (as of 6/30/2006) ²	<u>(36,658)</u>
Total Net Direct Debt	55,213,073
Plus: Underlying Debt.....	<u>9,829,183</u>
Total Overall Net Debt	<u>\$ 65,042,256</u>

¹ The State of Connecticut Bureau of School Building Grants will reimburse the Town for eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

² All sewer bonds' principal and interest is paid from the Sewer District 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).

Note: Excludes capital leases.

Town of Groton - Current Debt Ratios
As of November 1, 2006
(Pro-Forma)

Population ¹	40,522
Net Taxable Grand List (10/1/05) ²	\$2,717,556,000
Estimated Full Value (70%)	\$3,882,222,857
Equalized Net Taxable Grand List (10/1/03) ³	\$5,512,999,225
Income per Capita (1990) ⁴	\$15,454
Income per Capita (2000) ¹	\$23,995

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	<u>\$55,935,000</u>	<u>\$55,213,073</u>	<u>\$65,042,256</u>
Per Capita	\$1,380.36	\$1,362.55	\$1,605.11
Ratio to Net Taxable Grand List	2.06%	2.03%	2.39%
Ratio to Estimated Full Value	1.44%	1.42%	1.68%
Ratio to Equalized Grand List	1.01%	1.00%	1.18%
Debt per Capita to Income per Capita 1990	8.93%	8.82%	10.39%
Debt per Capita to Income per Capita 2000	5.75%	5.68%	6.69%

¹ State of Connecticut, Department of Health, July 1, 2004.

² Date of last revaluation: October 1, 2001

³ Office of Policy and Management, State of Connecticut.

⁴ U.S. Department of Commerce Bureau of the Census 1990.

Town of Groton Sewer District Debt Statement
As of November 1, 2006
(Pro-Forma)

Town of Groton Debt Applicable to the Groton Sewer District	Town of Groton	Applicable to Groton Sewer District
Long-Term Debt:		
Public Improvement (\$10,041,000 Outstanding Plus \$1,570,000 of This Issue)...	\$ 11,611,000	\$ 7,144,965
Schools (\$2,283,000 Outstanding Plus \$15,000,000 of This Issue)	17,283,000	10,635,297 ¹
Water	456,000	280,605
Total	\$ 29,350,000	\$ 18,060,867
Bond Anticipation Notes (This Issue – Lot A)		23,100,000
Less: Amount Due from State of Connecticut (As of 6/30/06)		(685,269)
Total		41,846,136
Groton Sewer District Long Term Debt ²		2,355,000
Groton Sewer District Short Term Debt (This Issue - Lot B)		1,130,000
Total Direct Debt		45,331,136
Less: Sewer Assessment Receivable (as of 6/30/2006) ³		(36,658)
Total Net Direct Debt		45,367,794
Plus: Underlying Debt.....	9,829,183	3,173,683 ⁴
Total Overall Net Debt		\$ 48,541,477

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 10/1/05 or 61.54%, except for sewer debt which is 100% payable from taxable property in the Sewer District.

² All sewer bond principal and interest 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).

³ The State of Connecticut Bureau of School Building Grants will reimburse the Town for eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

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

Note: Excludes capital leases.

Town of Groton Sewer District - Current Debt Ratios
as of November 1, 2006
(Pro-Forma)

Population ¹	30,070		
Net Taxable Grand List (10/1/05) ²	\$1,672,280,000		
Estimated Full Value (70%)	\$2,388,971,429		
Equalized Net Taxable Grand List (10/1/03) ³	\$3,392,488,819		
Income per Capita (1990) ⁴	\$15,454		
Income per Capita (2000) ¹	\$23,995		
	Total	Total Net	Total Overall
	Direct Debt	Direct Debt	Net Debt
	\$45,331,136	\$45,367,794	\$48,541,477
Per Capita	\$1,507.52	\$1,508.74	\$1,614.28
Ratio to Net Taxable Grand List	2.71%	2.71%	2.90%
Ratio to Estimated Full Value	1.90%	1.90%	2.03%
Ratio to Equalized Grand List	1.34%	1.34%	1.43%
Debt per Capita to Income per Capita 1990	9.75%	9.76%	10.45%
Debt per Capita to Income per Capita 2000	6.28%	6.29%	6.73%

¹ U.S. Department of Commerce, Bureau of Census, 2000, less City of Groton estimate (9,837).

² Date of last revaluation: October 1, 2001

³ Represented as the proportionate share of the Town's Net Taxable Grand List (10/1/05) and applied to the Town of Groton's 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. The Amounts are based on data for entire Town.

Bond Authorization

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.

Maturities

General obligation bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50% or aggregate annual principal and interest payments must be substantially equal. The term of the issue may not exceed twenty years except in the case of sewer bonds which may mature in up to thirty years.

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 eight years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third and for each subsequent year during which the temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer 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, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than eight years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the 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 fifteen 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 at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment. Temporary notes may be issued in one year maturities for up to fifteen 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).

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

- General Purposes: 2.25 times annual receipts from taxation,
- School Purposes: 4.50 times annual receipts from taxation,
- Sewer Purposes: 3.75 times annual receipts from taxation,
- Urban Renewal Purposes: 3.25 times annual receipts from taxation,
- Unfunded Past Pension Purposes: 3.00 times annual receipts from taxation.

In no case however, shall total indebtedness exceed seven times the base.

"Annual receipts from taxation," (the "base,") are defined as total tax collections (including interest and penalties) and state payments for revenue loss under CGS Sections 12-129d and 7-528.

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

Statement of Debt Limitation

As of November 1, 2006

(Pro-Forma)

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2006 (Estimated)...	\$ 60,355,955
Total Tax Collections (including interest and lien fees) of coterminous municipalities ¹	10,795,881
Reimbursement for Revenue Loss On:	
Tax relief for elderly freeze.....	7,050
Base for Debt Limitation Computation	<u>\$ 71,158,886</u>

Debt Limitation:	General Purposes			Urban	
	Purposes	Schools	Sewers	Renewal	Past Pension
2 1/4 times base	\$160,107,494	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	320,214,988	-	-	-
3 3/4 times base	-	-	266,845,824	-	-
3 1/4 times base	-	-	-	231,266,381	-
3 times base	-	-	-	-	213,476,659
Total Debt Limitation	<u>160,107,494</u>	<u>320,214,988</u>	<u>266,845,824</u>	<u>231,266,381</u>	<u>213,476,659</u>

Indebtedness:

Outstanding Debt: ^{2,4}

Bonds	10,041,000	2,283,000	2,355,000	-	-
This Issue – The Bonds	1,570,000	15,000,000	-	-	-
This Issue – The Lot A Notes	-	23,100,000	-	-	-
This Issue – The Lot B Notes	-	-	1,130,000	-	-

Underlying Debt: ^{1,3}

Bonds & Serial Notes	4,915,183	-	4,914,000	-	-
Authorized & Unissued	525,000	-	-	-	-
Authorized & Unissued	<u>1,670,500</u>	<u>49,426,102⁶</u>	<u>12,555,328</u>	-	-

Total Indebtedness	18,721,683	89,809,102	20,954,328	-	-
Less: School Grants Receivable ⁵	-	(685,269)	-	-	-
Sewer Assessment Receivable.....	-	-	(36,658)	-	-

Total Net Indebtedness for Debt

Limitation Calculation	<u>\$ 18,721,683</u>	<u>\$ 89,123,833</u>	<u>\$ 20,917,670</u>	<u>\$ -</u>	<u>\$ -</u>
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Debt Limitation in Excess of

Indebtedness	<u>\$141,385,811</u>	<u>\$ 231,091,155</u>	<u>\$ 245,928,154</u>	<u>\$231,266,381</u>	<u>\$ 213,476,659</u>
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¹ Per Public Act 91-407, Section 12, does not include collections or debt (totaling \$805,000) of Mystic Fire District.

² Excludes \$456,000 of outstanding Water Bonds and \$245,000 of authorized but unissued Water debt as allowed under Connecticut General Statutes.

³ Excludes \$14,239,220 of enterprise fund long term debt for outstanding water and electric bonds.

⁴ Excludes capital leases.

⁵ The State of Connecticut Bureau of School Building Grants will reimburse the Town for eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

⁶ The Town anticipates that the State of Connecticut will reimburse the Town for approximately 50% of the costs associated with these school projects.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$498,112,204.

**THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL
OR INTEREST ON ITS BONDS OR NOTES.**

Authorized But Unissued Debt
As of November 1, 2006
(Pro Forma)

Project	Authorized	The Bonds	The Notes	Grants/ Paydowns	Debt Authorized but Unissued ⁵			
					General Purpose	Schools	Water	Sewers
Road Improvement Program	\$ 6,750,000	\$ -	\$ -	\$ -	\$ 31,414 ²	\$ -	\$ -	\$ -
Fort Hill Water Line	1,585,000	-	-	-	-	-	245,000 ²	-
Poquonnock River Sewage Pumping Station	735,000	-	-	-	-	-	-	125,000 ²
Public Safety Communications and Facility Improvements ¹	5,998,600	-	-	-	8,600 ²	-	-	-
Phase V Sanitary Sewer	26,338,151	-	-	-	-	-	-	323,562
WPCF Upgrades and Sewer Study ³	15,500,000	-	1,130,000	153,234	-	-	-	12,106,766
Pleasant Valley Road Improvements	3,833,986	1,570,000	-	12,250	951,736	-	-	-
Welles Road Bulky Waste Site Closure	1,715,000	-	-	634,500	415,500	-	-	-
Flanders Road Transfer Station	985,000	-	-	44,750	75,250	-	-	-
Town Hall Annex Complex Improvements and Sewer Line	1,107,000	-	-	44,000	188,000	-	-	-
Catherine Kolnaski Elementary Shool	26,100,000	6,000,000	7,300,000	859,791	-	11,590,209	-	-
North Academy.....	20,800,000	4,000,000	6,100,000	749,460	-	9,640,540	-	-
Fitch High School	45,000,000	5,000,000	9,700,000	1,464,674	-	28,195,353	-	-
Totals.....	\$ 156,447,737	\$ 16,570,000	\$ 24,230,000	\$ 3,962,659	\$ 1,670,500	\$ 49,426,102³	\$ 245,000	\$ 12,555,328

¹ The original appropriation included a bonding authorization for \$5,998,600 for this project. The Council increased the appropriation by \$999,100 to \$6,997,700 and the RTM approved that additional appropriation on April 14, 1999. This additional funding is from local and state funds and not from the issuance of bonds. The Town has paid \$290,000 from grants and local funds to reduce the authorized but unissued amount.

² The Town does not expect to issue the balance of this authorization.

³ It is management's intention that all sewer bonds principal and interest be paid from the Sewer District Fund related to the collection of taxes and assessments of the Groton Sewer District (taxes levied against taxable property other than property within the City of Groton). The Town has paid \$50,000 from the Sewer District Fund and \$103,000 in grants and issued \$2,110,000 Bonds in 2002 to reduce the authorized but unissued amount.

⁴ The Town anticipates that the State of Connecticut will reimburse the Town for approximately 50% of the costs associated with these school projects.

⁵ The amount authorized but unissued shown below reflects bonds previously issued for the referenced projects, which bonds amounts are not reflected in this chart.

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

Fiscal Year Ended 6/30	Net Assessed Value (000's Omitted)	Estimated Full Value (000's Omitted)	Net Long-Term Direct Debt ¹	Ratio of	Ratio of	Net Long-Term Debt per Capita	Population ²	Ratio of Net
				Net Long-Term Debt to Assessed Value	Net Long-Term Debt to Estimated Full Value			Long-Term Debt Per Capita to Per Capita Income ³
2006 ⁴	\$ 2,580,926	\$ 3,687,037	\$ 13,598	0.53%	0.37%	\$ 335.57	40,522	1.26%
2005	2,501,873	3,574,104	10,318	0.41%	0.29%	254.63	40,522	0.95%
2004	2,476,946	3,538,494	12,096	0.49%	0.34%	302.25	40,020	1.13%
2003	2,415,040	3,450,057	13,572	0.56%	0.39%	339.13	40,020	1.27%
2002	1,870,981	2,672,830	14,831	0.79%	0.55%	370.59	40,020	1.39%

¹ Total debt less Groton Sewer District debt and school building grants receivable

² State of Connecticut Department of Public Health

³ Money Income per Capita \$26,725 taken from the U.S. Department of Commerce, Bureau of Census, 2000

⁴ Estimated. Subject to audit.

Ratio of Annual Debt Service Expenditures for Total Long-Term Debt to General Fund Expenditures Including Operating Transfers Out (In Thousands)

Fiscal Year Ended 6/30	Principal	Interest	Total	Ratio of Total Debt Service Expenditures	
				Total General Fund Expenditures	To Total General Fund Expenditures
2006	\$ 1,975	\$ 546	\$ 2,521	\$ 105,486	2.39%
2005	2,030	506	2,536	101,613	2.50%
2004	1,890	588	2,478	97,976	2.53%
2003	1,610	664	2,274	97,059	2.34%
2002	1,665	632	2,297	95,520	2.40%

Source: Town of Groton Audit Reports, 2002-2005

Town of Groton Finance Department, 2006. Estimated, Budgetary Basis.

Principal Amount of Outstanding Debt Last Five Fiscal Years

Long-Term Debt	2006	2005	2004	2003	2002
Bonds:					
General Fund	\$ 14,585,000	\$ 11,555,000	\$ 13,585,000	\$ 15,370,000	\$ 16,980,000
Groton Sewer District	2,840,000	3,605,000	4,385,000	5,165,000	6,005,000
Sub-Total	17,425,000	15,160,000	17,970,000	20,535,000	22,985,000
Short-Term Debt					
General Fund	8,390,000	4,850,000	3,375,000	3,500,000	-
Groton Sewer District	1,100,000	-	-	-	-
Sub-Total	9,490,000	4,850,000	3,375,000	3,500,000	-
Total	\$ 26,915,000	\$ 20,010,000	\$ 21,345,000	\$ 24,035,000	\$ 22,985,000

Source: Town of Groton Audit Reports, 2002-2005

Town of Groton Finance Department, 2006. Estimated, Budgetary Basis.

VI. Financial Information

Fiscal Year

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

Accounting Policies and Basis of Accounting

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 General Purpose Financial Statements."

The Town uses funds and account groups to report its financial position and its results of operations. Governmental funds are used to account for all or most of the Town's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The General Fund is the principal fund of the Town and is used to account for all activities of the Town not included in other specific funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

The modified accrual basis of accounting and current financial resources measurement focus is used by all governmental fund types. Agency Funds are accounted for using the modified accrual basis of accounting. The accrual basis of accounting and the flow of economic resources measurement focus is utilized by the Internal Service Fund and the non-expendable trust funds.

Budget 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 at least 167 days before the end of the fiscal year.

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 at least 122 days before the end of the fiscal year. The Town Manager must file estimates of expenditures and revenues with the Town Council no later than 107 days before the end of the fiscal year which include the requests of the Board of Education and the political subdivisions.

The Town Council holds at least one public hearing regarding appropriations no later than 85 days before the end of the fiscal year. The Town Council then deliberates on the proposed budget and approves it by setting a tentative mill rate no later than 63 days before the end of the fiscal year.

The Representative Town Meeting holds an Annual Budget meeting no later than 58 days before the end of the fiscal year and takes final action on the budget no later than 36 days prior to fiscal year end. The Town Council then sets a final tax rate no later than 21 days before the end of the fiscal year.

The Charter provides for Supplemental and Emergency appropriation procedures.

Pensions

See Note numbers 12 and 13 in "Notes to Financial Statements."

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. The operating budget for the current fiscal year 2006-07 includes an appropriation of \$1,379,465 to the Capital Reserve Fund. The CIP is subject to the approval of the Town Council and the Representative Town Meeting annually.

Proposed Projects	Fiscal Year						Total
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
<i>Board of Education</i>	\$ 1,543	\$ 2,720	\$ 900	\$ 100	\$ -	\$ -	\$ 5,263
General Government:							
Roads	50	4,985	4,235	450	3,775	1,050	14,545
Drainage	-	385	325	200	75	200	1,185
Sidewalks	140	475	300	250	125	250	1,540
Parks and Recreation	550	813	2,283	910	1,025	25	5,606
Public Buildings	625	1,955	6,085	1,825	1,180	825	12,495
Water Pollution Control Facility.....	825	1,925	1,375	1,375	1,372	1,375	8,247
Miscellaneous	384	22,726	355	953	6,383	615	31,416
<i>Total General Government</i>	<u>2,574</u>	<u>33,264</u>	<u>14,958</u>	<u>5,963</u>	<u>13,935</u>	<u>4,340</u>	<u>75,034</u>
Total Project Costs	<u>\$ 4,117</u>	<u>\$ 35,984</u>	<u>\$ 15,858</u>	<u>\$ 6,063</u>	<u>\$ 13,935</u>	<u>\$ 4,340</u>	<u>\$ 80,297</u>
Funding Sources							
Capital Reserve Fund	\$ 2,657	\$ 9,249	\$ 7,015	\$ 4,313	\$ 7,448	\$ 2,965	\$ 33,647
General Obligation Bonds	-	20,200	6,622	125	3,670	-	30,617
Other	1,460	6,535	2,221	1,625	2,817	1,375	16,033
Total Funding Sources	<u>\$ 4,117</u>	<u>\$ 35,984</u>	<u>\$ 15,858</u>	<u>\$ 6,063</u>	<u>\$ 13,935</u>	<u>\$ 4,340</u>	<u>\$ 80,297</u>

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Financial Statements and Accounting Procedures

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, 2005. Included in this Official Statement and made a part hereof as Appendix A are the "General Purpose Financial Statements" of the Town of Groton, Connecticut, as of June 30, 2005, together with the opinion thereon rendered by Blum Shapiro, certified public accountants and consultants, dated November 17, 2005.

THE TOWN OF GROTON IS ONE OF TEN 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, 2005. 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, 2006. 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.

Investment Policies and Practices

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) MBIA Class (an investment fund managed by MBIA Municipal Investors Service Corporation, which, according to MBIA Class, 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 and Deferred Compensation Funds are available upon request to the Director of Finance.

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 2002-07 in "Statements of Revenues, Expenditures" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Four Years (GAAP Basis) and Estimated Actual & Current Budget (Budget Basis)
(In Thousands)**

The General Fund revenues, expenditures and changes in fund balance for the fiscal years ended June 30, 2002 through 2005 have been derived from audited financial statements. The estimates for the fiscal year ended June 30, 2006 and the budget for 2006-07 are presented by the Town on a budgetary basis. The Town's independent accountants have not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the Town of Groton's management (Appendix A - "General Purpose Financial Statements" was taken from the Comprehensive Annual Financial Report of the Town of Groton for the Fiscal Year ended June 30, 2005).

Revenues:	Budget 2006-07 ^{1,2}	Est. Actual 2005-06 ^{1,2}	Actual 2004-05	Actual 2003-04	Actual 2002-03	Actual 2001-02
Property Taxes.....	\$ 65,705	\$ 60,184	\$ 56,889	\$ 57,750	\$ 50,881	\$ 44,641
Licenses and Permits.....	388	285	474	614	375	233
State of Connecticut.....	34,115	35,167	35,941	35,727	35,126	38,703
Federal Government.....	3,264	3,640	6,612	8,818	5,984	7,171
Interest on Investment.....	1,185	1,081	586	304	324	830
Charges for Current Services.....	1,818	1,928	1,727	1,630	1,007	755
School, Library and Recreation.....	379	397	437	395	643	686
Other Revenue.....	270	340	407	195	167	543
Total Revenues	107,124	103,022	103,072	105,433	94,507	93,562
Expenditures:						
Current:						
General Government/Services.....	5,373	4,967	4,838	5,744	5,898	5,565
Public Safety.....	5,998	5,708	5,773	6,959	7,163	7,335
Public Works.....	6,704	6,637	6,135	5,980	6,118	5,695
Planning and Development.....	1,193	974	1,012	1,167	1,323	1,285
Human Services.....	706	665	699	2,136	2,202	2,322
Community Services.....	4,392	4,014	3,889	4,579	4,891	4,777
Non-departmental ³	5,796	4,680	4,115	449	454	274
Education.....	68,073	65,478	65,473	62,444	62,544	59,345
Outside Agencies ⁴	1,669	1,632	1,611	-	-	-
Subdivisions.....	4,719	4,581	4,262	4,326	4,440	4,363
Debt Service.....	3,157	2,670	2,536	2,592	2,275	2,388
Total Expenditures	107,780	102,006	100,342	96,376	97,308	93,349
Revenues over (under) expenditures	(656)	1,016	2,730	9,057	(2,801)	213
Other Financing Sources Uses:						
Operating Transfers in.....	553	618	833	810	705	2,142
Operating transfers (out).....	(2,195)	(2,440)	(2,534)	(3,040)	(2,529)	(3,226)
Proceeds of Refunding Bonds.....	-	-	-	5,175	-	-
Payment to Refunding Escrow.....	-	-	-	(5,319)	-	-
Premiums on Bond Insurance.....	-	-	-	258	-	-
Total other Financing Sources (uses)	(1,642)	(1,822)	(1,701)	(2,116)	(1,824)	(1,084)
Revenues and other financing sources over (under) expenditures and other financing uses	(2,298)	(806)	1,029	6,941	(4,625)	(871)
Fund Balance, July 1	13,923	14,729	13,700	6,759	11,384	12,255
Fund Balance, June 30	\$ 11,625	\$ 13,923	\$ 14,729	\$ 13,700	\$ 6,759	\$ 11,384

Analysis of General Fund Equity

	Budget 2006-07 ^{1,2}	Est. Actual 2005-06 ^{1,2}	Actual 2004-05	Actual 2003-04	Actual 2002-03	Actual 2001-02
Reserved for Encumbrances	\$ 2,650	\$ 2,650	\$ 2,650	\$ 2,625	\$ 1,859	\$ 2,248
Prepaid Expenditures	-	-	-	2	9	7
School Projects	-	-	-	-	-	-
Claims	-	-	-	-	-	-
Unreserved:						
Designated for subsequent year	-	2,298	3,522	2,507	-	4,082
Undesignated	8,975	8,975	8,557	8,566	4,891	5,047
Total Fund Equity	\$ 11,625	\$ 13,923	\$ 14,729	\$ 13,700	\$ 6,759	\$ 11,384

¹ Budgetary basis. Subject to audit.

² Fund Balance will need to be restated based on GAAP and is subject to change.

³ Beginning in FYE 2005, employee benefits were included in a separate function.

⁴ Beginning in FYE 2005, outside agencies functions were removed from Human Services and a new area of service was created.

VII. Legal and Other Information

Litigation

The Town of Groton, its officers, employees, boards and commissions are defendants in various lawsuits. The Town Attorney is of the opinion that all pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would materially adversely affect its financial position.

Transcript and Closing Documents

Upon delivery of the Bonds and the Notes, the winning purchasers will be furnished with the following:

1. Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Town Manager and the Director of Finance, which will be dated the date of delivery, and which will certify, to the best of said officials' knowledge and belief, that on the sale date, the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds and the Notes.
4. The approving opinions of Day, Berry & Howard LLP, of Hartford, Connecticut, Bond Counsel in substantially the form attached here to as appendix B and C to this Official Statement.
5. An executed Continuing Disclosure Agreement for the Bonds and the Notes in substantially the form attached hereto as Appendix D and E to this Official Statement
6. The Town of Groton has prepared an Official Statement for the Bonds and the Notes which is dated October 12, 2006. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment.

A record of the proceedings taken by the Town in authorizing the Bonds and the Notes will be kept on file at the principal office of the Certifying Agent, U.S. Bank, National Association, 225 Asylum Street, Hartford, Connecticut 06103 and may be examined upon reasonable request.

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Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of the Bonds and the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representation of fact, and no representation is made that any of 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 provision of law are subject to repeal or amendment.

Information herein has been derived by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

TOWN OF GROTON, CONNECTICUT

Mark R. Oefinger, *Town Manager*

Dated: October 19, 2006

Salvatore M. Pandolfo, *Director of Finance*

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Appendix A

General Purpose Financial Statements

The following includes the General Purpose Financial Statements of the Town of Groton, Connecticut for the fiscal year ended June 30, 2005. The supplemental data, which was a part of that report, has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Vice President, Municipal Banking & Finance Department, People's Bank, 850 Main Street, Bridgeport, Connecticut 06601. Telephone (203) 338-4238.

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Report of Independent Accountants

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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 basic financial statements, assessing the accounting principles used and 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2005 on our consideration of the Town of Groton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

November 17, 2005

TOWN OF GROTON, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005 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 \$97,154 (net assets). Of this amount, \$34,006 (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 \$4,953. This increase is mainly attributable to an increase in revenues over expenses.
- As of the close of the current fiscal year, the Town of Groton's governmental funds reported combined ending fund balances of \$24,651. Approximately 30% of this total amount, \$7,444 is available for spending at the government's discretion (unreserved fund balance). The Town Council has an adopted policy for the maintenance of a minimum undesignated fund balance equal to 5% of the annual budget. However, during the FYE 2005 budgetary process, the Town Council determined that it would be prudent to raise the minimum fund balance level to 7% of adopted expenditures. Through the FYE 2006 budgetary process, the Town Council authorized the use of \$3.5 million of fund balance to balance the general fund budget.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the general fund was \$8,557, or 8.5% of total general fund expenditures on a budgetary basis.
- The Town of Groton's total debt decreased by \$1.335 million (6.3%) during the current fiscal year. This was mainly due to reductions (\$2.810 million) in the principal amounts due on bonds for both general government obligation debt and sewer district debt. Additionally Bond Anticipation Notes for general obligation debt was increased (\$1.475 million) over the previous year.

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 1996 and running through the current 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, health and 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 pages 15 and 16 of this report.

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 28 individual nonmajor 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, Capital Improvements Fund and School Construction Fund, which are considered to be major funds. Twenty-four special revenue funds, a Capital Projects Fund, a Debt Service Fund and two 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 Fund, Golf Course Fund, Sewer Operating Fund, Solid Waste Fund, Mumford Cove, the First and Second Taxing Districts, Community Events Fund, Revaluation Fund, Computer Replacement Fund 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 pages 17-21 of this report.

Proprietary Funds - The Town of Groton maintains three proprietary 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 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 pages 22-24 of this report.

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 four private purpose funds, one pension trust fund and two 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 pages 25-26 of this report.

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 of its obligation to provide pension benefits to its employees. The Notes to the Financial Statements can be found on pages 27-54 of this report.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found beginning on page 55 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 \$97,154 on June 30, 2005.

**Town of Groton
Net Assets (\$000)
Primary Government**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current and Other Assets	\$ 49,692	\$ 45,920
Capital Assets	<u>85,769</u>	<u>85,519</u>
Total Assets	<u>135,461</u>	<u>131,439</u>
Long-Term Liabilities	17,653	20,652
Other Liabilities	<u>20,654</u>	<u>18,586</u>
Total Liabilities	<u>38,307</u>	<u>39,238</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	63,019	64,174
Restricted	129	129
Unrestricted	<u>34,006</u>	<u>27,898</u>
Total Net Assets	<u>\$ 97,154</u>	<u>\$ 92,201</u>

By far the largest portion of the Town of Groton's net assets (64.9%) 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.

Net assets of \$129 are restricted for purposes of trust in the permanent funds of the Town.

The remaining balance of unrestricted net assets (\$34,006) 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.

On a government-wide basis, the assets of the Town of Groton exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$97.1 million. This has increased from last fiscal year's net assets of \$92.2 million due to revenues exceeding expenses. Of the Town's total net assets at June 30, 2005, \$34.0 million or 35.1% is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors. This compares with last year's total unrestricted net assets of \$27.9 million or 30.3%. The current year shift from investment in capital assets to unrestricted assets reflects the additional revenues received.

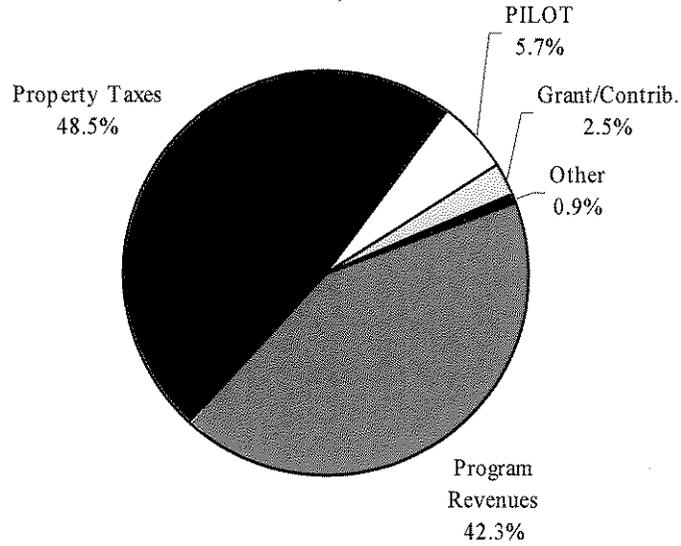
Governmental Activities:

Approximately 49% of the revenues were derived from property taxes, followed by 34% from grants and contributions, then 11% from other program revenues, 6% from the State PILOT program and, finally, about 1% of the Town's revenue in this fiscal year was derived from investment earnings.

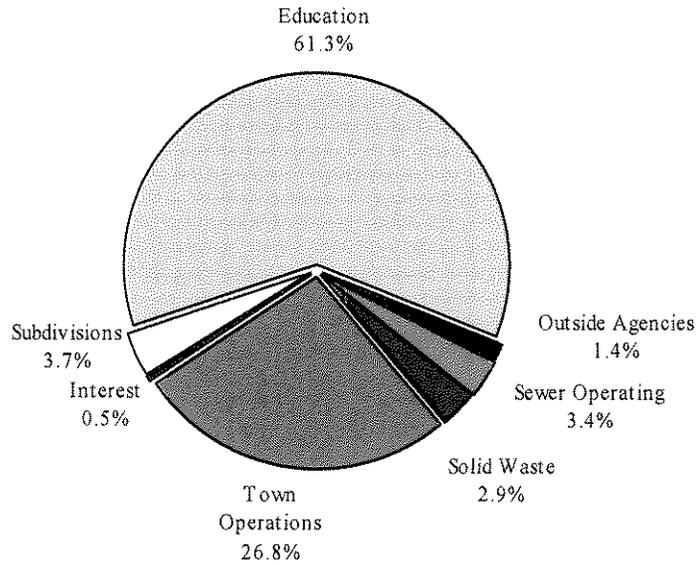
**Town of Groton
Change in Net Assets (\$000's)**

	<u>Fiscal Years Ended</u>	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Program Revenues:		
Charges for Services	\$ 12,888	\$ 12,541
Operating Grants and Contributions	37,313	39,836
Capital Grants and Contributions	476	1,155
General Revenues:		
Property Taxes	58,113	59,108
Payment in Lieu of Taxes	6,840	6,979
Grants and Contributions (Not Restricted)	3,043	3,241
Other	1,087	482
Total Revenue	<u>119,760</u>	<u>123,342</u>
Expenses:		
General Government/Services	6,556	7,036
Public Safety	7,248	7,593
Public Works	8,762	8,822
Planning and Development	1,228	1,233
Health and Human Service	1,040	1,112
Community Services	5,903	6,231
Interest on Long-Term Debt	555	887
Subdivisions	4,262	4,325
Education	70,363	69,084
Outside Agencies	1,611	1,576
Sewer Operating	3,900	3,985
Solid Waste	3,379	3,410
Total Expenses	<u>114,807</u>	<u>115,294</u>
Increase in Net Assets	4,953	8,048
Net Assets at Beginning of Year	<u>92,201</u>	<u>84,153</u>
Net Assets at End of Year	<u>\$ 97,154</u>	<u>\$ 92,201</u>

**Town of Groton - Revenues
June 30, 2005**



**Town of Groton - Expenses
June 30, 2005**



Major revenue factors included:

- ◆ Charges for services increased by almost 3%.
- ◆ Property tax revenues recorded for fiscal year 2005 decreased due to the Town's tax rate decreasing from 22.75 mills to 22.62 mills.
- ◆ Investment earnings increased by \$605 from the prior fiscal year to \$1,087 for the fiscal year ended June 30, 2005. The addition to interest and dividend earnings was the result of higher interest rates on investments.

For Governmental Activities, 61% of the Town's expenditures relate to education, 7.6% relate to public works, 6.3% relate to public safety, 5.7% to general government/services, 5.1% to community services and the remainder relates to subdivisions, sewer operating, solid waste, health and human services and other areas.

Major expenditure factors include:

- ◆ Increases in employee wages resulting from negotiated step and general wage increases.
- ◆ Increases in the Town's contribution to the retirement account and increased health insurance costs.
- ◆ The cost of education services increased due to negotiated wage settlements, employee health insurance cost increases and special education increases.

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, unreserved undesignated 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 \$24,651, a increase of \$557 in comparison with the prior year. Of the total fund balance, \$7,444 constitutes unreserved fund balance. The remainder of fund balance is reserved 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 (\$16,971) or 2) for long term loans and trust principal (\$235).

General Fund - The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$8,557, which is included in the total fund balance of \$14,728. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 8.5% of total general fund expenditures, while total fund balance represents 14.6% of that same amount.

The fund balance of the Town of Groton's General Fund increased by \$1,028 during the current fiscal year. Key factors in this increase are as follows:

- ◆ An additional \$480 in General Property Taxes or 0.8% over budget.
- ◆ An additional \$100 in Licenses and Permits revenue or 26% over budget.
- ◆ An additional \$335 in Revenue from Investments or 134% over budget.
- ◆ An additional \$221 in State Grants in Aid for Education (special education) or 0.9% over budget.

- ◆ An additional \$433 in State Grants in Aid for General Government (Manufacturing Machinery and Equipment) or 4.8% over budget.
- ◆ An additional \$597 in Federal Grants in Aid (impact aid) or 9.9% over budget.
- ◆ An additional \$250 in Charges for Current Services (conveyance tax) or 10.8% over budget.
- ◆ Expenditures for Town Operations came in under budget by \$965 and the Board of Education came in under budget by \$235.
- ◆ Contingency funds of \$81 were unspent.

Capital Improvements Fund - This fund has a total fund balance of \$3.4 million, up from \$2.9 million in the prior year. The increase is mainly explained by the receipt \$426 from the State of Connecticut, a transfer from the General Fund and Sewer Operating Funds in the amount of \$2.8 million and net capital outlays of \$2.7 million.

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 \$1.1 million for the Fleet Reserve Fund, \$3.9 million for the Health Insurance Fund and a negative \$2.0 million 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 \$1.1 million mainly due to an increase in the Health Insurance Fund and the Fleet Reserve Funds.

General Fund Budgetary Highlights:

There are no differences between the original budget and the final amended budget because all transfers occurred from the Contingency function that is appropriated within the General Fund.

During the year, actual revenues and other financing sources on a budgetary basis were \$102.1 million, which exceeded budgetary estimates by \$2.6 million. The majority of this increase can be attributed to additional tax revenues (\$480), investment income (\$335), conveyance tax (\$323) and intergovernmental revenue (\$1.2 million). The intergovernmental revenue includes additional payments in lieu of taxes and education cost sharing revenue from the State of Connecticut and pupil impact aid from the Federal government.

Actual expenditures on a budgetary basis and other financing uses totaled \$100.8 million, with actual revenues exceeding expenditures on a budgetary basis by \$1.3 million. The fiscal year 2005 budget had a designation of fund balance in the amount of \$2.5 million to support operations that was not required. Actual expenditures were under budget by \$1.2 million with the town departments returning about \$811, nondepartmental function returning \$153 and the Board of Education returning \$235.

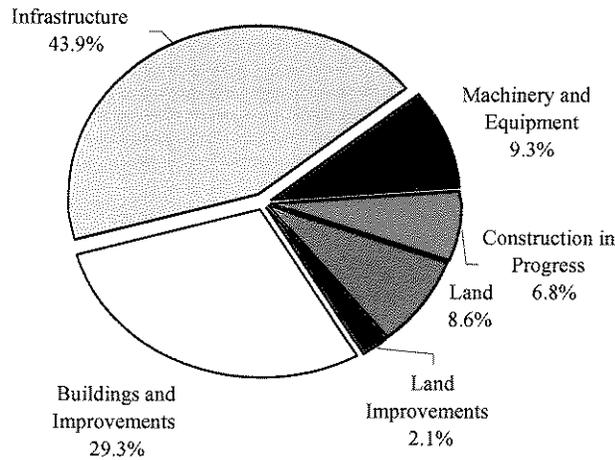
Capital Asset and Debt Administration:

Capital Assets - The Town of Groton's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$155,798 (before accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the Town of Groton's investment in capital assets for the current fiscal year was 2.4%.

**Town of Groton, Connecticut
Capital Assets (Gross)**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Land	\$ 13,486,631	\$ 13,486,631
Land Improvements	3,245,232	3,074,137
Buildings and Improvements	45,675,326	44,722,601
Infrastructure	68,405,859	67,581,301
Machinery and Equipment	14,426,659	14,058,274
Construction in Progress	10,558,976	9,179,482
Total	\$ <u>155,798,683</u>	\$ <u>152,102,426</u>

**Town of Groton - Capital Assets
June 30, 2005**



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

- The repair/restoration of roads continues with reclaiming and resurfacing of roads in the Fieldcrest subdivision area and Hazelnut Hill Road and as of the close of the fiscal year had reached \$348.
- The Water Pollution Control Facility's sewer line infrastructure repairs and replacements (phase 2) to portions of the existing collection system as of the close of the fiscal year had reached \$211.
- The installation of equipment to enhance the security improvements at the Water Pollution Control Facility Engineering as of the end of the current fiscal year had reached \$108.

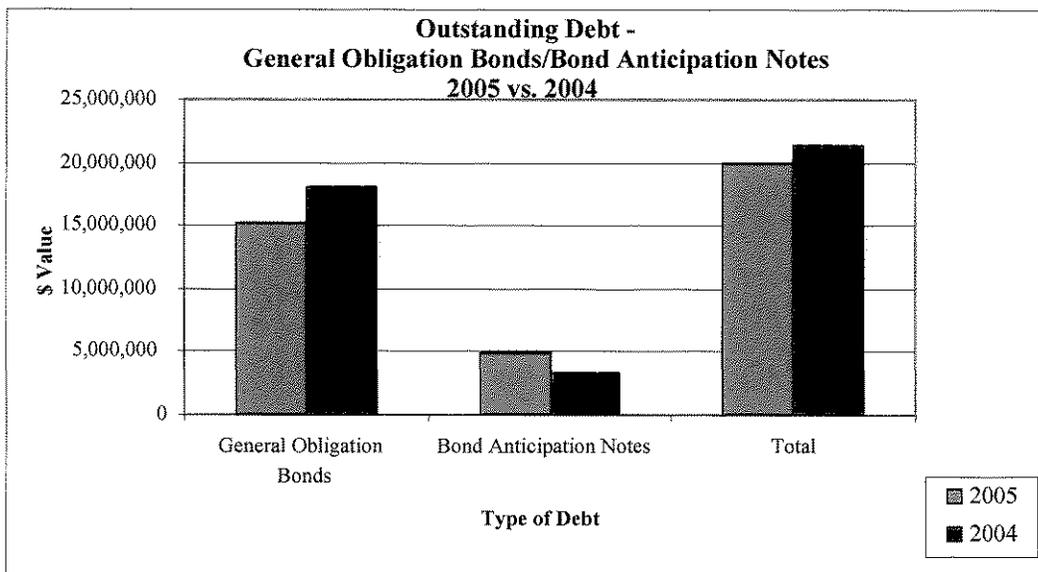
- The replacing of worn out roofing materials at Claude Chester Elementary School as of the close of the fiscal year reached \$255.
- Worn out or outdated mechanical and electrical equipment throughout the Water Pollution Control Facility and pump stations were replaced and as of the close of the fiscal year had reached \$168.

Additional information on the Town of Groton’s capital assets can be found in Note 3C on pages 42-43 of this report.

Outstanding Debt - At the end of the current fiscal year, the Town of Groton had total debt outstanding of \$20 million. Of this amount \$16.4 million comprises debt backed by the full faith and credit of the government and \$3.6 million is special assessment 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
General Obligation Bonds/Bond Anticipation Notes**

	Governmental Activities	
	June 30, 2005	June 30, 2004
General Obligation Bonds	\$ 15,160,000	\$ 17,970,000
Bond Anticipation Notes	4,850,000	3,375,000
Totals	\$ 20,010,000	\$ 21,345,000



The Town of Groton’s general obligation bonds have decreased \$2.8 million. The total debt including bond anticipation notes decreased \$1.3 million or 6.3% during the current fiscal year due to more bonds maturing and being paid off. Additional BANs were issued to begin financing projects that were approved by the voters in April 27, 2004. Those projects consist of three school projects.

The Town of Groton maintains a “AA-” rating from Standard & Poor’s and Fitch and a “Aa3” rating from Moody’s for general obligation debt.

The overall statutory debt limit for the Town of Groton is equal to seven times annual receipts from taxation or \$474 million. As of June 30, 2005, the Town recorded total indebtedness of \$143 million 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 3F on page 45 of this report.

Economic Factors and Next Year's Budgets and Rates:

- As of June 2005 the Town had an unemployment rate of 5.1% as compared to the New London County rate of 5.0%, the state's average rate of 5.4% and the national average of 5.2%.
- New London County has an employed labor force of approximately 131,567 residents.
- Inflationary trends in the region compare similarly to national indices.

Moreover, Connecticut State government continues to report revenue overages that may translate into increases in State aid to the Town of Groton and other municipalities in the State.

Grand List Increases by 3.2% - The October 1, 2004 net adjusted taxable Grand List totals \$2,581,101,363, up 3.2% over 2003.

Real estate rose about 2.9%, from about \$2.08 billion to over \$2.14 billion. Most of the increase comes from new industrial construction that has been in the pipeline for five years. The enterprise zone exemption for industrial properties provides eligible property owners with an exemption of 80% of the assessment increase of a qualifying project. Electric Boat's Building 32, known as the Coates Building, had been receiving a \$5.1 million assessment exemption until the exemption expired this year. Likewise, the three qualifying buildings at Pfizer had been receiving a total assessment exemption of \$34.8 million until the exemptions expired this year.

Although the Ledges apartments, a 339-unit luxury apartment complex off Drozdyk Drive, is not yet complete, the project accounts for about a \$7.6 million increase in the grand list. In its third year on the tax rolls, the Mystic Marriott property again contributed about \$4.6 million to the grand list. There were about 54 single-family homes, six two-family homes and five residential condominium units either started or newly completed for the October 1, 2004 Grand List. Assessments on the new residential buildings totaled about \$7.8 million.

Assessment penalties totaling about \$4.6 million were imposed on about 77 commercial parcels in 2004 for failure to return income and expense statements by June 1.

The net **personal property** grand list rose 3.5%, from about \$266 million to about \$275 million. Electric Boat led the way, with a net increase of about \$3.4 million. Computer Sciences, a computer leasing company with equipment at Electric Boat, also reported a significant net increase of about \$1.5 million. Pfizer's total net personal property assessment fell slightly, from about \$154.1 million to about \$153.6 million.

Significant newcomers include the Big Y supermarket, with a net assessment of about \$1.9 million, the new Grossman's Seafood on Route 184, Liberty Bank and Tim Horton's.

The **motor vehicles** portion of the grand list, adjusted for military exemptions, rose from \$154,120,419 in 2003 to \$164,827,939, up about 6.9%.

During the fiscal year ended June 30, 2005, the Town of Groton received 39% of its revenues from the State of Connecticut and the Federal Government. With the completion of operations, the General Fund's unreserved fund balance for FYE 2005 is at 8.5% which is above the minimum acceptable level by bond rating agencies. With an overwhelming reliance on property taxes, 56.7% of the current year 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 FYE 2006 or some combination of all three.

During the current fiscal year, unreserved fund balance in the general fund increased to \$12.1 million. The Town Council has designated and appropriated \$3.5 million to balance the 2006 fiscal year budget.

Both the Golf Course Fund and Sewer Operating Fund increased their fees in FYE 2005. The Golf Course Fund increased fees by about 3% for all levels of play. These increases were necessary to begin reimbursing the General Fund for funding the Golf Fund's deficit in FYE 2003 as well as to pay debt service on loan payments for capital improvements. The Sewer Operating Fund increased sewer use rates for individuals and industrial/commercial users at about 5%. These increases were necessary to help defray maintenance and operating costs.

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 Office of the Finance Director, Groton Town Hall, 45 Fort Hill Road, Groton, CT 06340.

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 43,096,108
Investments	5,255
Receivables (net of allowances for collection losses):	
Property taxes	1,676,413
Special assessments	158,962
Accounts receivable	1,145,451
Federal and state governments	787,761
Other assets	9,321
Noncurrent assets:	
Capital assets, nondepreciable	24,045,607
Capital assets, net of accumulated depreciation	61,723,272
Pension assets	1,348,793
Due from State	987,209
Other receivables	347,661
Restricted assets:	
Cash	17,498
Investments	111,995
Total assets	<u>135,461,306</u>
Liabilities:	
Accounts payable and accrued liabilities	8,777,269
Claims incurred but not reported	3,958,494
Bond anticipation notes payable	4,850,000
Noncurrent liabilities:	
Due within one year	3,069,271
Due in more than one year	17,652,532
Total liabilities	<u>38,307,566</u>
Net Assets:	
Investment in capital assets, net of related debt	63,018,879
Restricted for:	
Trust, nonexpendable	129,493
Unrestricted	<u>34,005,368</u>
Total Net Assets	<u><u>\$ 97,153,740</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF GROTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
General government services	\$ 6,556,489	\$ 1,653,662	\$ 145,308	\$ 247,046	(4,510,473)
Public safety	7,247,794	288,405			(6,959,389)
Public works	8,762,162	230,889	138,070		(8,393,203)
Planning and development	1,228,501	473,359			(755,142)
Health and human services	1,040,186	30,132	82,575		(927,479)
Community services	5,903,369	1,674,622	62,450		(4,166,297)
Education	70,362,735	1,219,312	36,884,887	229,122	(32,029,414)
Outside agencies	1,610,548				(1,610,548)
Subdivisions	4,262,479				(4,262,479)
Sewer system maintenance	3,899,926	4,448,245			548,319
Solid waste management	3,378,654	2,869,354			(509,300)
Interest on long-term debt	554,543				(554,543)
Total Governmental Activities	\$ 114,807,386	\$ 12,887,980	\$ 37,313,290	\$ 476,168	(64,129,948)
General revenues:					
Property taxes					58,113,695
Payments in lieu of taxes					6,839,719
Grants and contributions not restricted to specific programs					3,043,004
Unrestricted investment earnings					1,086,734
Total general revenues					69,083,152
Change in net assets					4,953,204
Net Assets at Beginning of Year					92,200,536
Net Assets at End of Year					\$ 97,153,740

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	Capital Improvements Fund	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 20,352,272	\$ 6,579,960	\$ 1,449,675	\$ 7,801,984	\$ 36,183,891
Investments				117,250	117,250
Receivables, net:					
Property taxes	1,514,430			13,308	1,527,738
Assessments		13,034		145,928	158,962
Intergovernmental	35,354			502,664	538,018
Accounts receivable	88,088			53,949	142,037
Other				1,003,414	1,003,414
Due from other funds	1,041,858				1,041,858
Other assets	2,371			6,948	9,319
Total Assets	\$ 23,034,373	\$ 6,592,994	\$ 1,449,675	\$ 9,645,445	\$ 40,722,487
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bond anticipation note payable	\$	\$ 2,720,000	\$ 2,130,000	\$	\$ 4,850,000
Accounts payable	6,807,181	482,007	706,774	353,313	8,349,275
Due to State				13,517	13,517
Due to other funds				1,041,858	1,041,858
Deferred revenues	1,498,792	13,034		304,892	1,816,718
Total liabilities	8,305,973	3,215,041	2,836,774	1,713,580	16,071,368
Fund balances:					
Reserved for:					
Encumbrances	2,650,083	3,081,178	9,850,158	1,390,032	16,971,451
Loans				105,893	105,893
Trust principal				129,493	129,493
Unreserved, reported in:					
General fund	12,078,317				12,078,317
Special revenue funds				4,914,193	4,914,193
Capital projects funds		296,775	(11,237,257)	(736,859)	(11,677,341)
Debt service fund				2,097,656	2,097,656
Permanent fund				31,457	31,457
Total fund balances	14,728,400	3,377,953	(1,387,099)	7,931,865	24,651,119
Total Liabilities and Fund Balances	\$ 23,034,373	\$ 6,592,994	\$ 1,449,675	\$ 9,645,445	\$ 40,722,487

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2005

Amounts reported for governmental activities in the statement of net assets (page 15) are different because of the following:

Fund balances - total governmental funds (page 17)	\$	24,651,119
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	155,798,684	
Less accumulated depreciation		<u>(72,887,254)</u>	
Net capital assets			82,911,430

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

Pension assets		1,348,793
Property tax receivables greater than 60 days		1,566,132
Interest receivable on property taxes		472,050
Receivable from the state for school construction projects		1,236,952

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.

5,852,958

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		(15,160,000)
Interest payable on bonds		(163,891)
Compensated absences		(1,762,803)
Landfill closure costs		<u>(3,799,000)</u>

Net Assets of Governmental Activities (page 15)	\$	<u>97,153,740</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Improvements Fund	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, interest and lien fees	\$ 56,888,727	\$	\$	1,139,762	\$ 58,028,489
Assessments		17,600		23,327	40,927
Licenses and permits	473,777				473,777
Fines and forfeitures	8,995				8,995
Intergovernmental - state	35,940,856	426,184		2,914,490	39,281,530
Interest on investments	585,570	191,990	23,102	120,691	921,353
Intergovernmental - federal	6,611,601			1,143,869	7,755,470
Charges for current services	1,726,716			2,727,131	4,453,847
Sanitation, health and welfare	5,020				5,020
Schools, library and recreation fees	437,436				437,436
Sewer use charges				4,448,245	4,448,245
Solid waste management charges				2,870,209	2,870,209
Other revenue	393,174		14,190	646,632	1,053,996
Total revenues	<u>103,071,872</u>	<u>635,774</u>	<u>37,292</u>	<u>16,034,356</u>	<u>119,779,294</u>
Expenditures:					
Current:					
General government	848,118			393,768	1,241,886
General services	3,989,388				3,989,388
Public safety	5,772,643			206,930	5,979,573
Public works	6,134,737				6,134,737
Planning and development	1,012,183				1,012,183
Health and human services	698,628			150,585	849,213
Community services	3,888,925			1,409,765	5,298,690
Education	65,472,871			4,307,461	69,780,332
Subdivisions	4,262,479				4,262,479
Sewer system maintenance				2,946,567	2,946,567
Solid waste management				2,813,917	2,813,917
Nondepartmental	4,115,410				4,115,410
Outside agencies	1,610,548				1,610,548
Debt service	2,536,393			966,575	3,502,968
Capital outlay		2,747,514	1,424,391	1,193,036	5,364,941
Total expenditures	<u>100,342,323</u>	<u>2,747,514</u>	<u>1,424,391</u>	<u>14,388,604</u>	<u>118,902,832</u>
Revenue over (under) Expenditures	<u>2,729,549</u>	<u>(2,111,740)</u>	<u>(1,387,099)</u>	<u>1,645,752</u>	<u>876,462</u>
Other Financing Sources (Uses):					
Transfers in	832,802	2,855,028		568,944	4,256,774
Transfers out	(2,534,113)	(293,944)		(1,748,113)	(4,576,170)
Total other financing sources (uses)	<u>(1,701,311)</u>	<u>2,561,084</u>	<u>-</u>	<u>(1,179,169)</u>	<u>(319,396)</u>
Net Change in Fund Balances	1,028,238	449,344	(1,387,099)	466,583	557,066
Fund Balances at Beginning of Year	<u>13,700,162</u>	<u>2,928,609</u>	<u>-</u>	<u>7,465,282</u>	<u>24,094,053</u>
Fund Balances at End of Year	<u>\$ 14,728,400</u>	<u>\$ 3,377,953</u>	<u>\$ (1,387,099)</u>	<u>7,931,865</u>	<u>\$ 24,651,119</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities (page 16) are different because of the following:

Net change in fund balances - total governmental funds (page 19)	\$	557,066
<p>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.</p>		
Capital outlay		3,945,397
Depreciation expense		(3,474,184)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes collected after 60 days		258,173
Interest income on property taxes		(172,967)
Intergovernmental revenue on school bonds		(256,725)
Change in other assets		(221,021)
Change in pension assets		(63,191)
<p>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 and related items.</p>		
Accrued interest		138,425
Principal payments on bonds		2,810,000
Landfill closure payments		167,270
<p>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.</p>		
Change in compensated absences		132,959
The net expense of certain activities of internal service funds is reported with governmental activities		<u>1,132,002</u>
Change in Net Assets of Governmental Activities (page 16)	\$	<u><u>4,953,204</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 56,702,606	\$ 56,702,606	\$ 57,182,882	\$ 480,276
Licenses and permits	374,235	374,235	473,777	99,542
Interest on investments	250,000	250,000	585,570	335,570
Intergovernmental - Federal	6,013,745	6,013,745	6,611,601	597,856
Intergovernmental - State	33,252,556	33,252,556	33,906,999	654,443
Charges for current services	1,597,006	1,597,006	1,847,820	250,814
Schools, library and recreation fees	409,675	409,675	437,436	27,761
Other revenue	197,240	197,240	402,985	205,745
Total revenues	98,797,063	98,797,063	101,449,070	2,652,007
Expenditures:				
Current:				
General government	937,913	937,913	858,364	79,549
General services	4,159,839	4,159,839	4,012,500	147,339
Public safety	5,725,788	5,807,788	5,687,528	120,260
Public works	6,275,211	6,386,811	6,346,638	40,173
Planning and development	1,119,790	1,119,790	1,009,633	110,157
Health and human services	767,504	767,504	710,868	56,636
Community services	4,104,212	4,104,212	3,847,114	257,098
Education	63,530,000	63,530,000	63,295,358	234,642
Subdivisions	4,262,479	4,262,479	4,262,479	-
Nondepartmental	4,727,880	4,409,280	4,255,985	153,295
Outside agencies	1,613,681	1,613,681	1,610,742	2,939
Debt service	2,536,268	2,536,268	2,536,393	(125)
Total expenditures	99,760,565	99,635,565	98,433,602	1,201,963
Excess (Deficiency) of Revenues over Expenditures	(963,502)	(838,502)	3,015,468	3,853,970
Other Financing Sources (Uses):				
Transfers in	715,902	715,902	715,902	-
Transfers out	(2,259,113)	(2,384,113)	(2,384,113)	-
Total other financing uses	(1,543,211)	(1,668,211)	(1,668,211)	-
Net Change in Fund Balance	\$ (2,506,713)	\$ (2,506,713)	1,347,257	\$ 3,853,970
Fund Balance at Beginning of Year			11,229,018	
Net Change in Reserves and Accrual			94,989	
Fund Balance at End of Year			\$ 12,671,264	

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2005

	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,929,715
Accounts receivable	24,286
Property and equipment, net	<u>2,857,451</u>
Total assets	<u>9,811,452</u>
Liabilities:	
Current liabilities:	
Accounts payable	62,348
Claims incurred but not reported	<u>3,896,146</u>
Total liabilities	<u>3,958,494</u>
Net Assets:	
Invested in capital assets	2,857,451
Unrestricted	<u>2,995,507</u>
Total Net Assets	<u>\$ 5,852,958</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, 2005

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 15,728,375
Other revenue	260,904
Total operating revenues	<u>15,989,279</u>
Operating Expenses:	
Claims/operating	13,363,786
Depreciation	562,482
Administration	1,316,133
Total operating expenses	<u>15,242,401</u>
Operating Income	<u>746,878</u>
Nonoperating Revenues and Expenses:	
Interest on investments	152,814
Loss on disposal of capital assets	87,086
Total nonoperating revenues and expenses	<u>239,900</u>
Income Before Transfers	986,778
Transfers In	<u>319,396</u>
Change in Net Assets	1,306,174
Net Assets at Beginning of Year	<u>4,720,956</u>
Net Assets at End of Year	<u>\$ 6,027,130</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, 2005

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows From Operating Activities:	
Cash received from charges for services	\$ 15,988,594
Cash paid to vendors and beneficiaries	(14,347,839)
Net cash provided by operating activities	<u>1,640,755</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(428,639)
Cash Flows From Noncapital Financing Activities:	
Transfers in	319,396
Cash Flows From Investing Activities:	
Interest on investments	<u>152,814</u>
Net Increase in Cash and Cash Equivalents	1,684,326
Cash and Cash Equivalents - Beginning of Year	<u>5,245,389</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 6,929,715</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 746,878
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	562,482
Changes in assets and liabilities:	
Increase in accounts receivable	(685)
Increase in accounts payable	9,439
Increase in claims payable	<u>322,641</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,640,755</u></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, 2005

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 275,497	\$ 803,179
Investments, at fair value:			
Mutual funds	74,939,489		
Receivable	47,959		
Total assets	<u>74,987,448</u>	<u>275,497</u>	<u>803,179</u>
Liabilities:			
Due to student groups			224,620
Due to employees/others	67,072		
Due to contractors/developers			578,559
Total liabilities	<u>67,072</u>	<u>-</u>	<u>803,179</u>
Net Assets:			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 74,920,376</u>	<u>\$ 275,497</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, 2005

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 281,045	\$
Plan members	<u>1,008,395</u>	
Total contributions	<u>1,289,440</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	2,232,702	
Interest and dividends	<u>3,504,905</u>	<u>5,914</u>
	5,737,607	5,914
Less investment expenses:		
Investment management fees	<u>319,594</u>	
Net investment income	<u>5,418,013</u>	<u>5,914</u>
Total additions	6,707,453	5,914
Deductions:		
Benefits	<u>4,201,598</u>	<u>10,023</u>
Change in Net Assets	2,505,855	(4,109)
Net Assets Held in Trust - Beginning of Year	<u>72,414,521</u>	<u>279,606</u>
Net Assets Held in Trust - End of Year	<u>\$ 74,920,376</u>	<u>\$ 275,497</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 as applicable to governments. The following is a summary of the more significant accounting policies used by the Town.

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 which should be presented with the Town.

B. Basis of Presentation

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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

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 Improvement Fund* accounts for individual capital project authorizations, other than those accounted for in the Sewer Construction Fund.

The *School Construction Fund* accounts for projects associated with construction, renovations and additions for Groton school facilities that have been authorized by voter referendum.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Additionally, the Town reports the following fund types:

Internal Service Funds are used to account for employee health insurance, workers' compensation insurance, and for 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 the benefit of individuals, private organizations or other governments.

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

Agency Funds account for monies held as a custodian for outside groups and agencies. Agency funds follow the accrual basis of accounting.

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.

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.

C. Cash Equivalents

The Town considers all highly liquid investments and those with original maturities of 90 days or less when purchased to be cash equivalents.

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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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>
Non Union 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: 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

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>												
Groton Municipal Employees Association (MEA)	<p>15 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) at retirement.</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">< 5 years</td> <td style="width: 10%; text-align: center;">=</td> <td style="width: 15%;">12 days</td> </tr> <tr> <td>5 - 10 years</td> <td style="text-align: center;">=</td> <td>15 days</td> </tr> <tr> <td>10 - 15 years</td> <td style="text-align: center;">=</td> <td>18 days</td> </tr> <tr> <td>> 15 years</td> <td style="text-align: center;">=</td> <td>24 days</td> </tr> </table> <p>Accrued leave must be taken before December 31st of the calendar year following the year in which it accrued (can be extended to 6/30 with Town Manager approval).</p>	< 5 years	=	12 days	5 - 10 years	=	15 days	10 - 15 years	=	18 days	> 15 years	=	24 days
< 5 years	=	12 days												
5 - 10 years	=	15 days												
10 - 15 years	=	18 days												
> 15 years	=	24 days												
Groton Police Union (AFSCME)	<p>15 days per year.</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 days accumulated can receive:</p> <p style="margin-left: 20px;">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; margin-left: 40px;">OR</p> <p style="margin-left: 20px;">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>	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">< 5 years</td> <td style="width: 10%; text-align: center;">=</td> <td style="width: 15%;">12 days</td> </tr> <tr> <td>5 - 10 years</td> <td style="text-align: center;">=</td> <td>15 days</td> </tr> <tr> <td>10 - 15 years</td> <td style="text-align: center;">=</td> <td>18 days</td> </tr> <tr> <td>> 15 years</td> <td style="text-align: center;">=</td> <td>24 days</td> </tr> </table> <p>Accrued leave must be taken before March 31st of the 2nd calendar year after the year it was accrued (can be extended to September 30 with approval of Town Manager and Chief of Police).</p> <p>Two additional days of annual leave per year shall be credited to employees each July 1st.</p>	< 5 years	=	12 days	5 - 10 years	=	15 days	10 - 15 years	=	18 days	> 15 years	=	24 days
< 5 years	=	12 days												
5 - 10 years	=	15 days												
10 - 15 years	=	18 days												
> 15 years	=	24 days												

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>
Groton Public Works Union (USA)	<p>15 days per year. Accumulate up to 200 days.</p> <p>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.</p> <p>Sick leave accrued in excess of 200 days shall be converted to cash at a ratio of 5 to 1 each June 30th.</p>	<p>< 5 years = 12 days 5 - 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>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).</p>
Groton Supervisors Union (AFSCME)	<p>15 days per year. Accumulate up to 200 days.</p> <p>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.</p> <p>Sick leave accrued in excess of 200 days shall be converted to pay at a ratio of 3 to 1 each June 30th.</p>	<p>< 5 years = 12 days 5 - 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>Accrued leave must be taken before December 31st of the calendar year following the year in which it accrued (can be extended to June 30 with Town Manager approval).</p>
Groton BOE Paraprofessionals Union	<p>15 days per year. Accumulate up to 150 days.</p> <p>No provision for pay out of accumulated days at retirement.</p>	<p>No provisions.</p>
Groton BOE Teachers Union	<p>15 days per year. Accumulate up to 165 days.</p> <p>No provision for pay out of accumulated days at retirement</p>	<p>No provisions.</p>
Groton BOE Administrators Union	<p>15 days per year. Accumulate up to 165 days.</p> <p>No provision for pay out of accumulated days at retirement.</p>	<p>No provisions.</p>
Groton BOE Secretaries Union	<p>15 days per year. Accumulate up to 150 days.</p> <p>No provision for pay out of accumulated days at retirement.</p>	<p>No provisions.</p>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>
Groton BOE Custodians Union	15 days per year. Accumulate up to 162 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	20 days per year. Accumulate up to 165 days.	25 days per year.
Central Office Administrators	18 days per year. Accumulate up to 165 days.	22 days per year.
Central Office Clerical	18 days per year. Accumulate up to 165 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 July 31 of the following year (13 months).

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.

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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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.

Funding Policy

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

I. 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 a reservation of fund balance as they do not constitute expenditures or liabilities.

J. 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.

Unrestricted Net Assets - This category represents the net assets of the Town, which 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:

Reserved Fund Balance - Indicates that portion of fund equity which has been legally segregated for specific purposes.

Designated Fund Balance - Indicates that portion of fund equity for which the Town has made tentative plans.

Undesignated and Unreserved Fund Balance - Indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

K. 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.

L. Accounting Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Prior to April 1, 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, First Taxing District Fund, Second Taxing District Fund, Community Events Fund, Revaluation Fund and Computer Replacement Fund) and the Debt Service (Groton Sewer District) Fund to the Town Council.

After one public hearing and numerous public meetings, the Town Council recommends these budgets as revised to the Representative Town Meeting (RTM). At the RTM's annual Town meeting which must be held not later than thirty-six (36) days before the close of the prior fiscal year, the RTM takes final action on each function's budget. These balances become the legal level of control. The Town Council must authorize all transfers of legally budgeted amounts

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

between functions with RTM authorization required on all transfers over \$2,000. 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, 2005, 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 funds 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 on a GAAP basis of accounting.
- State of Connecticut payments on behalf of the Town teachers for the State teacher retirement system are reported for GAAP purposes only.
- For budgetary purposes, the Town does not recognize payroll expenditures which had been incurred but had not yet been paid out at June 30. Such amounts were recorded for GAAP purposes.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in the financial statements in conformity with GAAP. A reconciliation of these differences at June 30, 2005 follows:

	General Fund	
	Revenues and Transfers	Expenditures and Transfers
GAAP basis	\$ 103,904,674	\$ 102,876,436
Property tax revenue receivable:		
June 30, 2004	529,794	
June 30, 2005	(235,639)	
Encumbrances:		
June 30, 2004		(2,518,630)
June 30, 2005		2,650,083
State on-behalf payments for teacher retirement	(2,033,857)	(2,033,857)
Accrued wages:		
June 30, 2004		466,537
June 30, 2005		(622,854)
Non-GAAP budgetary basis	\$ 102,164,972	\$ 100,817,715

A reconciliation of the fund balance on a GAAP basis to budgetary basis is as follows:

GAAP - Fund Balance	\$ 14,728,400
Encumbrances	(2,650,083)
Net change in accruals not recognized for budget	592,947
Budgetary - Fund Balance	\$ 12,671,264

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

B. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2005:

Special Revenue:	
Golf Course	\$ (132,246)
Other Special Revenue	(25,023)
Capital Projects:	
School Construction	(1,387,099)
Sewer Construction	(736,859)
Internal Service:	
Workers' Compensation	(2,054,953)

Capital Projects Funds deficit will be eliminated through future permanent financing. The Internal Service Fund deficit will be funded on a current basis with future premiums. The Golf Course Fund deficit will be eliminated through the Town Council deficit funding plan; the deficits in the Other Special Revenue Funds will be eliminated with future revenues.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$15,761,301 of the Town's bank balance of \$44,277,816 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 14,145,171
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,616,130</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 15,761,301</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Investments

As of June 30, 2005, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
			<u>Not Applicable</u>	<u>1 - 10</u>	<u>More Than 10</u>
Money market funds	n/a	\$ 394,279	\$ 394,279	\$	\$
SEI Instl. Core Fixed Income Funds	n/a	37,827,614	37,827,614		
SEI Instl. Large Cap Funds	n/a	25,011,259	25,011,259		
SEI International Equity Fund	n/a	7,321,174	7,321,174		
SEI Instl. Small Cap Fund	n/a	4,379,832	4,379,832		
Common Stock	n/a	10,045	10,045		
Mutual funds	n/a	107,205	107,205		
State of CT STIF	AAAm	20,234,164	20,234,164		
MBIA Class Plus	AAA	7,803,309	7,803,309		
Total		\$ 103,088,881	\$ 103,088,881	\$ -	\$ -

Investment Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. Both the State of Connecticut STIF and the MBIA Class investments are 2a-7 like pools.

Credit Risk - 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 places no limit on the amount invested in any one issuer. More than five percent of the Town's investments are invested as follows:

<u>Investment</u>	<u>Percentage</u>
SEI Instl. Core Fixed Income	36.8%
SEI Instl. Large Cap Fund	24.4
SEI International Equity Fund	7.1

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Town's investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer's Short-Term Investment Fund (STIF) and MBIA 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 Short-Term Investment Fund is provided quarterly by the Investment Advisory Council and the Treasurer's Cash Management Board.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Regulatory oversight for MBIA 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 disclosed in Note 4.

B. Fund Receivables

Receivables at June 30, 2005, including the applicable allowances for collection losses, are as follows:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Property taxes	\$ 1,734,430	\$	\$ 13,308	\$ 1,747,738
Assessments		13,034	145,928	158,962
Accounts receivable	123,442		556,613	680,055
User fees receivable			1,344,671	1,344,671
Gross receivables	<u>1,857,872</u>	<u>13,034</u>	<u>2,060,520</u>	<u>3,931,426</u>
Allowance for collection losses	<u>(220,000)</u>	<u>-</u>	<u>(341,257)</u>	<u>(561,257)</u>
Net Receivables	<u>\$ 1,637,872</u>	<u>\$ 13,034</u>	<u>\$ 1,719,263</u>	<u>\$ 3,370,169</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	\$ 1,498,792	\$
Capital Improvements Fund:		
Delinquent assessments receivable	13,034	
Nonmajor Governmental Funds:		
Delinquent assessments receivable	54,306	
Various education grants		<u>250,586</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 1,566,132</u>	<u>\$ 250,586</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

C. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance		Increases		Decreases		Ending Balance
Capital assets not being depreciated:							
Land	\$ 13,486,631	\$		\$		\$	13,486,631
Construction in progress	9,179,482		4,136,787		(2,757,293)		10,558,976
Total capital assets not being depreciated	22,666,113		4,136,787		(2,757,293)		24,045,607
Capital assets being depreciated:							
Land improvements	3,074,137		171,095				3,245,232
Buildings and improvements	44,722,601		952,725				45,675,326
Machinery and equipment	14,058,274		673,496		(305,111)		14,426,659
Machinery and equipment - fleet	5,526,929		428,638		(300,169)		5,655,398
Infrastructure	67,581,301		824,558				68,405,859
Total capital assets being depreciated	134,963,242		3,050,512		(605,280)		137,408,474
Less accumulated depreciation:							
Land improvements	2,222,744		82,793				2,305,537
Buildings and improvements	21,811,350		907,241				22,718,591
Machinery and equipment	10,281,795		607,813		(249,139)		10,640,469
Machinery and equipment - fleet	2,448,549		562,482		(213,084)		2,797,947
Infrastructure	35,346,320		1,876,338				37,222,658
Total accumulated depreciation	72,110,758		4,036,667		(462,223)		75,685,202
Total capital assets being depreciated, net	62,852,484		(986,155)		(143,057)		61,723,272
Net Capital Assets	\$ 85,518,597	\$	3,150,632	\$	(2,900,350)	\$	85,768,879

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

Governmental Activities:	
General government services	\$ 18,230
Public safety	15,202
Public works, including depreciation of general infrastructure assets	1,990,831
General services	248,517
Community services	34,803
Education	537,741
Sewer operating	518,938
Solid waste	1,795
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of assets	562,482
Golf course	36,978
Computer replacement	57,425
Special Library	13,725
Total Depreciation Expense - Governmental Activities	\$ 4,036,667

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Construction Commitments

The Town has the following construction commitments as of June 30, 2005:

	<u>Project Amount</u>
WPCF Projects:	
Goss Cove pump station re-roofing	\$ 34,145
Grit equipment replacement - WPCF	327,000
Motor control replacement for WPCF	30,844
Plant water pump replacement for WPCF	7,099
Mumford Cove generator replacement	91,255
Roads/Streets/Sidewalks:	
Metal beam rail	13,825
Road improvements at School St. RR crossing	79,988
Reconstruction of Pleasant Valley Rd. South	1,978,399
Sidewalk replacement	19,800
Sidewalk work	600
Traffic signal fire pre-emption	3,878
Traffic signal reconstruction Rt 1/Harry Day	74,772
Building Improvements/Modifications:	
Human Services bldg. Ext lighting	6,536
Police Station rear vestibule	6,749
Replace air conditioning	7,850
Spice House repairs	4,590
Town Hall 3rd floor heating	18,754
Town Hall exterior lighting	2,250
Town Hall front entrance	55,000
Town Hall transfer switch	30,462
Vehicle storage garage sprinkler installation	12,830
Other Miscellaneous:	
Furnish and install fence - Sutton Park LL field	15,898
Streetlight installation	5,000

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

D. Interfund Receivables, Payables and Transfers

As of June 30, 2005, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ <u>1,041,858</u>

The balance of \$1,041,858 due to nonmajor funds represents amounts committed to fund various capital projects and education programs.

Interfund Transfers

Interfund transfers during the year ended June 30, 2005 were as follows:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Funds</u>	<u>Fleet Reserve Fund</u>	
Transfers out:					
General Fund	\$	\$ 1,939,717	\$ 275,000	\$ 319,396	\$ 2,534,113
Capital Improvements Fund			293,944		293,944
Nonmajor funds	<u>832,802</u>	<u>915,311</u>			<u>1,748,113</u>
Total Transfers In	<u>\$ 832,802</u>	<u>\$ 2,855,028</u>	<u>\$ 568,944</u>	<u>\$ 319,396</u>	<u>\$ 4,576,170</u>

Transfers are used to account for revenues collected mainly in the General Fund and appropriated to other funds to finance various programs, i.e., Capital Projects, Revaluation, Community Events, OPEB and Fleet, all in accordance with budget authorizations. The purpose of the “transfer in” in the General Fund was 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” of nonmajor governmental funds consisted primarily of budget transfers for the replacement of capital assets in the Sewer Operating Fund.

E. Bond Anticipation Notes Payable

Bond anticipation note transactions for the year ended June 30, 2005 were as follows:

Outstanding, June 30, 2004	\$ 3,375,000
New borrowings	4,850,000
Repayments	<u>(3,375,000)</u>
Outstanding, June 30, 2005	<u>\$ 4,850,000</u>

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

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

F. Long-Term Debt

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 17,970,000	\$	\$ 2,810,000	\$ 15,160,000	\$ 2,740,000
Landfill post-closure monitoring	3,966,270		167,270	3,799,000	170,000
Compensated absences	<u>1,895,762</u>	<u>132,232</u>	<u>265,191</u>	<u>1,762,803</u>	<u>159,271</u>
Long-Term Liabilities	<u>\$ 23,832,032</u>	<u>\$ 132,232</u>	<u>\$ 3,242,461</u>	<u>\$ 20,721,803</u>	<u>\$ 3,069,271</u>

Included in long-term liabilities is the estimated obligation for employee compensated absences aggregating \$1,762,803 as of June 30, 2005. The liability will be funded through the General Fund and other appropriate funds.

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 assessments of the Groton Sewer District which are accounted for in the Debt Service 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>Groton General Fund</u>		<u>Groton Sewer District</u>	
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2006	\$ 1,975,000	\$ 440,611	\$ 765,000	\$ 148,718
2007	1,950,000	363,410	735,000	111,052
2008	1,620,000	282,465	515,000	80,593
2009	1,600,000	216,815	510,000	59,231
2010	1,100,000	166,603	450,000	39,000
2011-2015	2,500,000	455,865	630,000	50,400
2016-2017	<u>810,000</u>	<u>55,080</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,555,000</u>	<u>\$ 1,980,849</u>	<u>\$ 3,605,000</u>	<u>\$ 488,994</u>

At June 30, 2005, the Town has available from the State of Connecticut \$1,236,952 of school bond principal subsidies due in installments through 2010.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Total authorized but unissued long-term debt at June 30, 2005 consists of the following:

		Bonds Authorized Unissued
Design and Construction of Sanitary Sewer Program	\$	687,121
Improvements to Sewage Pumping Stations		99,000
Fort Hill Water Extension and Improvements		245,000
Public Safety Communications/Facility Improvements		8,600
WPCF Additions/Improvements and Sewer System Evaluation		13,236,766
S. Pleasant Valley Road		3,586,736
Welles Road Bulky Waste Closure		390,500
Flanders Road Transfer Station		45,250
Annex Complex and Sewer Line		163,000
Northeast Academy - Demolition/New Construction		20,235,000
Kolnaksi Elementary School Construction		25,335,000
Fitch Sr. -Phase I		44,200,000
	\$	<u>108,231,973</u>

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

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General Purpose	\$ 152,271,723	\$ 27,992,699	\$ 124,279,024
Schools	304,543,446	92,823,568	211,719,878
Sewers	253,786,205	22,199,887	231,586,318
Urban Renewal	219,948,045		219,948,045
Pension Deficit	203,028,964		203,028,964

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation including coterminous municipalities, or \$473,734,247. All long-term debt obligations are retired through General Fund and Debt Service 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 are issued and outstanding. Additionally, underlying debt of \$16,962,133 is included in the calculation of indebtedness. Bonds authorized and unissued amounted to \$108,231,973 at June 30, 2005. School indebtedness is net of school building grants of \$1,236,952.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

G. 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 \$2,131,500 (\$101,500 per year for 21 years). The other landfill site stopped accepting waste in the fall of 2001 and its estimated postclosure cost is \$1,667,500 (\$66,700 for 25 years). Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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. Employees are 100% vested after 10 years of service, except Firefighters who are 50% vested after 10 years with 3.3% additional after each of the next 15 years, and the General Government Nonbargaining, GMEA, AFSME and Steelworkers groups who are 100% vested after 5 years of service. Benefits are calculated as follows:

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

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

GMEA: 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.

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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

General Government Nonbargaining: 2% of average annual pay (for highest paid 3 years out of last 5 years) times the number of years of continuous service up to 30 years of service and 1.25% of average annual pay times years of continuous service in excess of 30. 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 25 years of service and 1.5% of average annual pay times years of continuous service in excess of 25.

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

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

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

Maximum benefits are 66-2/3% of average annual pay for members other than Police Officers, Firefighters and General Government Nonbargaining employees. 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. Union and Nonunion Police Officers contribute 7.5% and Firefighters 6.5%.

Contributions of nonvested employees are returned with interest 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, 2004, TGRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	169
Terminated employees entitled to benefits but not yet receiving them	21
Active plan members	<u>419</u>
Total	<u>609</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. Investments in any organization that represent 5% or more of net assets available for benefits are as follows:

SEI Instl. Core Fixed Income	\$ 37,827,614
SEI Instl. Large Cap Fund	25,011,259
SEI International Equity Fund	7,321,174
SEI Inst. Small Cap Fund	4,379,832

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	\$ 264,070
Interest on net pension obligation	(116,489)
Adjustment to annual required contribution	<u>196,655</u>
Annual pension cost	344,236
Contributions made	<u>281,045</u>
Increase in net pension obligation	63,191
Net pension asset, July 1, 2004	<u>(1,411,984)</u>
Net Pension Asset, June 30, 2005	<u>\$ (1,348,793)</u>

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

Actuarial valuation date	July 1, 2004
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	10 years, open
Asset valuation method	5-year smoothed market value

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Actuarial assumptions:

Investment rate of return*	8.25%
Projected salary increases	4.75%
Cost-of-living adjustments	none

*includes an inflation rate of 3.25%

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>
6/30/03	\$ 70,000	224.6%	\$ (1,324,433)
6/30/04	75,000	216.4	(1,411,984)
6/30/05	344,236	81.6	(1,348,793)

F. Schedule of Funding Progress and Schedule of Employer Contributions

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>Funding Excess (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>
7/1/99	\$ 66,871,000	\$ 50,416,000	\$ 16,455,000	132.6%	\$ 17,393,000	94.6%
7/1/00	71,639,000	54,107,000	17,532,000	132.4	17,880,000	98.1
7/1/01	75,934,000	56,132,000	19,802,000	135.3	19,405,000	102.0
7/1/02	74,214,000	60,552,000	13,662,000	122.6	20,175,000	67.7
7/1/03	77,314,000	65,474,000	11,840,000	118.1	20,374,000	58.1
7/1/04	76,643,163	68,246,938	8,396,225	112.3	20,256,214	41.5

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/00	\$ -	N/A
6/30/01	-	N/A
6/30/02	-	N/A
6/30/03	-	N/A
6/30/04	-	N/A
6/30/05	264,070	107.6%

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 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 approximately \$2,034,000 for the year ended June 30, 2005.

5. OTHER INFORMATION

A. Commitment for Postemployment Benefits Other than Pension Benefits

In addition to pension benefits described in Note 4, the Town provides postretirement health care benefits based on the following guidelines for each specific group of Town employees:

- AFSCME: Eligible at age 55; sliding scale based on sum of years of service and age, with sum of 85; 90% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital and medical/surgical coverage and prescription drug rider.
- Nonunion: Eligible at age 55; 80% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical, prescription drug and dental coverage.
- GMEA: Eligible at age 57; 90% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical coverage and prescription drug coverage. Employee only eligible for prescription and dental coverage.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Police: Eligible at age 45 - 25% of premiums paid by the Town, 25% of premiums paid by the Town for spouses; eligible at age 50 - 50% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; eligible at age 60 - 75% of premiums paid by the Town, 75% of premiums paid by the Town for spouses; eligible at age 65 - 90% of premiums paid by the Town, 90% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical coverage and prescription drug and dental coverage.

Steelworkers: Eligible at age 55 normal retirement; 100% of premiums paid by the Town; 50% of premiums paid by the Town for spouses; benefits include hospital and medical/surgical coverage or 90% by Town if employee elects to include prescription and dental coverage.

The Town's contributions are financed and expensed on a pay-as-you-go basis from the General Fund. The amount of postretirement health care expenditures for the year ended June 30, 2005 was \$502,392 for 109 retirees. These benefit payments are in accordance with Council approved contract provisions which stipulate Town and retiree premium contributions.

B. 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, 2005 for claims incurred but not reported to be \$884,206 in the Health Insurance Fund and \$3,011,940 in the Workers' Compensation Fund, which includes heart and hypertension of \$1,746,301. The estimate for claim liability also

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

includes amounts for incremental claim adjustment expenses. Changes in the claims liability were as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
<u>Health Insurance Fund</u>				
2004-2005	\$ 987,728	\$ 10,621,672	\$ 10,725,194	\$ 884,206
2003-2004	811,770	10,872,341	10,696,383	987,728
<u>Workers' Compensation Fund</u>				
2004-2005	\$ 2,589,370	\$ 920,726	\$ 498,156	\$ 3,011,940
2003-2004	2,243,048	779,098	432,776	2,589,370

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.

C. 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.

D. Concentration of Taxes

The Town's two largest taxpayers, based on the October 2003 grand list, comprise 21.8% of the net taxable grand list of the Town and approximately 12.18% of the total General Fund revenues for the year ended June 30, 2005.

E. Subsequent Event

On July 21, 2005, the Town issued the following: \$5,005,000 General Obligation Bonds bearing interest at 3.5% to 5.5%, maturing on August 1, 2025, \$8,390,000 General Obligation Bond Anticipation Notes bearing interest at 4%, maturing on July 28, 2006, and \$1,100,000 of General Obligation Sewer Bond Anticipation Notes, bearing interest at 3.5%, maturing March 1, 2006.

F. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, will be effective for the government beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued in May 2004, will be effective for the Town beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in June 2004, will be effective for the Town beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

Appendix B

Form of Legal Opinion and Tax Exemption – The Bonds and Lot A Notes

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APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

THE BONDS AND LOT A NOTES

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

BOND COUNSEL OPINION

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

The opinion of Day, Berry & Howard LLP with respect to the Bonds and Notes (Lot A) 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 \$16,570,000 General Obligation Bonds, Issue of 2006, dated as of November 1, 2006 and \$23,100,000 Bond Anticipation Notes, dated November 1, 2006.

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

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

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

Based on such representations and agreements and on the record of proceedings authorizing the Bonds and Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds and Notes are not "private activity bonds" and interest on the Bonds and Notes 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 and Notes, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day, Berry & Howard LLP

FEDERAL INCOME TAX.

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

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

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The 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 and Notes are not "private activity bonds" so that interest on the Bonds and Notes 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 75% of the excess of adjusted current earnings (which includes 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 and Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Changes in Federal Tax Law. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds and Notes will not have an adverse effect on the tax-exempt status or market price of the Bonds and Notes.

ADDITIONAL FEDERAL INCOME TAX MATTERS.

The following is a brief discussion of certain Federal income tax matters with respect to the Bonds and Notes under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of the Bonds and Notes. Prospective owners of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds and Notes.

As noted above, interest on the Bonds and Notes may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Bonds and Notes may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds and Notes may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

STATE OF CONNECTICUT TAX ON INTEREST.

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

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

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

ORIGINAL ISSUE DISCOUNT.

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

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for Federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a

constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

ORIGINAL ISSUE PREMIUM.

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

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

* * * * *

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

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

TOWN OF GROTON

By _____
Mark R. Oefinger, Town Manager

By _____
Salvatore M. Pandolfo, Director of Finance

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Appendix C

Form of Legal Opinion and Tax Exemption – The Lot B Notes

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APPENDIX C - OPINION OF BOND COUNSEL AND TAX EXEMPTION

SEWER NOTES (LOT B)

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

BOND COUNSEL OPINION

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

The opinion of Day, Berry & Howard LLP with respect to the Notes 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 \$1,130,000 Sewer Bond Anticipation Notes, dated November 1, 2006.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of Groton is authorized to issue the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Notes 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 pursuant to Section 12-97 of the General Statutes of Connecticut, Revision of 1958, as amended, and dwelling houses of qualified elderly people of low income taxable at limited amounts pursuant to Section 12-129b of said General Statutes or Public Act No. 06-176.

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

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

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant

to Section 103 of the Code; and (2) the Notes are not "private activity bonds" and interest on the Notes 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 Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day, Berry & Howard 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 Notes is excluded from the gross income of the owners thereof for Federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

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

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The 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 Notes are not "private activity bonds" so that interest on the Notes 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 75% of the excess of adjusted current earnings (which includes 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 Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Changes in Federal Tax Law. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes.

ADDITIONAL FEDERAL INCOME TAX MATTERS.

The following is a brief discussion of certain Federal income tax matters with respect to the Notes under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

As noted above, interest on the Notes may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Notes may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Notes may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

STATE OF CONNECTICUT TAX ON INTEREST.

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

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

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

* * * * *

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

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

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Appendix D

Form of Continuing Disclosure Agreement – The Bonds

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APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

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

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of November 1, 2006 by the Town of Groton, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$16,570,000 General Obligation Bonds, Issue of 2006, dated as of November 1, 2006 (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 October 19, 2006 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.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
<http://www.interactivedata.com>
Email: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street - 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

"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.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each NRMSIR and any SID, 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, 2006 as follows:

(i) Financial statements of the Issuer's general fund, any special revenue, capital projects, internal service and trust or agency funds, and the general long-term obligations account group 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 net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and

(I) funding status of the Issuer's pension benefit obligation.

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

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR and any SID, or filed with the SEC. If the document to be referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

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

Section 3. Material Events.

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

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

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, 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) 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.

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

(c) 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 Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) the NRMSIRs or the MSRB and (ii) any SID. 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.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to MAC dated September 7, 2004.

Appendix E

Form of Continuing Disclosure Agreement – The Notes

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APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

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

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of November 1, 2006 by the Town of Groton, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$23,100,000 Bond Anticipation Notes (Lot A), dated as of November 1, 2006 and of \$1,130,000 Sewer Bond Anticipation Notes (Lot B), dated as of November 1, 2006 of the Issuer (collectively, the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

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

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

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
<http://www.interactivedata.com>
Email: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street - 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975

www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

"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.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

Section 2. Material Events.

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (g) modifications to rights of holders of the Notes;
- (h) Note calls;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; and
- (k) rating changes.

Section 3. Use of Agents.

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

Section 4. Termination.

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

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable

time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Notes 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 Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

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

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

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

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to MAC dated September 7, 2004.

TOWN OF GROTON

By: _____
Mark R. Oefinger
Town Manager

By: _____
Salvatore M. Pandolfo
Director of Finance

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Appendix F

Notice of Sale and Bid Form – The Bonds

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NOTICE OF SALE
\$16,570,000
Town of Groton, Connecticut
General Obligation Bonds

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

OCTOBER 19, 2006,

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

\$16,570,000 General Obligation Bonds, Issue of 2006
Payable annually on October 1 as follows:

\$830,000 in 2007 through 2020
\$825,000 in 2021 through 2026

The Bonds will be dated November 1, 2006, with interest payable on April 1, 2007 and thereafter semiannually on each October 1st and April 1st.

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

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

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

Redemption. Bonds maturing after October 1, 2013 are subject to redemption prior to maturity, at the option of the Town, on or after October 1, 2013, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption prices, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Prices
October 1, 2013 and thereafter	100%

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

Sealed Proposals Bidding Procedure. All proposals for the purchase of Bonds shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Groton Bonds." All proposals should be addressed to Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, c/o Groton Town Hall, Finance Conference Room, 45 Fort Hill Road, Groton, Connecticut 06340.

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

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

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic

bidding for the Bonds. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by PARITY®, this Notice of Sale shall control.

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

Basis of Award. As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to November 1, 2006, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

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

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

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

Official Statement. The Town of Groton has prepared an Official Statement for the Bond issue which is dated October 12, 2006. The Town deems such Official Statement final as of its date for purposes of SEC Rule

15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, People's Bank, Bridgeport, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

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

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about November 1, 2006 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Matthew A. Spoerndle, Vice President, People's Bank, Bridgeport Center, Municipal Banking and Finance Department, 850 Main Street, 12th Floor, Bridgeport, Connecticut 06601-7031 (telephone: (203) 338-4238) or from Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340 (telephone: (860) 441-6690).

MARK R. OEFINGER,
Town Manager

SALVATORE M. PANDOLFO,
Director of Finance

October 12, 2006

PROPOSAL FOR BONDS

October 19, 2006

Mr. Salvatore M. Pandolfo
 Director of Finance
 Town of Groton
 c/o Groton Town Hall
 45 Fort Hill Road
 Finance Conference Room
 Groton, Connecticut 06340

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated October 12, 2006 which is hereby made a part of this proposal, we hereby offer to purchase all of the aggregate principal amount of \$16,570,000 General Obligation Bonds, Issue of 2006, of the Town of Groton described in said Notice of Sale, and to pay therefor the price of par plus a premium of \$_____ plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2007	\$830,000	_____%	2017	\$830,000	_____%
2008	\$830,000	_____%	2018	\$830,000	_____%
2009	\$830,000	_____%	2019	\$830,000	_____%
2010	\$830,000	_____%	2020	\$830,000	_____%
2011	\$830,000	_____%	2021	\$825,000	_____%
2012	\$830,000	_____%	2022	\$825,000	_____%
2013	\$830,000	_____%	2023	\$825,000	_____%
2014	\$830,000	_____%	2024	\$825,000	_____%
2015	\$830,000	_____%	2025	\$825,000	_____%
2016	\$830,000	_____%	2026	\$825,000	_____%

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

Name of Bidder: _____
 Address of Bidder: _____
 Signature of Officer or Authorized Agent of Bidder: _____
 Telephone Number: _____

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

Percent of True Interest Cost _____%
 (four decimals)

Gross Interest \$ _____
 Accrued Interest from November 1, 2006 to November 1, 2006 \$ _____
 Premium \$ _____

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Appendix G

Notice of Sale and Bid Form – The Lot A Notes

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NOTICE OF SALE
\$23,100,000
Town of Groton, Connecticut
Bond Anticipation Notes (Lot A)
(BOOK-ENTRY)

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

OCTOBER 19, 2006

for the purchase of \$23,100,000 Bond Anticipation Notes of the Town of Groton, dated November 1, 2006, maturing on October 30, 2007 (the "Notes").

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

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

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

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Sealed Proposals Bidding Procedure. All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Groton Notes (Lot A)." All proposals should be addressed to Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, c/o Groton Town Hall, 45 Fort Hill Road, Groton, Connecticut, 06340.

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

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

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

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

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

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

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

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

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code

of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

Official Statement. The Town of Groton has prepared an Official Statement for the Note issue which is dated October 12, 2006. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, People's Bank, Bridgeport, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

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

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on November 1, 2006.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Matthew A. Spoerndle, Vice President, People's Bank, Bridgeport Center, Municipal Banking and Finance Department, 850 Main Street, 12th Floor, Bridgeport, Connecticut 06601-7031 (telephone: (203) 338-4238) or from Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340 (telephone: (860) 441-6690).

MARK R. OEFINGER,
Town Manager

SALVATORE M. PANDOLFO,
Director of Finance

October 12, 2006

PROPOSAL FOR NOTES (LOT A)

October 19, 2006

Mr. Salvatore M. Pandolfo
 Director of Finance
 Town of Groton
 c/o Groton Town Hall
 45 Fort Hill Road
 Finance Conference Room
 Groton, Connecticut 06340

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated October 12, 2006 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, (not to exceed false months interest on the principal amount bid for), and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$23,100,000 Bond Anticipation Notes (Lot A) of the Town of Groton, dated November 1, 2006, maturing October 30, 2007, we bid the following:

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

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or _____

Authorized Agent of Bidder: _____

Telephone Number: _____

Appendix H

Notice of Sale and Bid Form – The Lot B Notes

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NOTICE OF SALE
\$1,130,000
Town of Groton, Connecticut
Sewer Bond Anticipation Notes (Lot B)
(BOOK-ENTRY)

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Groton, Connecticut at Groton Town Hall, 45 Fort Hill Road, Groton, Connecticut until **12 Noon (Eastern Daylight Time)** on **TUESDAY**,

OCTOBER 19, 2006

for the purchase of \$1,130,000 Sewer Bond Anticipation Notes of the Town of Groton, dated November 1, 2006, maturing on June 20, 2007 (the "Notes").

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

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

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

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Sealed Proposals Bidding Procedure. All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Groton Sewer Notes (Lot B)." All proposals should be addressed to Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, c/o Groton Town Hall, 45 Fort Hill Road, Groton, Connecticut, 06340.

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

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

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

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

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

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

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

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day, Berry & Howard LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix C to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no

litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this Note issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

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

Official Statement. The Town of Groton has prepared an Official Statement for the Note issue which is dated October 12, 2006. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 10 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, People's Bank, Bridgeport, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

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

Delivery Date and Payment. The notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on November 1, 2006.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Matthew A. Spoerndle, Vice President, People's Bank, Bridgeport Center, Municipal Banking and Finance Department, 850 Main Street, 12th Floor Conference Room, Bridgeport, Connecticut 06601-7031 (telephone: (203) 338-4238) or from Mr. Salvatore M. Pandolfo, Director of Finance, Town of Groton, Town Hall, 45 Fort Hill Road, Groton, Connecticut 06340 (telephone: (860) 441-6690).

MARK R. OEFINGER,
Town Manager

SALVATORE M. PANDOLFO,
Director of Finance

October 12, 2006

PROPOSAL FOR SEWER NOTES (LOT B)

October 19, 2006

Mr. Salvatore M. Pandolfo
 Director of Finance
 Town of Groton
 c/o Groton Town Hall
 45 Fort Hill Road
 Finance Conference Room
 Groton, Connecticut 06340

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated October 12, 2006 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$1,130,000 Sewer Bond Anticipation Notes of the Town of Groton, dated November 1, 2006, maturing June 20, 2007, we bid the following:

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

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or _____

Authorized Agent of Bidder: _____

Telephone Number: _____

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Appendix I

Financial Insurance Guarantee Policy

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STANDARD FORM FOR MBIA DISCLOSURE FOR OFFICIAL STATEMENTS

[June 30, 2006]

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix I for a specimen of MBIA's policy [(the "Policy")].

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading ["Bond Insurance"]. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Town of Groton, Connecticut to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the [Bonds/Securities], and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the [Bonds/Securities]. MBIA does not guaranty the market price of the [Bonds/Securities] nor does it guaranty that the ratings on the [Bonds/Securities] will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, MBIA had admitted assets of \$11.3 billion (unaudited), total liabilities

of \$6.9 billion (unaudited), and total capital and surplus of \$4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2006 and for the six month periods ended June 30, 2006 and June 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the [Bonds/Securities] offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington, D.C. (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Article 7 of the Connecticut Financial Guaranty Act.

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Section 7 of the Connecticut Financial Guaranty Act.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary