

Official Statement Dated October 31, 2013

NEW ISSUE

MOODY'S RATING: Aa2

(See "Ratings" herein)

In the opinion of Bond Counsel, assuming the accuracy of and continuing 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"), based on existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax on certain corporations, as described in Appendix B – "Form of Legal Opinion of Bond Counsel and Tax Exemption" herein. In the opinion of Bond Counsel, 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 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.

TOWN OF OLD SAYBROOK, CONNECTICUT

\$15,676,000

GENERAL OBLIGATION BONDS, ISSUE OF 2013

BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: November 1, as shown below

The Bonds will be general obligations of the Town of Old Saybrook, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due. (See "Security and Remedies" herein).

Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing November 1, 2014.

The Bonds are issuable only as fully registered bonds, without coupons and when issued, will be registered in the name of Cede & Co., as Bondowner as nominee for The Depository Trust Company ("DTC"), New York, New York, and DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$1,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry-Only System" herein).

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

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

MATURITY SCHEDULE AND AMOUNTS

Maturity	Amount	Interest Rate	Yield	CUSIP	Maturity	Amount	Interest Rate	Yield	CUSIP
2014	\$ 576,000	3.000%	0.200%	680265LQ6	2024	\$ 785,000	3.000%	2.800%*	680265MA0
2015	780,000	3.000	0.370	680265LR4	2025	785,000	3.000	2.960*	680265MB8
2016	780,000	2.000	0.570	680265LS2	2026	785,000	3.000	3.120	680265MC6
2017	780,000	2.000	0.880	680265LT0	2027	785,000	3.125	3.300	680265MD4
2018	785,000	2.000	1.180	680265LU7	2028	785,000	3.375	3.450	680265ME2
2019	785,000	2.000	1.600*	680265LV5	2029	785,000	3.500	3.600	680265MF9
2020	785,000	4.000	2.000*	680265LW3	2030	825,000	3.625	3.730	680265MG7
2021	785,000	2.250	2.250	680265LX1	2031	825,000	4.000	3.840*	680265MH5
2022	785,000	3.000	2.430*	680265LY9	2032	845,000	4.000	3.930*	680265MJ1
2023	785,000	2.500	2.600	680265LZ6	2033	845,000	4.000	4.020	680265MK8

* Priced assuming redemption on November 1, 2018; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

Raymond James & Associates, Inc.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Shipman & Goodwin LLP, Bond Counsel, of Hartford, Connecticut. It is expected that the Bonds in definitive form will be available for delivery in New York, New York, on or about November 14, 2013.

No dealer, broker, salesman or other person has been authorized by the Town of Old Saybrook, Connecticut (the "Town") to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The information 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 circumstances, create any implication that there has been no change in the affairs of the Town since the date of this Official Statement.

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

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

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

The Town deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

The Town will enter into a continuing disclosure agreement with respect to the Bonds (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events, not in excess of 10 business days after the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form attached as Appendix C to this Official Statement.

BOND COUNSEL

SHIPMAN & GOODWIN LLP

Hartford, Connecticut
(860) 251-5000

FINANCIAL ADVISOR

INDEPENDENT BOND AND
INVESTMENT CONSULTANTS LLC

Madison, Connecticut
(203) 245-8715

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BOND SALE SUMMARY

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

Date of Sale:	Thursday, October 31, 2013 until 11:00 A.M. (E.D.T).
Location of Sale:	Office of the First Selectman, Town Hall, 302 Main Street, Old Saybrook, Connecticut 06475
Issuer:	Town of Old Saybrook, Connecticut (the "Town").
Issue:	\$15,676,000 General Obligation Bonds, Issue of 2013 (the "Bonds").
Dated Date:	November 14, 2013.
Interest Due:	May 1 and November 1, commencing November 1, 2014.
Principal Due:	Serially, November 1, 2014-2033.
Purpose and Authority:	The Bonds are being issued to finance various capital improvement projects undertaken by the Town and are authorized by a resolutions adopted by the Town at referendums. (See "Authorization and Use of Proceeds" herein).
Redemption:	The Bonds are subject to optional redemption prior to maturity. (See "Optional Redemption" herein).
Security:	The Bonds will be general obligations of the Town of Old Saybrook, Connecticut and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due.
Credit Rating:	The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding general obligation bonds has recently been affirmed "Aa2" by Moody's. (See "Ratings" herein).
Basis of Award:	Lowest True Interest Cost ("TIC"), as of the dated date.
Tax Exemption:	See Appendix B to this Official Statement.
Continuing Disclosure Agreement:	See Appendix C to this Official Statement.
Bank Qualification:	The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocation to the Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Shipman & Goodwin LLP, of Hartford, Connecticut will serve as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made on or about November 14, 2013, against payment in Federal Funds.
Issuer Official:	Questions regarding the Town and this Official Statement should be directed to Carl P. Fortuna, Jr., First Selectman, Town of Old Saybrook, Connecticut - Telephone (860) 395-3123.

SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Old Saybrook, Connecticut (the "Town") in connection with the issuance and sale of \$15,676,000 General Obligation Bonds, Issue of 2013 (the "Bonds") of the Town.

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

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

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in its opinion in Appendix B – "Form of Legal Opinion of Bond Counsel and Tax Exemption" herein) and it makes no representation that it has independently verified the same.

Description of the Bonds

The Bonds will be dated the date of delivery and will mature in annual installments on November 1 in each of the years and in principal amounts set forth on the cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing November 1, 2014 and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of April and October in each year, or the preceding business day if the fifteenth day is not a business day.

The Bonds will be issued in fully registered form in denominations of \$1,000 or any integral multiple thereof for any single maturity. A book-entry system will be employed evidencing ownership of the Bonds with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry System" herein). The Registrar, Certifying Bank, Transfer Agent and Paying Agent will be U.S. Bank National Association, Hartford, Connecticut. **The Bonds are subject to redemption prior to maturity.** (See "Optional Redemption" herein.)

Optional Redemption

The Bonds maturing on November 1, 2019 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after November 1, 2018, at any time, either in whole or in part in such amounts and in such order of maturity (but by lot within a maturity), as the Town may determine, at the redemption price (expressed as a percentage of the par amount of the Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
November 1, 2018 and thereafter	100.0%

Notice of Redemption

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

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of \$1,000 or some multiple thereof and that, in selecting Bonds for redemption, each bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such bond by \$1,000.

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to Depository Trust Company (the "DTC"), or a successor securities depository, or DTC's 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 amount of Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with 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 allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Authorization and Use of Proceeds

Authorization: The Bonds are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and resolutions approved by the voters at referendums held on March 28, 2013 and October 10, 2013, as described herein.

Land Acquisition – 36 Lynde Street: The Town approved, at a referendum held on March 28, 2013, an appropriation and bond authorization in the amount \$1,600,000 to finance the purchase and design costs related to the use of all or part of a certain parcel containing approximately 3.809 acres and commonly known as 36 Lynde Street, Old Saybrook, CT for a Town Police Facility.

New Police Facility: The Town approved, at a referendum held on October 10, 2013, an appropriation and bond authorization in the amount of \$9,995,000 for the construction of a new police facility at 36 Lynde Street and a driveway to Main Street for the new police facility.

Various School Projects: The Town approved, at a referendum held on October 10, 2013, an appropriation and bond authorization in the amount of \$3,900,000 for the replacement of the roof at Old Saybrook Middle School and windows at Goodwin School and the reconstruction of the tennis courts and track at Old Saybrook High School.

Turf Field Project: The Town approved, at a referendum held on October 10, 2013, an appropriation and bond authorization in the amount of \$1,200,000 for the construction of a turf field at Old Saybrook High School.

Use of Proceeds: Proceeds of the Bonds and the Notes will be used as follows:

Projects	Amount of Authorization	Previously Bonded	Amount of Outstanding	Additions / (Reductions)	The Bonds (<i>This Issue</i>)
Land Acquisition - 36 Lynde Street	\$ 1,600,000	\$ -	\$ 1,600,000	\$ (400,000)	\$ 1,200,000
New Police Facility	9,995,000	-	-	9,995,000	9,995,000
Various School Projects	3,900,000	-	-	3,281,000	3,281,000
Turf Field Project	1,200,000	-	-	1,200,000	1,200,000
	<u>\$ 16,695,000</u>	<u>\$ -</u>	<u></u>	<u>\$ 14,076,000</u>	<u>\$ 15,676,000</u>

Ratings

The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding general obligation bonds has recently been affirmed "Aa2" by Moody's. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Town's outstanding bonds and notes, including the Bonds.

Security and Remedies

The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues of the Town. The Town has the power under Connecticut statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts.

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

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

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

Enforcement of a claim for payment of principal of or interest on such bonds or notes would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the Federal Bankruptcy Code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by State law or by a governmental officer or organization empowered by State law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, 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 or any other political subdivision of the State having the power to levy taxes and issues bonds or other obligations.

THE TOWN OF OLD SAYBROOK, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

Section 265 (b) Qualification for Financial Institutions

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

Book-Entry Transfer System

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

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

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

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

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

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

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

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Replacement Bonds

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

DTC Practices

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

SECTION II - THE ISSUER

Description of the Town

The Town of Old Saybrook was incorporated in 1854, the one-hundred-fifth town in the State of Connecticut. The Town covers 15.3 square miles located on the south central coast of Long Island Sound, in the southeastern part of the state. The Town is bordered to the east by the Connecticut River and the Town of Old Lyme, to the west by the Town of Westbrook and to the north by the Town of Essex. The Town is approximately 101 miles east of New York City, 45 miles south of Hartford and approximately 105 miles southwest of Boston.

The Town is intersected by numerous major highways; from the east and west by I-95, State Route 80 and U.S. Route 1 (Boston Post Road); north/south highways are Routes 9, 145, 153, 154 and 156. The Town is served by numerous interstate transportation carriers including truck services, bus services, Amtrak and Metro-North which provide both freight and passenger rail services. Air transportation is available from Tweed New Haven Regional Airport, Bradley International Airport in Hartford, T.F. Green International Airport in Providence, Rhode Island, Kennedy or LaGuardia Airports in New York, or the Bridgeport air terminal.

The Town is a residential community of homes in the middle and upper price ranges. The Town has a significant summer vacation industry that has benefited the Town for over one hundred years.

The Town utilizes an adopted Plan of Conservation and Development to maintain the composition of the existing character of the Town. Zoning regulations have been in effect since the 1950's, with various modifications over the years.

The Town has approximately 20% of its land area set aside for parks and open space consisting of 2,200 acres of dedicated open space and 10 acres dedicated to organized active recreation. The Town operates a recently renovated mini-golf course, two public beaches, one splash pad/water park, eight baseball and softball fields and three running tracks. Other programs the Town provides are summer outdoor and year round indoor recreation activities, summer teen theater, teen centers, Fine Arts Academy, band concerts, youth and adult dances and social consciousness groups.

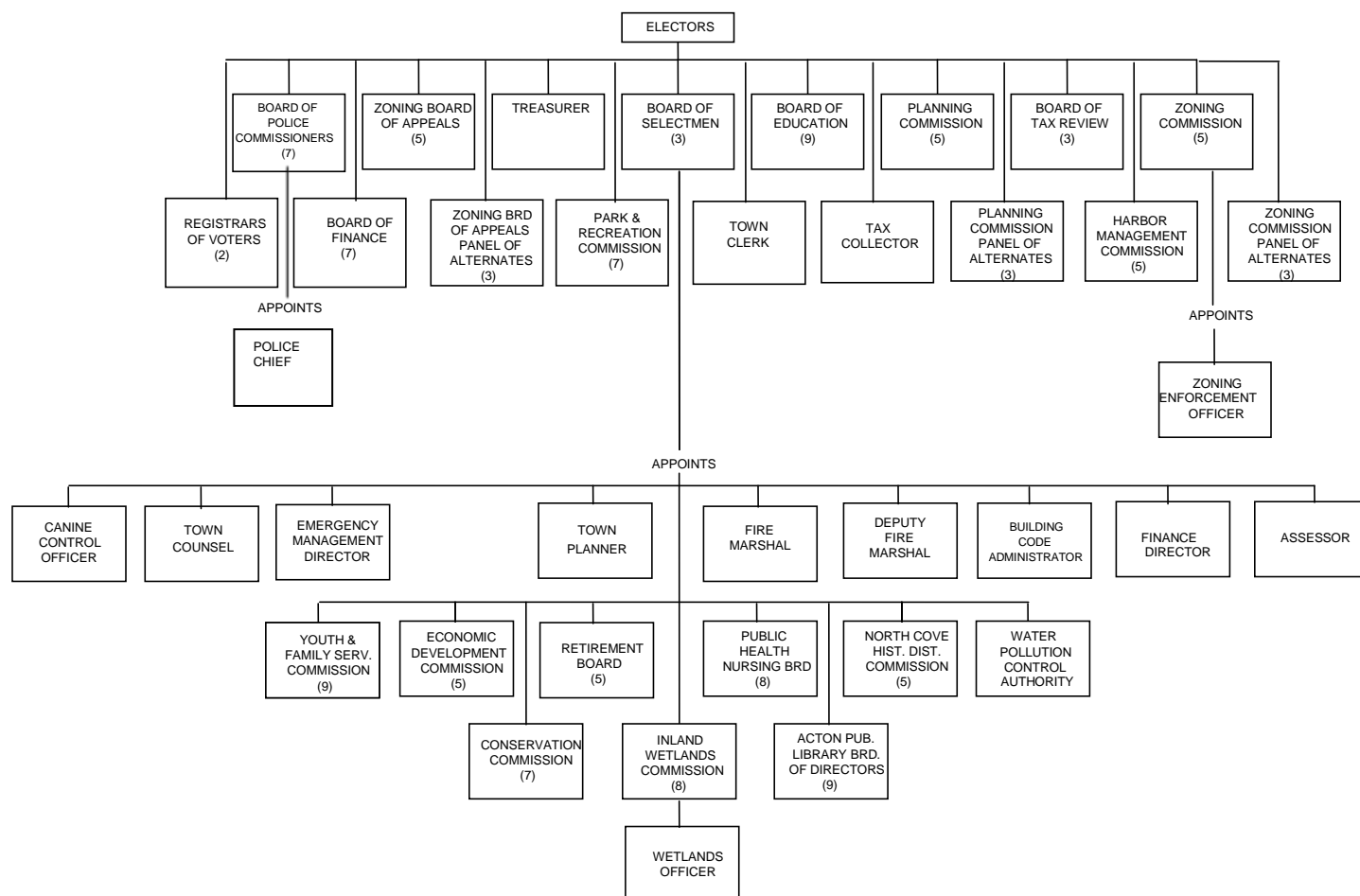
The Town's active shopping and commercial areas are primarily located along the Boston Post Road (Route 1) and Main Street. In addition to many shops the Town is served by six banking institutions. The Town is provided all public utilities, including gas, electric, water and telephone. The Town has two weekly newspapers, and is covered by the New London Day, the Middletown Press, the Hartford Courant and the New Haven Register daily newspapers, and has delivery of all other major regional newspapers including the New York Times and the Boston Globe.

The Town's educational facilities consist of three schools, one elementary school, one middle school and one high school. In addition there is a K-8 grade parochial school in Town.

Form of Government

The Town of Old Saybrook was organized and has operated since 1854 under the Town Charter that utilizes the Board of Selectmen, Board of Finance, and Town Meeting form of government. The First Selectman is the elected full-time Chief Executive Officer of the Town who is responsible for supervising and coordinating all matters pertaining to the delivery of Town programs and services. The Town Meeting is the Town's legislative body. The Board of Finance has seven (7) members, which are elected for terms of four (4) years. The terms are staggered so that three (3) members are elected at the regular biennial municipal election and four (4) members are elected at the next regular biennial election. The Board of Selectmen has three (3) members, each of whom is elected biennially for two year terms.

Table of Organization



Municipal Officials

Office	Name	Manner of Selection	Term
First Selectman	Carl P. Fortuna, Jr.	Elected	2011-2013
Selectman	Scott Giegerich	Elected	2011-2013
Selectman	Steve Gernhardt	Elected	2011-2013
Town Treasurer	Robert W. Fish	Elected	2011-2013
Chairman of the Board of Finance	David LaMay	Elected	2009-2013
Finance Director	Lisa R. Carver	Appointed	Indefinite
Chairman of the Board of Education	Mario Gaboury	Elected	2011-2015
Superintendent of Schools	Jan G. Perruccio	Appointed	N/A

Summary of Municipal Services

Public Safety: The Town of Old Saybrook has established and maintains its own full time (twenty four hour) municipal police department named The Old Saybrook Department of Police Services. The Department employs fifty five civilian and sworn employees that carry out traditional and nontraditional law enforcement services for the residents and visitors of the Town of Old Saybrook. The Department is overseen by a sworn Police Chief who reports to an elected and volunteer seven member Police Commission.

The Department has six (6) Divisions which include the Patrol, Youth Services, Criminal Investigations, Emergency Services, Emergency Communications, and Records, Professional Standards and Technology Divisions.

The Department's current Command Structure includes a Chief, Lieutenant, two Master Sergeants, a Detective Sergeant, and Patrol Sergeants. These positions supervise Certified Patrol Officers, Detectives, civilian Public Safety Dispatchers, Community Service Officers, Animal Control Officers, School Resource Officers, Clerical Staff, Police Explorers, and Custodians. These Divisions house various programs and services such as Emergency Response to calls for service, proactive motor vehicle activity, preventive patrol, the Emergency Medical Services First Responder Program, Homeland Security, Quality Assurance, Marine Services, Animal Control, Neighborhood Watch, K-9 Unit, School Based Policing, information technology and records retention.

The Department is also the custodian and manager of the Town's Emergency Communications Center that is staffed with nationally and state certified employees. The Center is tasked with the answering of E-911 and routine phone calls, provides dispatch and communications services for the Old Saybrook Department of Police Services, the Old Saybrook Fire Department, the Old Saybrook Ambulance Association, Old Saybrook Emergency Management and the Public Works Department. Additionally, the Center serves as the only after-hours point of contact for all municipal Departments.

Public Works: The Public Works Department is divided into the Highway Division and the Transfer Station Division. Both functions are supervised by the Director of Public Works. The Department employs eight full-time and three part-time workers. The Town owns eight trucks, a street sweeper, a loader, a backhoe, a side-cutting mower, a flatbed trailer, and a trash hauler. The Town also provides occasional public works services for the Board of Education on an in-kind basis.

Recreation: The Town Recreation Department, headed by a Parks and Recreation Director, employs three permanent staff year-round, but hires up to 25 summer part-time staff to help run the many summer activities under its jurisdiction. Two Town-owned beaches and a 180-acre park containing natural woodlands and seven miles of trails are available for citizen use. In addition, the Town maintains other parks/recreation facilities offering tennis courts, a baseball field and a basketball court. The Town also owns 2.3 acres of land on historic Saybrook Point which offers miniature golf and additional beachfront bathing, fishing, and other passive recreation opportunities. Eleven marinas with complete boating facilities and two State/Town owned boat-launching ramps provide recreational and commercial boating access to Long Island Sound and the lower Connecticut River. The annual Outdoor Art and Crafts Show and Summer Pops are sponsored by the Chamber of Commerce. The show is traditionally held on the fourth weekend of July on the Town Green and features over 220 artists and crafts persons from New England and many distant states. The first week of December is highlighted by the Torch Light Parade of Colonial Fife and Drum Corps and is the only known event of its kind in the United States.

Library: The Acton Public Library (the "Library") is Town supported and is administered by an appointed Librarian and a nine person Board of Directors. With a circulation of approximately 149,435 items, the Library's own collection is over 70,679 volumes. The Acton Public Library is a member of Libraries Online (LION), a consortium of 29 public libraries (plus one high school library and one college library), formed to share a common integrated library system and to provide easy access to all of the consortium's collections. The LION collection totals over 800,000 titles and 2.5 million items. Through the consortium, the library offers downloadable audio books and ebooks and emagazines. The Library also cooperates with a statewide inter-library loan service. A variety of programs are held at the library for all ages throughout the year. Art exhibits and displays are scheduled on a rotating basis, featuring local artists. There are meeting rooms available for community use.

Finance: In July 2012, the Town hired its first Finance Director. This newly created position has brought a new focus on strengthening of internal controls, particularly segregation of duties; documentation of policies and procedures and a more in-depth budget adoption and monitoring process.

Water: Water is supplied to the Town of Old Saybrook from the Connecticut Water Company, a publicly owned utility, and individual owner wells.

Electricity: Electricity is distributed by the Connecticut Light and Power Company and supplied by several national electric suppliers.

Telephone Service: Telephone service is furnished by AT&T, along with other regional and national local and long distance carriers.

Solid Waste: The Town operates a transfer station for the collection of its solid waste which is then transported to the Mid-Connecticut Resources Recovery Authority's collection facilities in Essex, Connecticut. The Town has entered into a long-term agreement with the Connecticut Resources Recovery Authority (the "Authority") with eight other lower Connecticut Valley towns for the disposal of solid waste at the Authority's Hartford Facility. Collection is provided by private firms under direct contract with the users and the Town hauls domestic solid waste from its facility to the Essex location.

The Town has executed a Service Contract (the "Service Contract") with the Authority for the disposal of solid waste through the Mid-Connecticut System (the "System"). The Service Contract became effective upon execution and will remain in effect so long as any bonds issued by the Authority remain outstanding, provided the last installment of principal on any bond shall become due no later than thirty years from the effective date (June 20, 1984) of the Service Contract.

The Town has agreed to deliver to the System all of the solid waste under the legal control of the municipality. The Authority is required to impose service payments at a uniform rate per ton for all municipalities. If the municipality delivers less than its minimum commitment such rates shall be applied to its minimum commitment amount. The System began commercial operation on October 26, 1988. For fiscal years ending June 30, 2012 and June 30, 2013 the tipping fees are \$69.00 per ton.

Educational System

The Town's school system consists of one school for grades Pre-K - 3; one school for grades 4 - 8; and one school for grades 9 - 12. The schools are governed by an elected nine member Board of Education.

Educational Facilities (1)

School Name	Grades	Date Occupied	Addition/ Renovation	No. of Classrooms	Enrollment 10/1/2013
Kathleen E. Goodwin School	Pre-K-3	1962	N/A	30	392
Old Saybrook Middle School	4-8	1989	2008	51	563
Old Saybrook High School	9-12	1967	2008	41	495
Total				122	1,450

(1) Includes special education students in each grade level.

School Enrollment (1)

<u>Actual Enrollments</u>				
School Year	Pre-K-3	4-8	9-12	Total
2004-05	512	625	432	1,569
2005-06	505	619	438	1,562
2006-07	479	632	463	1,574
2007-08	476	653	489	1,618
2008-09	485	612	529	1,626
2009-10	465	602	532	1,599
2010-11	452	586	541	1,579
2011-12	433	589	553	1,575
2012-13	416	556	537	1,509
2013-14	392	563	495	1,450
<u>Projected Enrollments</u>				
2014-15	382	531	507	1,420
2015-16	373	512	500	1,385

(1) Includes special education students in each grade level; as of October 1.

Source: Connecticut State Department of Education

Municipal Employment

<u>Fiscal Year</u>	<u>Board of Education</u>	<u>General Government</u>	<u>Total</u>
2013	283	115	398
2012	278	105	383
2011	269	95	364
2010	245	106	351
2009	269	108	377
2008	261	110	371
2007	261	109	370
2006	262	109	371
2005	273	110	383
2004	272	110	382

Municipal Employees by Category

<u>Department</u>	<u>Employees</u>
<u>General Government</u>	
Administrators	6
Secretaries/Clerks	48
Police	26
Department Heads	10
Public Works	16
Social Services	5
Parks and Recreation	4
Subtotal	115
<u>Board of Education</u>	
Administrators and Principals	8
Teachers	162
Administrative Support	30
Paraeducators	70
Custodians and Maintenance	13
Subtotal	283
Total Town Employees	398

Municipal Employees Bargaining Organizations

Organization (1)		Number of Employees	Current Contract Expiration
<u>General Government</u>			
Police Department	C.O.P.S	23	6/30/2013 (2)
Supervisors	Local 818 of Council #4, AFSCME (AFL-CIO)	8	6/30/2014
Town Hall Employees	Local 1203-278 of Council #4, AFSCME (AFL-CIO)	46	6/30/2014
Dispatchers	United Public Serv. Emp.; Emer. Telecomm Unit #911	7	6/30/2015
	Organized	84	
	Non-Union	31	
	General Government sub-total	115	
<u>Board of Education</u>			
Administrators	Old Saybrook Administrators Association	8	6/30/2016
Secretaries	AFSCME (AFL-CIO) Local 3270	14	6/30/2016
Custodians	AFSCME (AFL-CIO) #4 Local 1303	13	6/30/2015
Paraeducators	CILU Local 53	70	6/30/2015
Teachers	Old Saybrook Education Association	162	8/31/2014
	Organized	267	
	Non-Union	16	
	Board of Education sub-total	283	
	Total General Government and Board of Education	398	

(1) The negotiation of collective bargaining agreements is subject to binding arbitration under Connecticut General Statutes. See note below.

(2) In negotiations.

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

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

Year	Town of Old Saybrook	Middlesex County	State of Connecticut
1960	5,400	88,865	2,535,234
1970	8,548	114,816	3,032,217
1980	9,287	129,017	3,107,564
1990	9,552	143,196	3,287,116
2000	10,367	155,071	3,405,565
2010	10,242	165,676	3,574,097

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

Age Characteristics of Population

Age	Town of Old Saybrook		Middlesex County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Under 5	377	3.7	8,208	5.0	202,106	5.7
5 - 19	1,817	17.7	30,871	18.6	713,670	20.0
20 - 24	349	3.4	8,845	5.3	227,898	6.4
25 - 44	1,682	16.4	40,082	24.2	904,815	25.3
45 - 64	3,423	33.4	52,049	31.4	1,019,049	28.5
65 and over	2,594	25.3	25,621	15.5	506,559	14.2
Total	10,242	100.0	165,676	100.0	3,574,097	100.0

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

Selected Wealth and Income Indicators

	Median Family Income (2000)	Median Family Income (2011)	Per Capita Income (2000)	Per Capita Income (2011)
Town of Old Saybrook	\$72,868	\$97,399	\$30,720	\$43,266
Middlesex County	71,319	95,377	28,251	39,347
Connecticut	65,521	84,558	28,766	36,613
United States	49,600	62,735	21,690	27,158

Source: U.S. Census Bureau, Census 2000 and 2007-2011 American Community Survey.

Income Distribution

	Town of Old Saybrook		Middlesex County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
\$ -0- to 9,999	111	3.6	831	1.9	30,321	3.4
10,000 to 14,999	9	0.3	496	1.1	20,207	2.2
15,000 to 24,999	77	2.5	1,619	3.6	48,201	5.3
25,000 to 34,999	165	5.4	2,199	4.9	58,835	6.5
35,000 to 49,999	333	10.9	3,619	8.1	90,972	10.1
50,000 to 74,999	350	11.5	7,425	16.6	147,948	16.4
75,000 to 99,999	607	19.9	7,619	17.1	134,851	14.9
100,000 to 149,999	804	26.3	11,395	25.5	185,568	20.5
150,000 to 199,999	346	11.3	4,855	10.9	86,104	9.5
200,000 or more	253	8.3	4,594	10.3	100,939	11.2
	3,055	100.0	44,652	100.0	903,946	100.0

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

Educational Attainment
Years of School Completed, Age 25 & Over

<u>Educational Attainment Group</u>	<u>Town of Old Saybrook</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	85	1.1	2,664	2.3	111,347	4.6
9th to 12th grade	316	3.9	5,491	4.7	162,645	6.7
High School graduate	1,821	22.7	32,460	27.8	680,397	28.0
Some college - no degree	1,637	20.4	22,046	18.9	429,810	17.7
Associates degree	771	9.6	9,386	8.0	177,238	7.3
Bachelor's degree	1,754	21.8	25,198	21.6	491,234	20.2
Graduate or professional degree	1,645	20.5	19,579	16.8	378,761	15.6
Totals	<u>8,029</u>	<u>100.0</u>	<u>116,824</u>	<u>100.0</u>	<u>2,431,432</u>	<u>100.0</u>
Percentage of High School Graduates		95.0%		93.0%		88.7%
Percentage of College Graduates or Higher		42.3%		38.3%		35.8%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

Employment by Industry

	<u>Town of Old Saybrook</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fisheries	0	0.0	266	0.3	6,539	0.4
Construction	315	6.1	5,500	6.3	101,094	5.8
Manufacturing	545	10.6	11,124	12.8	193,152	11.1
Wholesale trade	71	1.4	2,313	2.7	43,227	2.5
Retail trade	655	12.7	9,232	10.7	189,948	10.9
Transportation & warehousing, and utilities	289	5.6	3,289	3.8	66,665	3.8
Information	206	4.0	2,263	2.6	42,113	2.4
Finance, insurance, real estate	452	8.8	8,310	9.6	162,400	9.3
Professional, scientific, management, administrative, and waste management services	710	13.8	9,246	10.7	189,609	10.9
Educational, health & social services	982	19.0	22,150	25.6	459,714	26.3
Arts, entertainment, recreation, accommodation and food services	362	7.0	5,594	6.5	144,326	8.3
Other professional services	155	3.0	3,421	3.9	80,265	4.6
Public Administration	419	8.1	3,939	4.5	67,741	3.9
TOTAL	<u>5,161</u>	<u>100.0</u>	<u>86,647</u>	<u>100.0</u>	<u>1,746,793</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

Major Employers

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Town of Old Saybrook	Government / Education	398
Gladeview	Long Term Care Facility	170
Saybrook Point Inn	Restaurant and Inn	150
Fortune Plastics/Hilex Poly	Polyethylene Products Manufacturer	100
Business & Legal Resources	Publishing, Federal and State Compliance	95

Source: Town of Old Saybrook

Unemployment Rate Statistics

Yearly Average	Town of Old Saybrook	New Haven Labor Market (1)	State of Connecticut	United States
2003	3.4%	3.8%	5.5%	5.8%
2004	3.7	3.0	4.9	5.5
2005	4.0	5.2	4.9	5.1
2006	3.5	4.5	4.3	4.6
2007	3.5	4.8	4.6	4.6
2008	4.7	5.9	5.7	5.8
2009	5.8	7.9	8.0	9.3
2010	7.2	9.2	9.0	9.6
2011	7.2	9.3	8.8	9.0
2012	6.8	8.7	8.3	8.1

2013 Monthly

January	7.0%	9.0%	8.7%	8.5%
February	6.9	8.8	8.4	8.1
March	6.7	8.5	8.2	7.6
April	6.4	8.1	7.8	7.1
May	7.0	8.4	8.1	7.3
June	6.9	8.5	8.2	7.8
July	6.8	8.8	8.3	7.7
August	6.2	8.6	8.1	7.3

- (1) Effective January 2005, the Lower River Labor Market has been consolidated with the New Haven Labor Market. The Lower River Market consisted of Chester, Deep River, Essex, Lyme and Westbrook. The New Haven Labor Market consists of Bethany, Branford, Cheshire, Chester, Clinton, Deep River, Durham, East Haven, Essex, Guilford, Hamden, Killingworth, Madison, Meriden, New Haven, North Branford, North Haven, Old Saybrook, Orange, Wallingford, Westbrook and West Haven.

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

Number and Value of Building Permits

Fiscal Year Ending 6/30	Residential		Commercial and Industrial		Other (1)		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
2013	27	\$ 7,125,948	0	\$ -	1,107	\$ 15,606,426	1,134	\$ 22,732,374
2012	12	2,570,000	4	1,435,600	1,034	12,285,604	1,050	16,291,204
2011	28	5,126,765	0	-	798	9,395,491	826	14,522,256
2010	11	2,968,770	0	-	799	8,339,908	810	11,308,678
2009	13	3,482,952	1	225,000	782	10,636,923	796	14,344,875
2008	13	4,378,790	1	150,000	899	16,707,193	913	21,235,983
2007	17	3,870,900	4	1,596,000	934	24,567,535	955	30,034,435
2006	44	9,686,710	10	10,510,107	1,119	10,363,892	1,173	30,560,709
2005	50	12,015,690	9	1,432,540	1,037	15,400,642	1,096	28,848,872
2004	42	9,489,258	5	1,225,300	1,048	12,087,390	1,095	22,801,948

- (1) Includes miscellaneous permits.

Source: Building Department, Town of Old Saybrook.

Characteristics of Housing Units

Sales Price Category	Town of Old Saybrook		Middlesex County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
\$ 0 to \$ 50,000	37	1.0	999	2.0	17,014	1.8
50,000 to 99,999	6	0.2	918	1.8	21,317	2.3
100,000 to 149,999	84	2.3	2,348	4.6	58,439	6.3
150,000 to 199,999	60	1.6	5,318	10.5	129,744	14.0
200,000 to 299,999	576	15.5	14,922	29.3	274,604	29.6
300,000 to 499,999	1,782	48.1	19,509	38.4	262,712	28.3
500,000 to 999,999	885	23.9	5,821	11.4	120,493	13.0
1,000,000 and over	276	7.4	1,030	2.0	43,470	4.7
Total	3,706	100.0	50,865	100.0	927,793	100.0
Median Value			\$306,900		\$285,800	

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

Age Distribution of Housing

Year Built	Town of Old Saybrook		Middlesex County		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier	1,081	18.3	14,336	19.2	342,759	23.0
1940 - 1949	234	4.0	3,660	4.9	104,220	7.0
1950 - 1959	1,193	20.2	9,260	12.4	229,476	15.4
1960 - 1969	1,051	17.8	9,617	12.9	201,661	13.5
1970 - 1979	874	14.8	11,699	15.7	201,264	13.5
1980 - 1989	765	13.0	11,591	15.6	195,577	13.1
1990 - 1999	404	6.9	7,772	10.4	108,904	7.3
2000 - 2004	198	3.4	4,363	5.9	61,616	4.1
2005 or later	97	1.6	2,182	2.9	43,798	2.9
Total Housing	5,897	100.0	74,480	100.0	1,489,275	100.0

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

Breakdown of Land Use

	Land Area in Use (Acres)	Total Town Area
Developed	5,567	52.06%
Vacant	2,106	19.69%
Committed Open Space (1)	2,203	20.60%
Water	818	7.65%
Total	10,694	100.00%

(1) Includes properties with community facilities

Source: Assessor and Land Use Department.

SECTION IV - INDEBTEDNESS

Computation of Statutory Debt Limit

As of November 14, 2013 (Pro Forma)

Total Fiscal Year 2012 tax collections (including interest and lien fees)	\$ 34,796,847
State Reimbursement for Revenue Loss on:	
Tax Relief for the Elderly	-
Base for Establishing Debt Limit	<u>\$ 34,796,847</u>

Debt Limit (1)

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit	Total Debt
(2.25 times base)	\$ 78,292,906					
(4.50 times base)		\$ 156,585,812				
(3.75 times base)			\$ 130,488,176			
(3.25 times base)				\$ 113,089,753		
(3.00 times base)					\$ 104,390,541	
(7.00 times base)						\$ 243,577,929

Indebtedness (Including the Bonds)

Bonds Payable (1)	\$ 8,914,000	\$ 7,446,000	\$ -	\$ -	\$ -	\$ 16,360,000
The Bonds (<i>This Issue</i>)	11,195,000	4,481,000	-	-	-	15,676,000
State of Connecticut Clean Water Fund ("CWF") Interim Funding Obligation ("IFO")	-	-	7,653,125	-	-	7,653,125
Authorized but Unissued Debt (2)	400,000	619,000	33,554,249	-	-	34,573,249
Total Indebtedness	20,509,000	12,546,000	41,207,374	-	-	74,262,374
Assessments and grants receivable (3)	-	-	(30,664,574)	-	-	(30,664,574)
School grants receivable (4)	-	(619,000)	-	-	-	(619,000)
Total Net Indebtedness	20,509,000	11,927,000	10,542,800	-	-	42,978,800
Excess of Limit Over Outstanding and Authorized Debt	<u>\$ 57,783,906</u>	<u>\$ 144,658,812</u>	<u>\$ 89,280,802</u>	<u>\$ 113,089,753</u>	<u>\$ 104,390,541</u>	<u>\$ 169,934,555</u>

- (1) Under Connecticut General Statutes, Town debt cannot exceed seven times the debt limit base or \$243,577,929.
- (2) See "Authorized but Unissued Debt" and "Capital Improvement Program" herein.
- (3) Anticipated grants and special assessments to be paid by the benefiting users' within the decentralized wastewater management district. (See "Capital Improvement Program" and "Clean Water Fund Program" herein).
- (4) The Town anticipates receiving State of Connecticut School Construction grant progress payments in the amount of \$619,000 during the construction of the projects. (See "School Projects" herein).

Calculation of Net Direct Indebtedness

As of November 14, 2013 (Pro Forma)

Long Term Indebtedness (1)	
The Bonds (<i>This Issue</i>)	\$ 15,676,000
General Purpose	8,914,000
Schools	7,446,000
Total Long-Term Indebtedness	<u>32,036,000</u>
Short Term Indebtedness	
State of Connecticut Interim Funding Obligation ("IFO")	7,653,125
Total Direct Indebtedness	<u>39,689,125</u>
Exclusions:	
Assessments and grants receivable (2)	(5,102,083)
Total Net Direct Indebtedness	<u><u>\$ 34,587,042</u></u>

(1) Does not include authorized but unissued debt of \$34,573,249. (See "Authorized but Unissued Debt" and "Capital Improvement Program" herein).

(2) Benefiting users' portion of the Town's outstanding IFO's outstanding. (See "Capital Improvement Program" and "Clean Water Fund Program" herein).

Current Debt Ratios

As of November 14, 2013 (Pro Forma)

Total Direct Indebtedness	\$ 39,689,125
Net Direct Indebtedness	\$ 34,587,042
Population (1)	\$ 10,242
Net Taxable Grand List (10/1/12)	\$ 2,489,966,464
Estimated Full Value	\$ 3,557,094,949
Equalized Net Taxable Grand List (2011) (2)	\$ 3,026,981,891
Per Capita Income (2011) (3)	\$ 43,266
Total Direct Indebtedness:	
Per Capita	\$3,875.13
To Net Taxable Grand List	1.59%
To Estimated Full Value	1.12%
To Equalized Net Taxable Grand List	1.31%
Per Capita to Per Capita Income	8.96%
Net Direct Indebtedness:	
Per Capita	\$3,376.98
To Net Taxable Grand List	1.39%
To Estimated Full Value	0.97%
To Equalized Net Taxable Grand List	1.14%
Per Capita to Per Capita Income	7.81%

(1) U.S. Bureau of Census, 2010.

(2) Office of Policy and Management, State of Connecticut.

(3) U.S. Census Bureau, 2007-2011 American Community Survey.

Historical Debt Statement

	2012-13 (1)	2011-12	2010-11	2009-10	2008-09
Population (2)	10,242	10,242	10,242	10,242	10,524
Net taxable grand list	\$ 2,481,699,408	\$ 2,481,777,870	\$ 2,479,588,542	\$ 2,541,542,001	\$ 1,950,301,118
Estimated full value	\$ 3,545,284,869	\$ 3,545,396,957	\$ 3,542,269,346	\$ 3,630,774,287	\$ 2,786,144,454
Equalized net taxable grand list (3)	\$ 3,026,981,891	\$ 3,026,981,891	\$ 3,173,317,525	\$ 3,638,339,563	\$ 3,416,096,296
Per capita income (4)	\$ 43,266	\$ 43,266	\$ 43,266	\$ 43,266	\$ 30,720
Short-term debt	\$ 7,653,175	\$ 1,511,772	\$ 762,229	\$ -	\$ 2,910,000
Long-term debt	17,440,000	19,245,000	21,035,000	22,975,000	21,910,000
Total Direct Indebtedness	\$ 25,093,175	\$ 20,756,772	\$ 21,797,229	\$ 22,975,000	\$ 24,820,000
Net Direct Indebtedness	\$ 25,093,175	\$ 20,756,772	\$ 21,797,229	\$ 22,868,017	\$ 24,604,053
Net Direct and Net Underlying Indebtedness	\$ 25,093,175	\$ 20,756,772	\$ 21,797,229	\$ 23,131,499	\$ 24,867,535

(1) Unaudited Estimates.

(2) U. S. Bureau of Census.

(3) Office of Policy and Management, State of Connecticut

(4) U.S. Department of Commerce, Bureau of Census, Census 2000.

Historical Debt Ratios

	2012-13 (1)	2011-12	2010-11	2009-10	2008-09
Total Direct Indebtedness:					
Per capita	\$2,450.03	\$2,026.63	\$2,128.22	\$2,243.21	\$2,358.42
To net taxable grand list	1.01%	0.84%	0.88%	0.90%	1.27%
To estimated full value	0.71%	0.59%	0.62%	0.63%	0.89%
To equalized net taxable grand list	0.83%	0.69%	0.69%	0.63%	0.73%
Debt per capita to per capita income	5.66%	4.68%	4.92%	5.18%	7.68%
Net direct Indebtedness:					
Per capita	\$2,450.03	\$2,026.63	\$2,128.22	\$2,232.77	\$2,337.90
To net taxable grand list	1.01%	0.84%	0.88%	0.90%	1.26%
To estimated full value	0.71%	0.59%	0.62%	0.63%	0.88%
To equalized net taxable grand list	0.83%	0.69%	0.69%	0.63%	0.72%
Debt per capita to per capita income	5.66%	4.68%	4.92%	5.16%	7.61%
Net Direct and Net Underlying Indebtedness:					
Per capita	\$2,450.03	\$2,026.63	\$2,128.22	\$2,258.49	\$2,362.94
To net taxable grand list	1.01%	0.84%	0.88%	0.91%	1.28%
To estimated full value	0.71%	0.59%	0.62%	0.64%	0.89%
To equalized net taxable grand list	0.83%	0.69%	0.69%	0.64%	0.73%
Debt per capita to per capita income	5.66%	4.68%	4.92%	5.22%	7.69%

(1) Unaudited Estimates.

Outstanding Short-Term Indebtedness

The Town has \$1,600,000 in bond anticipation notes outstanding that mature on November 14, 2013 which will be retired with cash on hand and the proceeds of the Bonds.

Underlying Indebtedness

Within the Town there are eight beach associations and special tax districts that have authority to issue tax-exempt debt which constitutes underlying debt of the Town. It is estimated such tax districts have no outstanding indebtedness as of June 30, 2013.

Clean Water Fund Program

The Town is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan, denitrification projects which are funded with a 30% grant and 70% loan and small community projects which are financed with a 25% grant and 75% loan.)

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

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

As described under "Capital Improvements Program" herein, the Town currently has two Interim Funding Obligations ("IFO") outstanding in the amount of \$5,102,083 (CWF116-CSA) and \$2,551,042 (CWF116-CGO) which both mature June 30, 2014. At maturity, it is expected that the IFOs will be converted to permanent loan obligations. However, the Town has requested that the State approve an extension of the scheduled completion date for this phase of the project, which would also result in an extension of the IFO maturity dates.

Legal Requirements for Approval of Borrowing

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut, as amended, subject to statutory debt limitations and the requirements of the Town Charter for the authorization of indebtedness. Bond resolutions require approval of the Town Meeting voted upon by the electors and those qualified to vote by the use of voting machines of the Town, except for refunding bonds which only require the approval of the Board of Selectmen.

Temporary Financing

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

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

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

School Projects

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

Under the old program, the State of Connecticut will reimburse the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during construction.

Authorized but Unissued Debt

Project	Amount Authorized	Previously Bonded	Short-Term Debt Payable	Grants and Paydowns	The Bonds (This Issue)	Authorized But Unissued
Decentralized Wastewater Management						
Systems (1)	\$ 42,171,200	\$ -	\$ 7,653,125	\$ 963,826	\$ -	\$ 33,554,249
Land Acquisition - 36 Lynde Street	1,600,000	-	1,600,000	-	1,200,000	400,000
New Police Facility	9,995,000	-	-	-	9,995,000	-
Various School Projects	3,900,000				3,281,000	619,000
Turf Field Project	1,200,000	-	-	-	1,200,000	-
Total	<u>\$ 58,866,200</u>	<u>\$ -</u>	<u></u>	<u>\$ 963,826</u>	<u>\$ 15,676,000</u>	<u>\$ 34,573,249</u>

(1) See "Capital Improvement Program" and "Clean Water Fund Program" herein.

Capital Improvement Program

The major project in the Town's capital improvement plan is the \$42,171,200 decentralized wastewater management system project which was approved at a referendum held on August 11, 2009. It is anticipated that this project will be funded by the State of Connecticut Clean Water Fund's small community projects program which are financed with a 25% grant and a 75% loan. The 75% loan will be financed by the State of Connecticut Clean Water Fund bearing interest at a rate of 2% per annum. Under the program, the Town will be responsible for approximately one-third of this loan and the benefiting users' will be responsible for approximately two-thirds of this loan through assessments made against the users' properties.

On February 16, 2011, the Town closed on two Interim Funding Obligations ("IFO's") under the Clean Water Fund Program to fund the first \$10,000,000 of the project costs; \$2,551,042 for the Town's portion of the loan and \$5,102,083 for the benefiting users' portion of the loan. As of August 17, 2013, a total of \$3,089,744 has been drawn down against the \$7,653,125 of the combined IFO's.

The other major projects in the Town's capital improvement plan are the New Police Facility and associated land acquisition of 36 Lynde Street and various school projects. (See "Authorization and Use of Proceeds" herein for a description of these projects.) This issue is for these projects and no additional borrowings are anticipated for these projects at this time.

Combined Schedule of Long Term Debt through Maturity

As of November 14, 2013 (Pro Forma)

Existing Indebtness					
Fiscal Year	Principal Payments (1)	Interest Payments	Total Debt Service (1)	The Bonds Principal	ALL ISSUES Total Principal (1)
2013-14	\$ 1,575,000	\$ 597,050	\$ 2,172,050	\$ -	\$ 1,575,000
2014-15	1,550,000	553,213	2,103,213	576,000	2,126,000
2015-16	1,570,000	506,481	2,076,481	780,000	2,350,000
2016-17	1,585,000	457,038	2,042,038	780,000	2,365,000
2017-18	1,605,000	402,938	2,007,938	780,000	2,385,000
2018-19	1,595,000	341,569	1,936,569	785,000	2,380,000
2019-20	1,590,000	280,425	1,870,425	785,000	2,375,000
2020-21	1,560,000	217,931	1,777,931	785,000	2,345,000
2021-22	1,280,000	155,063	1,435,063	785,000	2,065,000
2022-23	1,135,000	108,675	1,243,675	785,000	1,920,000
2023-24	1,140,000	67,100	1,207,100	785,000	1,925,000
2024-25	500,000	32,988	532,988	785,000	1,285,000
2025-26	495,000	16,819	511,819	785,000	1,280,000
2026-27	260,000	4,388	264,388	785,000	1,045,000
2027-28	-	-	-	785,000	785,000
2028-29	-	-	-	785,000	785,000
2029-30	-	-	-	785,000	785,000
2030-31	-	-	-	825,000	825,000
2031-32	-	-	-	825,000	825,000
2032-33	-	-	-	845,000	845,000
2033-34	-	-	-	845,000	845,000
Total	<u>\$ 17,440,000</u>	<u>\$ 3,741,678</u>	<u>\$ 21,181,678</u>	<u>\$ 15,676,000</u>	<u>\$ 33,116,000</u>

(1) Total includes principal payments of \$1,080,000 made between July 1, 2012 and November 14, 2013.

Source: Town of Old Saybrook.

SECTION V - FINANCIAL DATA

Accounting Policies

The Town's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to Financial Statements.

Basis of Accounting

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

Audit

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the Town of Old Saybrook Charter, the Town is obligated to undergo an annual examination by an independent certified public accountant. The current auditors, CohnReznick, LLC, are required to conduct their examination under the guidelines issued by the State of Connecticut Office of Policy & Management, which receives a copy of said Audit Report when completed.

The most recent annual audit covers the fiscal year ended June 30, 2012, a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are Independent Auditor's Report, Management's Discussion and Analysis, the Town's Basic Financial Statements and the Notes to the Financial Statements, together with the report of the independent auditor as prepared by CohnReznick, LLC, Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. A full report is available from the First Selectman, Town of Old Saybrook, upon request.

Budgetary Procedures

See Note 3 "Budgets and Budgetary Accounting" in the Notes to the Financial Statements (Appendix A).

Employee Pension Systems

The Town administers two single employer, defined benefit pension plans (Town of Old Saybrook Retirement Plan and Town of Old Saybrook Fire Company #1 Retirement Plan). The Fire Company Plan covers the Town's volunteer firefighters. The Town Plan, adopted on July 1, 1967 by actions of the Board of Selectmen, covers all other eligible employees. The Pension and Benefits Board makes recommendations for plan provisions which are approved by the Board of Selectmen. The pension plans are included in the financial statements as a single pension trust fund since the assets may be used to pay benefits or refunds of any plan member or beneficiary. Separate, stand-alone reports are not issued. For further discussion, see Appendix A herein.

Based upon July 1, 2012 and July 1, 2011 actual valuations for the Town Plan and Fire Company Plan, respectively, the actuarial value of assets and actuarial liabilities for the PERS plan were as follows:

Schedule of Funding Progress – Town Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over (Under) Funded AAL (b-a)	Funded AAL Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage (%) of Covered Payroll ((b-a) / c)
7/1/2003	\$ 15,492,900	\$ 12,198,231	\$ 3,294,669	127.0%	\$ 3,025,053	108.9
7/1/2004	16,006,886	12,639,779	3,367,107	126.6%	3,155,338	106.7
7/1/2005	16,457,998	13,271,907	3,186,091	124.0%	3,339,550	95.4
7/1/2006	16,890,536	14,387,725	2,502,811	117.4%	3,470,663	72.1
7/1/2007	17,514,675	14,901,747	2,612,928	117.5%	3,461,713	75.5
7/1/2008	17,863,894	15,600,920	2,262,974	114.5%	3,574,134	63.3
7/1/2009	15,330,433	16,824,391	(1,493,958)	91.1%	3,852,237	(38.8)
7/1/2010	15,741,445	18,323,182	(2,581,737)	85.9%	3,737,359	(69.1)
7/1/2011	16,333,130	19,249,102	(2,915,972)	84.9%	4,140,391	(70.4)
7/1/2012	16,697,547	20,083,455	(3,385,908)	83.1%	4,542,061	(74.5)

Schedule of Funding Progress – Fire Company Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over (Under) Funded AAL (b-a)	Funded AAL Ratio (a/b)
7/1/2002	\$ 289,359	\$ 407,943	\$ (118,584)	70.9%
7/1/2003	302,960	489,966	(187,006)	61.8%
7/1/2004	321,458	526,077	(204,619)	61.1%
7/1/2005	351,291	575,047	(223,756)	61.1%
7/1/2007	416,624	676,111	(259,487)	61.6%
7/1/2009	421,036	774,127	(353,091)	54.4%
7/1/2011	535,642	938,391	(402,749)	57.1%

Schedule of Employer Contributions – Town Plan

Year Ended June 30	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2007	\$ -	\$ 268,649	N/A
2008	34,656	271,769	784.2%
2009	24,371	283,054	1161.4%
2010	66,305	288,284	434.8%
2011	475,358	298,579	62.8%
2012	574,829	302,965	52.7%
2013 (1)	675,246	571,760	84.7%
2014 (1)	712,919	321,991	45.2%

Schedule of Employer Contributions – Fire Company Plan

Year Ended June 30	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2007	\$ 42,770	\$ 35,000	81.8%
2008	46,192	40,000	86.6%
2009	43,105	40,000	92.8%
2010	46,553	46,553	100.0%
2011	61,272	61,272	100.0%
2012	66,174	65,368	98.8%
2013 (1)	68,716	68,613	99.9%
2014 (1)	74,213	74,213	100.0%

(1) Fiscal year 2012-13 and 2013-14 budgets.

For further details on the plans, see Appendix A, "Notes to General Purpose Financial Statements".

Other Post Employment Benefits

The Town administers one single-employer, post retirement healthcare plan for the Town, Police and Board of Education, for the Town of Old Saybrook Other Post Employment Benefits ("OPEB"). The plan provides medical and dental benefits, and life insurance to eligible retirees and their spouses. The plan does not issue stand-alone reports. For further discussion, see Appendix A herein.

The Town has established a fund to address this accrued liability. As of June 30, 2013 the Town estimates this fund contained approximately \$943,000.

Based upon a July 1, 2012 actuarial valuation, the actuarial value of assets and actuarial liabilities for the OPEB plan were as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over (Under) Funded AAL (b-a)	Funded AAL Ratio (a/b)
7/1/2008	\$ -	\$ 10,041,000	\$ (10,041,000)	0.0%
7/1/2010	-	9,668,000	(9,668,000)	0.0%
7/1/2012	-	10,117,000	(10,117,000)	0.0%

Schedule of Employer Contributions

Year Ended June 30	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 786,000	\$ 356,000	45.3%
2010	826,000	414,000	50.1%
2011	867,000	473,000	54.6%
2012	852,000	491,000	57.6%
2013 (1)	918,000	517,000	56.3%
2014 (1)	914,000	540,000	59.1%

(1) Fiscal year 2012-13 and 2013-14 budgets.

Investment Policies and Procedures

Under the Town Charter and under Connecticut General Statutes Sections 7-400, 7-401 and 7-402, the Town may invest in (a) obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, the Tennessee Valley Authority, or any other agency of the United States government, (b) shares in certain custodial arrangements, pools or investment companies which meet certain conditions and (c) certain state and municipal bonds and notes, and may make deposits with certain "qualified public depositories".

At their July 16, 2013 meeting, the Board of Finance adopted an investment policy which covers all non-pension investments which codified the Town's investment practices. The Town's investment practices have been to invest only in certificates of deposit and United States Treasury Bills. The Town does not invest in derivative based investment products. The Town Treasurer has followed these investment practices and the Town's operating funds and capital funds are currently invested in various certificates of deposit with Connecticut banks.

All Town pension funds are invested with investment managers. For educators, the State of Connecticut Retirement Commission oversees the investment pool for teachers and administrators.

Assessment Practices

The Town of Old Saybrook last revalued its real property to be effective on its October 1, 2008 Grand List. The Town is currently undergoing a revaluation for the October 1, 2013 Grand List for the fiscal year 2014-2015. 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 10 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 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 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 automotive price schedule as recommended by the State Office of Policy and Management and the Assessor. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the pro-ratio is based on the number of months of ownership between October 1 and the following July 31. Motor Vehicles 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 business personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Tax Collection Procedures

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, one half on July 1 and one half on January 1. Payments not received by August 1 and February 1, respectively, become delinquent. Motor vehicle taxes must be paid in a single installment due July 1. Real estate and personal property taxes of less than \$50 are due in full in July. Supplemental motor vehicle taxes (those vehicles registered between October 2 and July 31) are due in one installment in January.

According to Connecticut General Statutes, delinquent property taxes are subject to interest at the rate of 1.5% per month for all delinquent property taxes. Liens are placed on real estate for delinquent taxes within one year after the tax due date.

Property Tax Levies and Collections

Fiscal Year Ending 6/30	Taxable Grand List (1)	Tax Rate (In Mills)	Adjusted Tax Levy	Annual Levy Collected	Uncollected Taxes	
					End of Each Fiscal Year (2)	As of 6/30/13 (3)
2014 (Adopted Budget)	\$ 2,489,966,464	15.20	\$ 37,390,157	In process	In process	In process
2013 (Unaudited Estimates)	2,481,699,408	14.63	36,169,186	99.3%	\$ 242,060	\$ 242,060
2012	2,481,777,870	14.06	34,709,525	99.4	208,173	62,777
2011	2,479,588,542	13.99	34,526,118	99.4	213,011	35,323
2010	2,541,542,001	13.44	33,109,911	99.4	195,849	29,086
2009	1,950,301,118	16.69	32,150,174	99.5	154,160	4,451
2008	1,934,806,355	15.84	30,593,411	99.3	207,160	4,225
2007	1,901,440,896	15.35	29,199,765	99.3	201,008	4,094
2006	1,871,784,451	14.60	27,298,421	99.5	133,102	3,888
2005	1,853,824,563	13.80	25,472,472	99.3	173,382	3,675

(1) According to Connecticut General Statutes, towns are required to revalue real property by physical inspection at least every ten years. A property revaluation is in progress for the Grand List of October 1, 2013 which is for fiscal year 2014-15.

(2) Taxes for the fiscal year on the Grand List of October 1, payable in two installments: one-half July 1 and one-half January 1. If the first installment is not paid by August 1 and the second installment is not paid by February 1, the tax becomes delinquent and a penalty of 1 1/2% per month (18% per annum) is charged from the due date on the tax. Real estate is lien for delinquent taxes within one year after the due date. The amount collected to the end of each fiscal year represents collections of twelve months.

(3) Unaudited estimates.

Source: Tax Collector.

Taxable Grand List

Grand List Dated	Real Property %	Personal Property %	Motor Vehicle Property %	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/01/12	\$ 2,354,384,300	\$ 61,611,001	\$ 90,537,393	\$ 2,506,532,694	\$ 16,566,230	\$ 2,489,966,464
10/01/11	2,344,698,500	58,558,510	94,783,440	2,498,040,450	16,341,042	2,481,699,408
10/01/10	2,344,770,100	60,414,360	89,973,760	2,495,158,220	13,380,350	2,481,777,870
10/01/09	2,343,876,900	63,387,940	86,739,160	2,494,004,000	14,415,458	2,479,588,542
10/01/08	2,409,110,700	61,308,365	85,151,036	2,555,570,101	14,028,100	2,541,542,001
10/01/07	1,810,095,900	60,121,260	91,683,870	1,961,901,030	11,599,912	1,950,301,118
10/01/06	1,800,345,000	56,513,886	89,498,675	1,946,357,561	11,551,206	1,934,806,355
10/01/05	1,870,368,021	56,554,895	87,642,400	2,014,565,316	113,124,420	1,901,440,896
10/01/04	1,845,335,920	54,025,497	83,542,182	1,982,903,599	111,119,148	1,871,784,451
10/01/03	1,827,588,100	51,482,001	79,415,077	1,958,485,178	104,660,615	1,853,824,563

Source: Town Assessor.

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2012:

Name	Nature of Business	Valuation as of 10/01/12
Rubin, Matthew Succ Trustee	Shopping Center	\$ 21,560,300
Saybrook Point Marina, LLC	Motel, Marina, Condominiums	13,771,500
Connecticut Light & Power Company	Utility	13,676,700
River Sound Development	Real Estate Development	7,864,600
Two Seventy Three Water St LLC,	Real Estate	6,854,300
YSI VI LLC	Real Estate	6,550,230
Gladeview LLC	Continuing Care Facility	5,950,000
Mill Rock Leasing LLC	Real Estate	5,416,100
Haviland, Nancy	Real Estate	4,992,000
Water III LLC	Real Estate	4,608,300
Total		<u>\$ 91,244,030</u> ⁽¹⁾

(1) Represents 3.66% of the net taxable grand list of \$2,489,966,464 dated October 1, 2012.

Source: Town Assessor.

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. Town revenues are summarized for fiscal years ended 2008-2012 in "Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

Property Tax Revenues

Fiscal Year	General Fund Revenues	Property Tax Revenues	Property Tax As a % of General Fund Revenues
2014 (Adopted Budget)	\$ 39,760,553	\$ 37,650,167	94.7
2013 (Unaudited Estimates)	38,429,318	36,370,195	94.6
2012	39,517,560	34,871,775	88.2
2011	38,311,019	34,600,130	90.3
2010	36,930,091	33,230,226	90.0
2009	36,466,882	32,720,681	89.7
2008	39,782,232 (1)	30,823,441	77.5
2007	32,998,186	29,322,921	88.9
2006	31,963,855	27,381,624	85.7
2005	29,144,444	25,659,490	88.0

(1) Includes one-time pass-through state funding for the teachers' retirement system pension liability in the amount of \$5,238,000 an increase of approximately \$4,476,000.

Source: Annual audited financial statements; unaudited estimates for FY 2012-13 and FY 2013-14 adopted budget.

Intergovernmental Revenues

Fiscal Year	General Fund Revenues	State and Federal Aid	Aid As % of General Fund Revenue
2014 (Adopted Budget)	\$ 39,760,553	\$ 1,120,296	2.8
2013 (Unaudited Estimates)	38,429,318	1,089,327	2.8
2012	39,517,560	3,610,035	9.1
2011	38,311,019	2,804,695	7.3
2010	36,930,091	2,689,870	7.3
2009	36,466,882	2,730,064	7.5
2008	39,782,232 (1)	6,744,506 (1)	17.0
2007	32,998,186	2,222,643	6.7
2006	31,963,855	2,756,037	8.6
2005	29,144,444	1,864,954	6.4

(1) Includes one-time pass-through state funding for the teachers' retirement system pension liability in the amount of \$5,238,000 an increase of approximately \$4,476,000.

Source: Annual audited financial statements; unaudited estimates for FY 2012-13 and FY 2013-14 adopted budget.

Expenditures

Fiscal Year	Board of Education %	General Government %	Public Safety %	Debt Service %
2014 (Adopted Budget)	58.8	15.1	9.1	5.5
2013 (Unaudited Estimates)	59.2	14.6	8.9	6.5
2012	61.4	11.8	9.3	6.3
2011	60.5	11.8	9.4	6.7
2010	59.3	11.6	10.1	7.5
2009	55.5	36.6	7.9	7.9
2008 (1)	49.5	42.4	8.1	8.1
2007	55.9	35.1	9.1	9.1
2006	58.0	34.1	7.9	7.9
2005	56.9	34.6	8.5	8.5

(1) Includes one-time pass-through state funding for the teachers' retirement system pension liability in the amount of \$5,238,000 an increase of approximately \$4,476,000.

Source: Annual audited financial statements; unaudited estimates for FY 2012-13 and FY 2013-14 adopted budget.

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

	Fiscal Year 2011-12			FY 2012-13	FY 2013-14
	Final Budget	Actual	Variance Favorable (Unfavorable)	Unaudited Estimates	Adopted Budget
REVENUES					
Property taxes, interest and lien fees	\$ 34,592,779	\$ 34,871,775	\$ 278,996	\$ 36,370,195	\$ 37,650,157
Intergovernmental	1,499,831	1,413,035	(86,796)	1,089,327	1,120,296
Charges for services	800,000	953,898	153,898	918,196	925,100
Interest income	90,000	81,852	(8,148)	51,600	65,000
TOTAL REVENUES	36,982,610	37,320,560	337,950	38,429,318	39,760,553
EXPENDITURES					
General government	4,642,699	4,632,116	10,583	5,545,256	6,019,605
Public safety	3,643,597	3,643,597	-	3,377,297	3,607,398
Public works	2,374,219	2,273,539	100,680	2,256,830	2,443,937
Health and welfare	300,256	300,256	-	297,543	269,867
Culture and recreation	1,400,070	1,391,670	8,400	1,271,604	1,360,773
Capital outlay	426,538	426,538	-	290,030	488,988
Education	21,952,296	21,947,507	4,789	22,433,084	23,397,935
Debt service	2,488,725	2,488,725	-	2,449,919	2,172,050
TOTAL EXPENDITURES	37,228,400	37,103,948	124,452	37,921,563	39,760,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES:	(245,790)	216,612	462,402	507,755	-
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	426,776	-
Appropriation of fund balance	554,790	-	(554,790)	(6,310)	-
Transfers out	(309,000)	(309,000)	-	(390,000)	-
OTHER FINANCING SOURCES (USES):	245,790	(309,000)	(554,790)	30,466	-
NET CHANGES IN FUND BALANCE	\$ -	(92,388)	\$ (92,388)	538,221	\$ -
FUND BALANCE - BEGINNING OF YEAR		2,660,286		2,567,898	
FUND BALANCE - END OF YEAR		\$ 2,567,898		\$ 3,106,119	

Source: Annual audited financial statements for fiscal year 2011-12, unaudited estimates for fiscal year 2012-13 and fiscal year 2013-14 adopted budget.

Comparative Balance Sheets - General Fund

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>	<u>2012 (1)</u>
ASSETS					
Cash	\$ 7,724,033	\$ 4,224,134	\$ 4,784,377	\$ 5,175,494	\$ 7,364,091
Investments	-	-	1,824,542	1,931,526	597,457
Receivables:					
Property taxes	427,331	304,316	355,743	390,638	395,701
Other	-	-	-	283,578	30,992
Prepaid Expenses	-	-	-	-	48,725
Due from other funds	54,457	-	21,767	-	-
TOTAL ASSETS	<u>\$ 8,205,821</u>	<u>\$ 4,528,450</u>	<u>\$ 6,986,429</u>	<u>\$ 7,781,236</u>	<u>\$ 8,436,966</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,231,060	\$ 1,024,159	\$ 799,325	\$ 729,379	\$ 629,474
Accrued liabilities	-	-	234,616	228,580	105,506
Due to other funds	28,597	10,000	-	-	-
Deferred revenue	3,660,950	670,291	3,380,756	330,040	328,218
Unearned revenue	-	-	-	3,426,114	4,349,249
Performance bond	1,291,326	473,314	409,460	398,437	456,621
TOTAL LIABILITIES	<u>6,211,933</u>	<u>2,177,764</u>	<u>4,824,157</u>	<u>5,112,550</u>	<u>5,869,068</u>
FUND BALANCE (DEFICITS)					
Nonspendable	-	-	-	-	-
Committed	-	-	-	8,400	-
Unassigned	-	-	-	2,660,286	2,567,898
Reserved for encumbrances	-	-	61,387	-	-
Unreserved:					
Designated for subsequent year budget	-	171,613	-	-	-
Undesignated	1,993,888	2,179,073	2,100,885	-	-
TOTAL FUND BALANCES	<u>1,993,888</u>	<u>2,350,686</u>	<u>2,162,272</u>	<u>2,668,686</u>	<u>2,567,898</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,205,821</u>	<u>\$ 4,528,450</u>	<u>\$ 6,986,429</u>	<u>\$ 7,781,236</u>	<u>\$ 8,436,966</u>

(1) The June 30, 2011 and June 30, 2012 fund balances are reported as per Governmental Accounting Standards Board ("GASB") Rule 54.

Source: Annual audited financial statements.

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

	2008	2009	2010	2011	2012
REVENUES					
Property taxes	\$ 30,823,441	\$ 32,720,681	\$ 33,230,226	\$ 34,600,130	\$ 34,871,775
Intergovernmental	6,744,506	2,730,064	2,689,870	2,804,695	3,610,035
Charges for services	1,633,171	776,093	839,368	817,898	953,898
Investment income	581,114	240,044	170,627	88,296	81,852
TOTAL REVENUES	39,782,232	36,466,882	36,930,091	38,311,019	39,517,560
EXPENDITURES					
Current:					
General government	3,117,355	3,240,177	4,302,014	4,485,144	4,632,116
Public safety	3,529,114	3,833,112	3,759,618	3,581,301	3,643,597
Public works	2,312,418	2,435,593	2,375,562	2,396,102	2,273,539
Health and welfare	241,870	239,003	250,737	319,138	300,256
Culture and recreation	1,324,263	1,441,125	1,385,282	1,392,234	1,400,070
Education	24,270,424	21,424,705	22,057,089	22,975,131	24,144,507
Capital outlay	544,696	325,080	313,323	299,311	426,538
Debt Services	3,126,121	2,812,289	2,772,943	2,534,336	2,488,725
TOTAL EXPENDITURES	38,466,261	35,751,084	37,216,568	37,982,697	39,309,348
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,315,971	715,798	(286,477)	328,322	208,212
OTHER FINANCING SOURCES (USES)					
Insurance recovery	-	-	230,000	283,578	-
Operating transfers in	21,879	-	15,587	-	-
Operating transfers out	(510,427)	(359,000)	(147,524)	(155,000)	(309,000)
TOTAL OTHER FINANCING SOURCES (USES)	(488,548)	(359,000)	98,063	128,578	(309,000)
NET CHANGE IN FUND BALANCE	827,423	356,798	(188,414)	456,900	(100,788)
Fund Balance - Beginning of year	1,166,465	1,993,888	2,350,686	2,162,272	2,668,686
Prior period adjustment	-	-	-	49,514	-
Fund Balance - End of year	<u>\$ 1,993,888</u>	<u>\$ 2,350,686</u>	<u>\$ 2,162,272</u>	<u>\$ 2,668,686</u>	<u>\$ 2,567,898</u>

Source: Annual audited financial statements.

SECTION VI – ADDITIONAL INFORMATION

Litigation

The Town of Old Saybrook, 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.

Financial Advisor

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

Availability of Continuing Disclosure Information

The Town of Old Saybrook 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. The Town provides to Moody's Investors Service, Inc. ongoing disclosure in the form of the Annual Financial Report and Adopted Budget, and other materials relating to its management and financial condition, as may be necessary or requested.

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 events of notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements.

The Town will enter into a continuing disclosure agreement with respect to the Bonds (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events not in excess of 10 business days after the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form attached as Appendix C to this Official Statement.

Documents Accompanying Delivery of the Bonds

Upon delivery of the Bonds, the winning bidder 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 or the levy or collection of taxes to pay the principal of and interest on the Bonds.
2. A certificate on behalf of the Town, signed by the First Selectman and Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, as of the date of the Official Statement and the date of the closing, the descriptions 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 the 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. The approving opinion of Shipman & Goodwin LLP, Bond Counsel, in substantially the form attached hereto as Appendix B.
4. Receipt for the purchase price of the Bonds.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C.

6. The Town will provide the winning bidder of the Bonds 50 copies of the Official Statement as prepared for this issue at the Town's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by a winning bidder at its own expense by arrangement with the printer. If the Town's financial advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at U.S. Bank National Association, Hartford, Connecticut.

Concluding Statement

Additional information may be obtained upon request from the Office of the First Selectman at (860) 395-3123 or from Independent Bond and Investment Consultants LLC at (203) 245-8715.

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 representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be constructed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds.

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

TOWN OF OLD SAYBROOK, CONNECTICUT

By: /s/ Carl P. Fortuna, Jr.
Carl P. Fortuna, Jr.
First Selectman

By: /s/ Robert W. Fish
Robert W. Fish
Treasurer

Dated: October 31, 2013

APPENDIX A - FINANCIAL STATEMENTS

TOWN OF OLD SAYBROOK, CONNECTICUT

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JUNE 30, 2012

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Appendix A - Financial Statements - are reproduced from the Annual Financial Report of the Town of Old Saybrook for the Fiscal Year ending June 30, 2012 as presented by the Auditors. Not included in this Appendix are all supplemental combining and non-major fund statements and schedules. A copy of the complete report is available upon request to the Finance Director, Town of Old Saybrook, Connecticut.

INDEPENDENT AUDITORS' REPORT

To the Board of Finance
Town of Old Saybrook

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Saybrook, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Old Saybrook, Connecticut, as of June 30, 2012, and the respective changes in financial position 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.

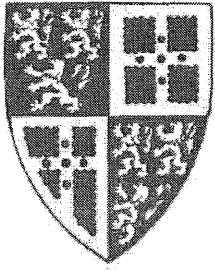
In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Funding Progress and Employer Contributions - Old Saybrook Retirement System and Other Post Employment Benefits Plan on pages 4 through 10 and pages 47 and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Saybrook, Connecticut's financial statements as a whole. The introductory section, supplementary schedules and trend information are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and trend information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

CohnReznick LLP

New London, Connecticut
December 31, 2012



TOWN OF OLD SAYBROOK

Office of the Board of Selectmen

302 Main Street • Old Saybrook, Connecticut 06475-2384
Telephone (860) 395-3123 • Fax (860) 395-3125

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

As management of the Town of Old Saybrook, Connecticut, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$76,929,135 (*net assets*). Of this amount, \$4,215,192 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$938,730. The decrease is mainly attributable to expenditures on the clean water project.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,948,257, a decrease of \$913,700 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,567,898 or 6.5% of total general fund expenditures and transfers out.
- The Town's total long-term bonded indebtedness decreased by \$1,790,000 (9%) during the current fiscal year. The key factors in this decrease were scheduled principal payments of \$1,790,000.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Old Saybrook's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information as well as the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. 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 is improving or deteriorating.

Overview of the Basic Financial Statements (Continued)

The *statement of activities* presents information showing how the Town'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 (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements present only governmental activities whose functions are principally supported by taxes and intergovernmental revenues, since the Town does not operate any business-type activities. The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation and education.

The government-wide financial statements can be found on Exhibits A and B 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental 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 the Town'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 Town's near-term financing 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 maintains 28 individual governmental funds. Information is presented separately in the balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects and the Capital Nonrecurring Fund, all of which are considered to be major funds. Data from the other 25 governmental funds are combined into a single, aggregated 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 adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C and D.

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 statements because the resources of those funds are not available to support the Town's own programs.

The basic fiduciary fund financial statements can be found on Exhibits G and H.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the basic 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. The notes to the basic financial statements can be found on Exhibit I of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$76,929,135 at the close of the most recent fiscal year.

Town of Old Saybrook Net Assets		
	2012	2011
Current and other assets.....	\$ 14,937,392	\$ 14,782,087
Capital assets (net).....	<u>91,942,041</u>	<u>92,747,367</u>
Total assets.....	<u>106,879,433</u>	<u>107,529,454</u>
Current liabilities.....	9,872,942	8,300,145
Noncurrent liabilities.....	<u>20,077,356</u>	<u>21,361,444</u>
Total liabilities.....	<u>29,950,298</u>	<u>29,661,589</u>
Net assets:		
Invested in capital assets, net of related debt...	72,485,608	71,489,201
Restricted.....		
Endowments:		
Nonspendable.....	4,246	4,246
General government.....	617	28,825
Public safety.....	85,544	25,474
Culture and recreation.....	79,961	33,906
Education.....	57,967	81,371
Unrestricted.....	<u>4,215,192</u>	<u>6,204,842</u>
TOTAL NET ASSETS.....	<u>\$ 76,929,135</u>	<u>\$ 77,867,865</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of the Town's net assets is its investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery and equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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.

Governmental activities. Governmental activities decreased the Town's net assets by \$938,730 primarily due to work on the clean water project.

Town of Old Saybrook		
Change in Net Assets		
	2012	2011
<u>REVENUES:</u>		
Program revenues:		
Charges for services.....	\$ 2,311,161	\$ 1,912,872
Operating grants and contributions.....	5,029,489	4,743,986
Capital grants and contributions.....	326,453	224,024
General revenues:		
Property taxes.....	34,830,615	34,654,101
Grants and contributions not restricted to specific programs.....	383,106	427,790
Investment income.....	130,756	159,415
TOTAL REVENUES.....	<u>43,011,580</u>	<u>42,122,188</u>
<u>EXPENSES:</u>		
General government.....	5,056,781	4,970,484
Public safety.....	5,287,936	4,573,192
Public works.....	3,855,772	3,462,070
Health and welfare.....	699,129	730,089
Culture and recreation.....	1,891,907	1,811,064
Education.....	26,588,199	25,732,893
Interest expense.....	570,586	763,780
TOTAL EXPENSES.....	<u>43,950,310</u>	<u>42,043,572</u>
CHANGE IN NET ASSETS.....	(938,730)	78,616
NET ASSETS - JULY 1	<u>77,867,865</u>	<u>77,789,249</u>
NET ASSETS - JUNE 30.....	<u>\$ 76,929,135</u>	<u>\$ 77,867,865</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Major revenue factors included:

- Property taxes increased by \$176,514 due to an increase in the mill rate required to fund increased spending as adopted in the 2011/2012 budget.
- Operating grants and contributions increased by \$285,503 primarily due to FEMA reimbursements for storm Irene.
- Charges for services increased by \$398,289 due to increased charges for youth and family services, Board of Education and police services.

In most cases, expenses closely paralleled inflation and growth in the demand for services, except as noted below:

- Public safety expenditures increased by \$714,744 primarily due to an increase in the Town's expenditures relating to storm Irene and additional accruals of compensated absences.
- Public works expenditures increased \$393,702 primarily due to an increase in the Town's expenditures relating to storm Irene.
- The cost of education services increased \$855,306 primarily due to increased operating costs, negotiated wage settlements, employee health insurance cost increases and additional accruals of compensated absences.

Financial Analysis of the Town's Funds

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

Governmental funds. The focus of the Town'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,948,257, a decrease of \$913,700 in comparison with the prior year. Unassigned fund balance is \$2,565,282. Approximately 51.8% of total fund balance is available for spending at the Town's discretion. The remainder of fund balance is not available for appropriation or spending by the Town and is classified as follows: Nonspendable \$4,246, Restricted \$224,089, Committed \$2,122,419 and Assigned \$32,221.

General Fund

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,567,898. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 6.5% of total general fund expenditures and other financing uses.

The fund balance of the Town's general fund decreased by \$100,788 during the current fiscal year due to health insurance expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Projects Fund

Capital project fund revenues and other financing sources exceeded expenditures and other financing uses by \$17,089. This increase in fund balance is due to grant funding received for the sidewalk project.

Capital Nonrecurring Fund

Capital nonrecurring fund expenditures and other financing sources exceeded revenues and other financing sources by \$894,007. This is attributable to funds being expended for the sewer project in excess of revenues received. This project will be financed partially by clean water notes.

General Fund Budgetary Highlights

The final amended budget was increased by \$932,042. The overall increase was the result of additional appropriations of \$554,790 and \$377,252 due to the special education excess grant.

During the year, revenues and other financing sources exceeded budgetary estimates by \$337,950. Budgetary estimates exceeded actual expenditures and transfers out by \$124,452, thus leading to the need to draw upon \$92,388 of existing fund balance.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$91,942,041 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles and infrastructure.

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

- A project to improve the sidewalk infrastructure throughout town.
- A communication system project

Town of Old Saybrook Capital Assets - Net

	2012	2011
Land.....	\$ 11,763,340	\$ 11,763,340
Construction in progress.....	3,109,136	2,423,708
Buildings.....	13,600,892	14,029,868
Buildings and improvements.....	26,243,994	26,719,619
Land improvements.....	897,737	926,602
Machinery and equipment.....	1,349,373	1,438,650
Vehicles.....	1,526,269	1,474,582
Infrastructure.....	<u>33,451,300</u>	<u>33,970,998</u>
TOTAL.....	<u>\$ 91,942,041</u>	<u>\$ 92,747,367</u>

Additional information on the Town's capital assets can be found in Note III.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Long-term debt. At the end of the current fiscal year, the Town had \$19,245,000 of long-term debt outstanding (excluding premium and deferred charge). All outstanding debt of the Town is general obligation debt and is backed by the full faith and credit of the Town.

TOWN OF OLD SAYBROOK OUTSTANDING DEBT GENERAL OBLIGATION BONDS AND NOTES

	<u>2012</u>	<u>2011</u>
General purposes.....	\$ 10,487,000	\$ 11,545,000
Schools	<u>8,758,000</u>	<u>9,490,000</u>
Total.....	<u>\$ 19,245,000</u>	<u>\$ 21,035,000</u>

As of June 30, 2012, the Town maintains an "Aa2" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$243,577,929, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III.G.

Economic Factors

Tax collections continue to be strong with a collection rate of 99.3% of the adjusted current year levy.

The Town is continuing its policy of "pay as you go" for many of its capital projects, saving debt service costs from the annual operating budget, and thus helping to minimize local tax rates.

All of these factors were considered in preparing the Town's budget for the 2012/2013 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$2,567,898. The Town has not appropriated any portion of the general fund balance for spending in the 2012/2013 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Town'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 Town Treasurer, Town of Old Saybrook, 302 Main Street, Old Saybrook, CT 06475.

Basic Financial Statements

TOWN OF OLD SAYBROOK, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current assets:	
Cash.....	\$ 10,224,401
Investments.....	1,482,915
Receivables:	
Property taxes.....	210,162
Intergovernmental.....	649,169
Other.....	30,992
Other.....	87,631
Total current assets.....	<u>12,685,270</u>
Noncurrent assets:	
Restricted assets:	
Permanently restricted:	
Cash.....	<u>4,246</u>
Receivables (net):	
Property taxes.....	<u>292,283</u>
Other noncurrent assets:	
Net pension asset.....	1,746,844
Other.....	<u>208,749</u>
Total other noncurrent assets.....	<u>1,955,593</u>
Capital assets (net of accumulated depreciation):	
Land.....	11,763,340
Construction in progress.....	3,109,136
Buildings.....	13,600,892
Building improvements.....	26,243,994
Infrastructure.....	33,451,300
Land improvements.....	897,737
Machinery and equipment.....	1,349,373
Vehicles.....	<u>1,526,269</u>
Total capital assets (net of accumulated depreciation).....	<u>91,942,041</u>
Total noncurrent assets.....	<u>94,194,163</u>
TOTAL ASSETS.....	<u>106,879,433</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES
 <u>LIABILITIES</u>	
LIABILITIES:	
Current liabilities:	
Cash overdraft.....	\$ 334,796
Accounts payable.....	808,094
Accrued liabilities.....	105,506
Accrued interest payable.....	270,566
Interim funding obligation.....	1,511,772
Unearned revenue.....	4,381,791
Performance bonds.....	456,621
Bonds payable.....	1,805,000
Compensated absences.....	198,796
	<hr/>
Total Current liabilities.....	9,872,942
	<hr/>
Noncurrent liabilities:	
Bonds payable and related liabilities.....	17,651,433
Compensated absences.....	795,182
Net pension obligation.....	806
Net OPEB obligation.....	1,629,935
	<hr/>
Total Noncurrent liabilities.....	20,077,356
	<hr/>
TOTAL LIABILITIES.....	29,950,298
	<hr/>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt.....	72,485,608
Restricted for:	
Endowments:	
Nonspendable.....	4,246
General government.....	617
Public safety.....	85,544
Culture and recreation.....	79,961
Education.....	57,967
Unrestricted.....	4,215,192
	<hr/>
TOTAL NET ASSETS.....	\$ 76,929,135
	<hr/>

(Concluded)

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUTSTATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
General government.....	\$ 5,056,781	\$ 811,498	\$ 78,460	\$	\$ (4,166,823)
Public safety.....	5,287,936	228,142	530,358		(4,529,436)
Public works.....	3,855,772	122,290	229,519	326,453	(3,177,510)
Health and welfare.....	699,129	126,426	180,756		(391,947)
Culture and recreation.....	1,891,907	399,070	25,042		(1,467,795)
Education.....	26,588,199	623,735	3,985,354		(21,979,110)
Interest expense.....	570,586				(570,586)
TOTAL.....	<u>\$ 43,950,310</u>	<u>\$ 2,311,161</u>	<u>\$ 5,029,489</u>	<u>\$ 326,453</u>	<u>\$ (36,283,207)</u>
GENERAL REVENUES:					
Property taxes.....					\$ 34,830,615
Grants and contributions not restricted to specific programs.....					383,106
Investment income.....					<u>130,756</u>
TOTAL GENERAL REVENUES.....					<u>35,344,477</u>
CHANGE IN NET ASSETS.....					(938,730)
NET ASSETS - JULY 1, 2011.....					<u>77,867,865</u>
NET ASSETS - JUNE 30, 2012.....					<u>\$ 76,929,135</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL	CAPITAL PROJECTS	CAPITAL NONRECURRING	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash.....	\$ 7,364,091	\$ 529,066	\$ 1,570,235	\$ 765,255	\$ 10,228,647
Investments.....	597,457			885,458	1,482,915
Receivables:					
Property taxes.....	395,701				395,701
Intergovernmental.....			193,541	455,628	649,169
Other.....	30,992				30,992
Prepaid expenses.....	48,725			38,906	87,631
TOTAL ASSETS.....	<u>\$ 8,436,966</u>	<u>\$ 529,066</u>	<u>\$ 1,763,776</u>	<u>\$ 2,145,247</u>	<u>\$ 12,875,055</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Cash overdraft.....	\$	\$	\$	\$ 334,796	\$ 334,796
Accounts payable.....	629,474	57,111	63,033	58,476	808,094
Accrued liabilities.....	105,506				105,506
Interim funding obligation.....			1,511,772		1,511,772
Deferred revenue.....	328,218				328,218
Unearned revenue.....	4,349,249			32,542	4,381,791
Performance bonds.....	456,621				456,621
Total Liabilities.....	<u>5,869,068</u>	<u>57,111</u>	<u>1,574,805</u>	<u>425,814</u>	<u>7,926,798</u>
Fund Balances:					
Nonspendable.....				4,246	4,246
Restricted.....				224,089	224,089
Committed.....		471,955	188,971	1,461,493	2,122,419
Assigned.....				32,221	32,221
Unassigned.....	2,567,898			(2,616)	2,565,282
Total Fund Balances.....	<u>2,567,898</u>	<u>471,955</u>	<u>188,971</u>	<u>1,719,433</u>	<u>4,948,257</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 8,436,966</u>	<u>\$ 529,066</u>	<u>\$ 1,763,776</u>	<u>\$ 2,145,247</u>	<u>\$ 12,875,055</u>

(Continued)

TOWN OF OLD SAYBROOK, CONNECTICUT

RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT A)
ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE
ARE AS FOLLOWS:

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1).....	\$ 4,948,257
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CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES
AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning net capital assets.....	92,747,367
Current additions.....	1,055,801
Depreciation expense.....	(1,861,127)

OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD
EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:

Property tax interest and lien accrual.....	152,744
Property tax receivable - accrual basis change.....	328,218
Allowance for doubtful accounts.....	(46,000)
Net pension asset.....	1,746,844
Other assets.....	208,749

SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE
CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Bonds payable.....	(19,245,000)
Bond premium.....	(662,417)
Deferred charges.....	450,984
Compensated absences.....	(993,978)
Net pension obligation.....	(806)
Net OPEB obligation.....	(1,629,935)
Accrued interest payable.....	(270,566)

NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	<u>\$ 76,929,135</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	GENERAL	CAPITAL PROJECTS	CAPITAL NONRECURRING	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property taxes.....	\$ 34,871,775	\$	\$	\$	\$ 34,871,775
Intergovernmental.....	3,610,035	326,454	229,518	1,207,809	5,373,816
Charges for services.....	953,898	92,897	7,513	1,256,853	2,311,161
Investment income.....	81,852		3,315	45,589	130,756
Contributions.....		2,483		362,749	365,232
TOTAL REVENUES.....	39,517,560	421,834	240,346	2,873,000	43,052,740
EXPENDITURES:					
Current:					
General government.....	4,632,116			124,721	4,756,837
Public safety.....	3,643,597			612,542	4,256,139
Public works.....	2,273,539				2,273,539
Health and welfare.....	300,256			371,668	671,924
Culture and recreation.....	1,400,070			266,350	1,666,420
Education.....	24,144,507			1,433,713	25,578,220
Capital outlay.....	426,538	636,057	1,212,041		2,274,636
Debt service.....	2,488,725				2,488,725
TOTAL EXPENDITURES.....	39,309,348	636,057	1,212,041	2,808,994	43,966,440
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	208,212	(214,223)	(971,695)	64,006	(913,700)
OTHER FINANCING SOURCES (USES):					
Transfers in.....		231,312	184,000		415,312
Transfers out.....	(309,000)		(106,312)		(415,312)
NET OTHER FINANCING SOURCES (USES).....	(309,000)	231,312	77,688	-	-
NET CHANGE IN FUND BALANCES.....	(100,788)	17,089	(894,007)	64,006	(913,700)
FUND BALANCES - JULY 1, 2011	2,668,686	454,866	1,082,978	1,655,427	5,861,957
FUND BALANCES - JUNE 30, 2012.....	\$ 2,567,898	\$ 471,955	\$ 188,971	\$ 1,719,433	\$ 4,948,257

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(EXHIBIT B) ARE DUE TO:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... \$ (913,700)

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. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay.....	1,055,801
Depreciation expense.....	(1,861,127)

Total	(805,326)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the Fund Financial Statements are not recognized in the Statement of Activities:

Change in property tax receivable - accrual basis change.....	(1,822)
Change in property tax, interest and lien revenue.....	(39,338)

Total	(41,160)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, 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. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Bond premium.....	47,800
Deferred charges.....	(36,067)
Net OPEB obligation.....	(378,554)
Principal repayments:	
General obligation bonds.....	1,790,000

Total	1,423,179
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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:

Accrued interest payable.....	116,406
Other assets.....	(208,750)
Compensated absences.....	(191,607)
Net pension asset.....	(316,966)
Net pension obligation.....	(806)

Total	(601,723)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	\$ (938,730)
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TOWN OF OLD SAYBROOK, CONNECTICUTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes, interest and lien fees.....	\$ 34,592,779	\$ 34,592,779	\$ 34,871,775	\$ 278,996
Intergovernmental.....	1,122,579	1,499,831	1,413,035	(86,796)
Charges for services.....	800,000	800,000	953,898	153,898
Investment income.....	90,000	90,000	81,852	(8,148)
TOTAL REVENUES.....	36,605,358	36,982,610	37,320,560	337,950
EXPENDITURES:				
Current:				
General government.....	3,687,597	4,642,699	4,632,116	10,583
Public safety.....	3,972,771	3,643,597	3,643,597	-
Public works.....	2,471,480	2,374,219	2,273,539	100,680
Health and welfare.....	264,137	300,256	300,256	-
Culture and recreation.....	1,457,089	1,400,070	1,391,670	8,400
Board of Education.....	21,575,044	21,952,296	21,947,507	4,789
Capital outlay.....	379,515	426,538	426,538	-
Debt service.....	2,488,725	2,488,725	2,488,725	-
TOTAL EXPENDITURES.....	36,296,358	37,228,400	37,103,948	124,452
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	309,000	(245,790)	216,612	462,402
OTHER FINANCING SOURCES (USES):				
Appropriation of fund balance.....		554,790		(554,790)
Transfers out.....	(309,000)	(309,000)	(309,000)	-
NET OTHER FINANCING SOURCES (USES).....	(309,000)	245,790	(309,000)	(554,790)
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	(92,388)	\$ (92,388)
FUND BALANCE - JULY 1, 2011.....			2,660,286	
FUND BALANCE - JUNE 30, 2012.....			\$ 2,567,898	

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUTSTATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	PENSION TRUST FUND	PRIVATE- PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
Cash.....	\$ 67,788	\$ 105,477	\$ 283,209
Investments at fair value:			
Mutual Funds:			
Money market mutual funds.....	707,690	17,072	
Equity mutual funds.....		23,499	
Equity mutual funds - International.....		37,356	
Corporate bonds.....		67,389	
Corporate bonds - International.....		24,852	
U.S. Government Securities.....		20,080	
U.S. Government Agency Securities.....		11,947	
Metals.....		8,711	
Certificates of deposit.....		67,100	
Common stock.....	9,681,956		
Corporate bonds.....	2,506,374		
U.S. Government Securities.....	3,008,193		
Limited partnership.....		28,489	
Total Investments.....	15,904,213	306,495	-
TOTAL ASSETS.....	15,972,001	411,972	283,209
<u>LIABILITY</u>			
Accounts payable.....	67,788		283,209
<u>NET ASSETS</u>			
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES.....	\$ 15,904,213	\$ 411,972	\$ -

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	PENSION TRUST FUND	PRIVATE- PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions:		
Employer.....	\$ 368,333	\$
Plan members.....	296,653	
Other.....		15,275
Total contributions.....	664,986	15,275
Investment income (loss):		
Interest and dividends.....	411,862	12,985
Net change in fair value of investments.....	(798,578)	(8,585)
Total investment income (loss).....	(386,716)	4,400
Less investment expense.....	113,399	
Net investment income (loss).....	(500,115)	4,400
TOTAL ADDITIONS.....	164,871	19,675
DEDUCTIONS:		
Benefits.....	961,976	
Administration.....	17,553	
Other.....	150	30,809
TOTAL DEDUCTIONS.....	979,679	30,809
CHANGE IN NET ASSETS.....	(814,808)	(11,134)
NET ASSETS - JULY 1, 2011 (AS RESTATED).....	16,719,021	423,106
NET ASSETS - JUNE 30, 2012.....	\$ 15,904,213	\$ 411,972

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD SAYBROOK, CONNECTICUT**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012****HISTORY AND ORGANIZATION**

The Town of Old Saybrook, Connecticut (the "Town") was incorporated in 1854. The Town covers 18.3 square miles located in Middlesex County. The Town operates under a Town Meeting/Board of Selectmen/Board of Finance form of government and provides a full range of services including public safety (police and fire), public works, sanitation, parks and recreation, health and social services, planning and zoning, and education.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental 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.

B. 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 fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases funded by debt issuances.

The *Capital and Nonrecurring Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases funded substantially by grants and general fund appropriations.

Additionally, the Town reports the following fund types:

The *Pension Trust Funds* account for the activities of the Town Employees' Retirement System and the Firefighters' Retirement System, which accumulate resources for pension benefit payments to qualified employees.

The *Private Purpose Trust Funds* are used to account for assets held by the Town in a trustee capacity, or as an agent on behalf of others.

The *Agency Funds* account for monies held on behalf of students, other community groups and performance bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Deposits - The Town considers cash as cash on hand, demand deposits and money market accounts.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital projects fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Allowable investments under the pension funds' investment policy consist of investment grade corporate bonds as rated by Standard and Poor's, government bonds issued and guaranteed by the U.S. Treasury and U.S. Agencies, federally insured certificates of deposit and equities consisting of stocks and mutual funds. Funds may also be invested in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds and does not comprise more than 10% of the equity portion of the portfolio. Professional money managers are employed to manage the assets allocated to them. The Board of Selectmen, as trustee of the pension plans, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval. The pension committee acts as advisor to the Board of Selectmen.

Investments for the Town are reported at fair value.

2. Receivables and Payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 4% to 19% of outstanding receivable balances and are calculated based upon prior collection history.

In the fund financial statements, all property taxes receivable which have not been collected within 60 days of June 30, 2012, have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60 day period have been recorded as revenue.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

b. Property Taxes and Other Receivables (Continued)

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

3. Restricted Assets

The restricted assets are for endowment purposes. The amounts are reflected in net assets as restricted for other purposes. Investment income is approved for expenditure by the individual Boards responsible for each fund.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 market 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building improvements	20
Land improvements	20-40
Machinery and equipment	5-20
Vehicles	10-20
Infrastructure	30-50

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity (Continued)

5. Compensated Absences

Employees are paid by a prescribed formula for absence due to vacation and sickness based upon the various union contracts and the Town's personnel policies. The eligibility for sick pay in some instances does vest. The general fund is the primary source to liquidate compensated absences.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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.

7. Fund Equity

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

Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets

This category presents the net assets of the Town which are not restricted.

In the **fund financial statements**, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity (Continued)

7. Fund Equity (Continued)

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Town Meeting.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by an action of the Board of Finance.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Finance has provided otherwise in its commitment or assignment actions.

8. Use of Estimates

The preparation of the 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 including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

9. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town's general budget policies are as follows:

1. Each board, commission, department, agency or officer of the Town shall, on or before January 15th of each year, submit to the First Selectman a detailed estimate of the expenditures to be made by said board, commission, department, agency or officer for the Town's fiscal year beginning July 1st of that year, together with a statement of revenues (other than tax revenues) which are estimated to be collected by such board, commission, department, agency or officer for said ensuing fiscal year; provided, however, that said submission by the Board of Education shall be on or before March 1st of each year, rather than January 15th thereof. For those boards, commissions, departments, agencies and officials which provide programs and services, budgets shall be accompanied by a statement or statements, in narrative form, describing such programs or services, which have been accomplished or expect to be accomplished during its present fiscal year, and those such programs and services which are expected to be accomplished in the next ensuing fiscal year.
2. The First Selectman shall compile all general government budgets, excluding the Board of Education, no later than February 15th of each year, and present to the Board of Selectmen a consolidated proposed budget.
3. On or before March 1st of each year, the Board of Selectmen and Board of Education shall present its completed budget to the Board of Finance. Following the receipt of said budget from the Board of Selectmen, the Board of Finance will present the proposed General Government Budget. Also, prior to April 1st, the Board of Finance will hold a public hearing at which time the Board of Education will present the proposed Board of Education Budget. Following such public hearings and at least two (2) weeks before the Annual Town Budget Meeting, the Board of Finance shall hold a public hearing, at which time it will present a proposed Town Budget, together with a statement of anticipated revenues and estimated mill rate based upon such proposed Town Budget. The Board of Finance may hold additional public hearings, if it deems necessary. At any of the public hearings referred to in this section, any elector or taxpayer may be heard regarding the proposed budget for the next ensuing fiscal year.
4. The Annual Budget Meeting shall be held not less than one month prior to the beginning of the next ensuing fiscal year for the purpose of action upon the budget, in accordance with the provisions of Section 7-388 of the General Statutes of the State of Connecticut, as amended.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

5. The Town Clerk shall prepare and have available in her office a mandatory petition at least 14 days prior to the first Annual Budget Meeting, if, at least 24 hours prior to such meeting, at least 100 persons entitled to vote at such meeting have signed such petition (or a petition conforming to the requirements of Section 7-7 of the General Statutes of Connecticut on the same question), then the question of the adoption of said proposed Annual Budget shall be decided by a "yes" or "no" vote on the voting machines in accordance with the same provisions of Section 7-7 of the General Statutes of Connecticut. In the event that a proposed budget shall be rejected, then the same procedure shall be established with regard to any subsequent budget meetings for that fiscal year; provided, however, that such mandatory petition shall be available 5 days prior to any subsequent meeting.
6. The Board of Finance shall lay a tax on the grand list in accordance with General Statutes 7-344 only after both the General Government and Board of Education budgets have been approved, provided that, if any fiscal year shall begin without a budget having been approved, the Board of Finance shall be authorized to lay such tax on the grand list as the Board deems advisable in accordance with General Statutes 7-344.
7. Budgetary control is maintained at the department level. However, the Board of Finance may transfer between budget items and between departments, thus amending the budget, as long as total expenditures are not exceeded. Any transfers to one line item totaling \$25,000 or more for the year must be approved by Town Meeting.
8. The Board of Education is authorized under state law to transfer unexpended balances from one account to another within its total line appropriation. Such transfers were made during the year ended June 30, 2012.
9. There were additional appropriations of \$932,042 approved during the year.
10. Classification of certain revenues and expenditures under accounting principles generally accepted in the United States of America ("GAAP") differ from classifications used for budgetary purposes.

B. Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures and fund balance between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE</u>
BALANCE, BUDGETARY BASIS, EXHIBIT F	\$ 37,320,560	\$ 37,103,948	\$2,567,898
Encumbrances outstanding at June 30, 2011			
liquidated during the year, June 30, 2012		8,400	
State contribution to Teachers' Retirement System	2,197,000	2,197,000	
BALANCE, GAAP BASIS, EXHIBIT D	<u>\$ 39,517,560</u>	<u>\$ 39,309,348</u>	<u>\$ 2,567,898</u>

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Deficit Fund Balances

During the year ended June 30, 2012, the Town had a deficit fund balance in the following fund:

Nonmajor Governmental Funds

Fire Marshal	\$ 2,616
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The deficit will be eliminated by charges for services.

D. Donor-Restricted Endowments

The Town has received certain endowments for the perpetual care of the Upper Cemetery. The amounts are reflected in net assets as restricted for perpetual care. Investment income is approved for expenditure by the board of the benefiting activity. There is no appreciation available for appropriation.

E. Capital Projects Authorizations

The following is a summary of certain Capital Projects at June 30, 2012:

<u>CAPITAL PROJECT</u>	<u>AUTHORIZATION</u>	<u>CUMULATIVE EXPENDITURES</u>	<u>PROJECT BALANCE</u>
School Renovation Projects	\$ 16,300,000	\$ 16,296,829	\$ 3,171
Wastewater Management System	42,171,200	186,265	41,984,935
Hepburn Cultural Arts Center	4,340,000	4,337,820	2,180
Emergency Communications	2,816,000	2,676,243	139,757
Sidewalk Project.....	500,000	432,893	67,107
TOTAL.....	\$ 66,127,200	\$ 23,930,050	\$ 42,197,150

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES

A. Cash and Investments

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$9,375,997 (including certificates of deposit) of the Town's bank balance of \$11,237,563 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized.....	\$ 8,413,397
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>962,600</u>
Total amount subject to custodial credit risk.....	<u>\$ 9,375,997</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

At June 30, 2012, the Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities.

TYPE OF INVESTMENT	FAIR VALUE	N/A	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1	1-5 YEARS	5-10 YEARS	OVER 10 YEARS
<u>Mutual funds:</u>						
Money market mutual funds. \$	1,150,730	\$	\$ 1,150,730	\$		\$
Equity mutual funds	23,499	23,499				
Equity mutual funds - International	37,356	37,356				
Corporate bonds	67,389			67,389		
Corporate bonds - International	24,852			24,852		
U.S. Government Securities.	20,080			20,080		
U.S. Government Agency Securities.....	11,947		11,947			
Metals.....	8,711	8,711				
Certificates of deposit	291,101		291,101			
Common stock.....	10,107,187	10,107,187				
U.S. Government Securities...	1,142,605		516,502	182,045	325,916	118,142
U.S. Government Agency Securities.....	2,284,953				12,718	2,272,235
Corporate bonds	2,494,724		228,224	1,071,690	979,988	214,822
Limited partnership	28,489	28,489				
TOTAL.....	\$ 17,693,623	\$ 10,205,242	\$ 2,198,504	\$ 1,366,056	\$ 1,318,622	\$ 2,605,199

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

A. **Cash and Investments (Continued)**

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.

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.

The Town's investments subject to credit risk had average ratings as follows by Standard & Poor's:

AVERAGE RATING	CORPORATE BONDS	U.S. GOVERNMENT SECURITIES	U.S. GOVERNMENT AGENCY SECURITIES	MONEY MARKET MUTUAL FUNDS	CORPORATE BOND MUTUAL FUNDS	INT'L BOND MUTUAL FUNDS	U.S. GOV'T SECURITIES MUTUAL FUNDS	U.S. GOV'T AGENCY SECURITIES MUTUAL FUNDS
AAA	\$ 60,324	\$ 1,142,605	\$ 1,395,035	\$	\$ 620	\$ 3,610	\$ 4,039	\$ 3,869
AA	203,939				12,098	4,248	296	5,331
A	1,591,783				2,524	212	605	404
BBB	638,678				5,357	9,772	979	808
BB					16,784	4,673	385	1,212
B					9,337	1,487	511	242
CCC					11,681	850	374	81
Unrated			889,918	1,150,730	8,988		12,891	
TOTAL	\$ 2,494,724	\$ 1,142,605	\$ 2,284,953	\$ 1,150,730	\$ 67,389	\$ 24,852	\$ 20,080	\$ 11,947

Custodial credit risk - The Town does not have a formal policy with respect to 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 of its investment or collateral securities that are in the possession of an outside party.

The Town's investments in the Pension Trust funds are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The following Town investments are held by the counterparty's trust department or agent but not in the Town's name and, therefore, are subject to custodial credit risk.

	TOTAL	LESS INSURED AMOUNTS	AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK
Common Stock	\$ 10,107,187	\$ 501,354	\$ 9,605,833
Corporate Bonds	2,494,724		2,494,724
U.S. Government Securities	1,142,605		1,142,605
U.S. Government Agency Securities	2,284,953		2,284,953
Limited Partnership	28,489	28,489	-
TOTAL	\$ 16,057,958	\$ 529,843	\$ 15,528,115

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2012, including the applicable allowances for uncollectible accounts, are presented below.

	PROPERTY TAXES		
	TAXES	INTEREST & LIEN FEES	TOTAL
Current Portion	\$ 177,989	\$ 32,173	\$ 210,162
Long-term Portion.....	\$ 217,712	\$ 120,571	\$ 338,283
Less Allowance for Uncollectibles.....	(17,000)	(29,000)	(46,000)
Net Long-term Portion	\$ 200,712	\$ 91,571	\$ 292,283

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

	UNAVAILABLE	UNEARNED
Delinquent property taxes receivable (general fund)	\$ 328,218	\$
Advance tax collections.....		3,935,249
Land sale escrow.....		414,000
Grant draw downs prior to meeting all eligibility requirements		32,542
Total deferred and unearned revenue for governmental funds	\$ 328,218	\$ 4,381,791

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

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

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Governmental Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land.....	\$ 11,763,340	\$	\$	\$ 11,763,340
Construction in progress.....	2,423,708	685,428		3,109,136
Total Capital Assets, not being Depreciated..	14,187,048	685,428	-	14,872,476
<u>Capital Assets, being Depreciated:</u>				
Buildings.....	34,084,851			34,084,851
Building improvements.....	28,802,186	31,666		28,833,852
Infrastructure.....	44,534,030	23,033		44,557,063
Land improvements.....	4,632,498	40,509		4,673,007
Machinery and equipment.....	2,857,048	93,365		2,950,413
Vehicles.....	4,588,022	181,800		4,769,822
Total Capital Assets, being Depreciated.....	119,498,635	370,373	-	119,869,008
Total Capital Assets.....	133,685,683	1,055,801	-	134,741,484
<u>Less Accumulated Depreciation for:</u>				
Buildings.....	20,054,983	428,976		20,483,959
Building improvements.....	2,082,567	507,291		2,589,858
Infrastructure.....	10,563,032	542,731		11,105,763
Land improvements.....	3,705,896	69,374		3,775,270
Machinery and equipment.....	1,418,398	182,642		1,601,040
Vehicles.....	3,113,440	130,113		3,243,553
Total Accumulated Depreciation.....	40,938,316	1,861,127	-	42,799,443
Total Capital Assets, being Depreciated, net..	78,560,319	(1,490,754)	-	77,069,565
Governmental Activities Capital Assets, net...	\$ 92,747,367	\$ (805,326)	\$ -	\$ 91,942,041

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities:

General government.....	\$ 841,102
Public safety.....	178,033
Public works.....	123,394
Culture and recreation.....	83,688
Education.....	<u>634,910</u>
Total depreciation expense - governmental activities...	<u>\$ 1,861,127</u>

Construction Commitments

The Town has active construction projects as of June 30, 2012. At year end, the Town's commitments with contractors are as follows:

Communications Project	\$ 31,008
Sidewalk Project.....	<u>50,723</u>
Total Construction Commitments	<u>\$ 81,731</u>

D. Interfund Accounts

Interfund Transfers

A summary of interfund transfers for the year ended June 30, 2012 is as follows:

	<u>CORRESPONDING FUND</u>	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
GENERAL FUND:			
Capital projects fund	N/A	\$	\$ 125,000
Capital nonrecurring fund	N/A		<u>184,000</u>
TOTAL GENERAL FUND		-	<u>309,000</u>
CAPITAL PROJECTS FUND:			
Capital projects fund	General Fund	125,000	
Capital projects fund	Capital Nonrecurring Fund	<u>106,312</u>	
TOTAL CAPITAL PROJECTS FUND		<u>231,312</u>	-
CAPITAL NONRECURRING FUND:			
Capital nonrecurring fund	General Fund	184,000	
Capital nonrecurring fund	Capital Projects Fund		<u>106,312</u>
TOTAL CAPITAL NONRECURRING FUND		<u>184,000</u>	<u>106,312</u>
GRAND TOTAL		<u>\$ 415,312</u>	<u>\$ 415,312</u>

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

Interfund Transfers (Continued)

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

E. Operating Lease

The Town signed a lease for the temporary police headquarters. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 48,000

The total cost for the lease for the year ended June 30, 2012 was \$36,000.

F. Short-Term Obligations - Interim Funding

The Town is using interim funding during the construction of the Clean Water Project prior to the issuance of the notes at the completion of the project.

Short-term obligation activity for the year ended June 30, 2012 was as follows:

<u>TYPE OF OBLIGATION</u>	<u>BALANCE JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE JUNE 30, 2012</u>
Interim Funding Obligation:				
Clean Water.....	\$ 762,229	\$ 749,543	\$	\$ 1,511,772

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

G. **Changes in Long-Term Obligations**

1. **Summary of Changes**

The following is a summary of changes in long-term obligations during the fiscal year:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012	CURRENT PORTION
GENERAL PURPOSE:									
Improvement bonds...	\$ 1,780,000	07/01/07	07/01/22	4.2%-5.25%	\$ 125,000	\$	\$ 125,000	\$ -	\$
Refunding bonds.....	2,723,000	05/21/08	02/15/21	3.0%-4.5%	2,073,000		336,000	1,737,000	333,000
Refunding bonds.....	5,650,000	03/19/09	07/15/23	2.0%-4.25%	4,955,000		395,000	4,560,000	390,000
Improvement bonds...	2,980,000	07/07/09	01/01/24	2.625%-4.0%	2,980,000		200,000	2,780,000	200,000
Refunding bonds.....	1,412,000	08/15/10	08/15/26	1.5%-4.0%	1,412,000		2,000	1,410,000	130,000
TOTAL GENERAL PURPOSE.....					11,545,000	-	1,058,000	10,487,000	1,053,000
SCHOOL BONDS:									
Improvement bonds...	5,000,000	08/15/06	08/15/26	4% -6%	225,000		225,000	-	
Refunding bonds.....	1,737,000	05/21/08	02/15/21	3.0%-4.5%	1,322,000		214,000	1,108,000	212,000
Refunding bonds.....	7,943,000	08/15/10	08/15/26	1.5%-4.0%	7,943,000		293,000	7,650,000	540,000
TOTAL SCHOOL.....					9,490,000	-	732,000	8,758,000	752,000
TOTAL BONDS/NOTES.....					21,035,000	-	1,790,000	19,245,000	1,805,000
BOND PREMIUMS.....					710,217		47,800	662,417	
DEFERRED CHARGES.....					(487,051)		(36,067)	(450,984)	
TOTAL BONDS AND RELATED LIABILITIES.....					21,258,166	-	1,801,733	19,456,433	1,805,000
COMPENSATED ABSENCES.....					802,371	227,664	36,057	993,978	198,796
NET PENSION OBLIGATION.....						806		806	
NET OPEB OBLIGATION.....					1,251,381	378,554		1,629,935	
TOTAL LONG-TERM OBLIGATIONS.....					\$ 23,311,918	\$ 607,024	\$ 1,837,790	\$ 22,081,152	\$ 2,003,796

All long-term liabilities are generally liquidated by the General Fund.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

G. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

The following is a summary of bond maturities.

FISCAL YEAR	BONDS PAYABLE	
	PRINCIPAL	INTEREST
2013	\$ 1,805,000	\$ 644,919
2014	1,575,000	597,051
2015	1,550,000	553,213
2016	1,570,000	506,481
2017	1,585,000	457,037
2018	1,605,000	402,938
2019	1,595,000	341,569
2020	1,590,000	280,426
2021	1,560,000	217,932
2022	1,280,000	155,063
2023	1,135,000	108,675
2024	1,140,000	67,100
2025	500,000	32,988
2026	495,000	16,819
2027	260,000	4,388
	<u>\$ 19,245,000</u>	<u>\$ 4,386,599</u>

2. Statutory Debt Limitations

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

Category	Debit Limit	Net Indebtness	Balance
General purpose.....	\$ 78,292,906	\$ 10,487,000	\$ 67,805,906
Schools.....	156,585,812	8,758,000	147,827,812
Sewers.....	130,488,176		130,488,176
Urban renewal.....	113,089,753		113,089,753
Pension deficit.....	104,390,541		104,390,541

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$243,577,929.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

G. Changes in Long-Term Obligations (Continued)

3. Prior Years' Advanced Refunding

In prior years, the Town has defeased bond issues by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Town's financial statements. As of June 30, 2012, the amount of defeased debt outstanding but removed from the Town's financial statements amounted to \$16,500,000.

H. Restricted Net Assets

The amount of restricted net assets, which were restricted by enabling legislation, totaled \$57,967 at June 30, 2012.

I. Fund Balance Classifications

As of June 30, 2012, fund balances are composed of the following:

FUND BALANCE COMPONENT	GENERAL FUND	CAPITAL PROJECTS	CAPITAL NONRECURRING	NONMAJOR FUNDS	TOTAL
<u>NONSPENDABLE:</u>					
Permanent fund principal.....	\$	\$	\$	\$ 4,246	\$ 4,246
<u>RESTRICTED:</u>					
General government.....				617	617
Public safety.....				85,544	85,544
Culture and recreation.....				79,961	79,961
Education.....				57,967	57,967
TOTAL RESTRICTED.....	-	-	-	224,089	224,089
<u>COMMITTED:</u>					
General government.....				904,112	904,112
Public safety.....				219,156	219,156
Culture and recreation.....				300,305	300,305
Education.....				37,920	37,920
Construction contracts.....		471,955			471,955
Approved CNR projects.....			188,971		188,971
TOTAL COMMITTED.....	-	471,955	188,971	1,461,493	2,122,419

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

I. Fund Balance Classifications (Continued)

FUND BALANCE COMPONENT	GENERAL FUND	CAPITAL PROJECTS	CAPITAL NONRECURRING	NONMAJOR FUNDS	TOTAL
<u>ASSIGNED:</u>					
General government.....	\$	\$	\$	\$ 10,820	\$ 10,820
Public safety.....				4,770	4,770
Culture and recreation.....				16,631	16,631
TOTAL ASSIGNED.....	-	-	-	32,221	32,221
<u>UNASSIGNED</u>	2,567,898			(2,616)	2,565,282
TOTAL.....	\$ 2,567,898	\$ 471,955	\$ 188,971	\$ 1,719,433	\$ 4,948,257

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters, and owners and contractor's protective liability.

Retrospectively Rated Policy

The commercial insurance carried for workers' compensation is a retrospectively rated policy for which the Town's contribution is based on the Town's loss experience. It is not possible to estimate the possible loss.

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 years and there has been no significant reduction of insurance coverage from amounts held in prior years.

B. Commitments and Litigation

The Town has been named as defendant in various claims and legal actions. The Town's attorney estimates that the potential claims against the Town not covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of the Town.

The Town has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowances, if any, will not be material.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans

1. Plan Description

Summary

The Town administers two single employer, defined benefit pension plans (Town of Old Saybrook Retirement Plan and Town of Old Saybrook Fire Company #1 Retirement Plan). The Fire Company Plan covers the Town's volunteer firefighters. The Town Plan, adopted on July 1, 1967 by actions of the Board of Selectmen, covers all other eligible employees. The Pension and Benefits Board makes recommendations for plan provisions which are approved by the Board of Selectmen. The pension plans are included in the financial statements as a single pension trust fund since the assets may be used to pay benefits or refunds of any plan member or beneficiary. Separate, stand-alone reports are not issued.

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the plan.

b. Valuation of Investments

Investments are valued at fair value. Securities traded on a national exchange are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

3. Classes of Employees Covered

Plan Participants at July 1, 2010 (Town) and July 1, 2011 (Fire)

	<u>TOWN</u>	<u>FIRE</u>
Retirees and beneficiaries currently receiving benefits	59	8
Terminated employees entitled to benefits but not yet receiving them	13	18
Active plan members	<u>87</u>	<u>76</u>
Total Plan Participants	<u>159</u>	<u>102</u>
Number of participating employers	<u>1</u>	<u>1</u>

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

4. Benefit Provisions

a. Benefit Provisions

Town Plan

The plan's membership is open to substantially all Town employees with the exception of certified teachers and administrative personnel at the Board of Education. Administrative costs are financed from investment earnings.

Fire Company Plan

The plan covers substantially all active volunteers of the Old Saybrook Fire Company No. 1. In order to be eligible for the plan, the employee must complete one year of service. Administrative costs are financed from investment earnings.

b. Employer Contributions

Recommended contributions to each of the plans are determined each year as part of the actuarial valuation using the entry age normal cost method.

The Town's contributions for the plans can be found in Note IV.C.7. - Annual Pension Cost and Net Pension Obligation (Asset). The contributions for the year ended June 30, 2012, represent 7.8% of covered payroll.

c. Employee Contributions

Town Plan

Plan members are required to contribute 5% of earnings to the Town Plan.

Fire Company Plan

Plan members are not required to contribute to the Plan.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

5. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 (Town) and July 1, 2011 (Fire) was as follows:

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	(C) COVERED PAYROLL	[(A-B)/C] OVER (UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
<u>Town Plan</u>						
July 1, 2010	\$ 15,741,445	\$ 18,323,182	\$(2,581,737)	85.9%	\$3,737,359	69.1%
<u>Fire Company Plan</u>						
July 1, 2011	\$ 535,642	\$ 938,391	\$(402,749)	57.1%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI"), immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

6. Actuarial Assumptions

The information presented as historical trend information was determined as part of the actuarial valuation as of the date indicated in the tabulation. Additional information as of the latest valuation is as follows:

	<u>TOWN</u>	<u>FIRE</u>
VALUATION DATE	JULY 1, 2010	JULY 1, 2011
ACTUARIAL COST METHOD	ENTRY AGE	ENTRY AGE
ASSET VALUATION METHOD	5 YEAR SMOOTHING	FAIR VALUE
ACTUARIAL ASSUMPTIONS:		
INVESTMENT RATE OF RETURN	8.00%	8.00%
PROJECTED SALARY INCREASES	5.00%	N/A
AMORTIZATION METHOD	LEVEL DOLLAR	LEVEL DOLLAR
REMAINING AMORTIZATION PERIOD (CLOSED)	18 YEARS	18 YEARS

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

7. Annual Pension Cost and Net Pension Obligation (NPO) Asset (NPA)

The changes in the NPO/NPA were as follows:

	TOWN PLAN	FIRE PLAN
Annual required contribution.....	\$ 574,829	\$ 66,174
Interest on net pension obligation.....	(165,105)	
Adjustment to annual required contribution	<u>210,207</u>	<u> </u>
Annual pension cost	619,931	66,174
Contributions made	<u>(302,965)</u>	<u>(65,368)</u>
Decrease in net pension asset (obligation).....	(316,966)	(806)
Net pension asset, July 1, 2011.....	<u>2,063,810</u>	<u> </u>
Net pension asset (obligation), June 30, 2012.....	<u>\$ 1,746,844</u>	<u>\$ (806)</u>

8. Three Year Trend Information

YEAR ENDED JUNE 30,	PENSION COST (APC)	ANNUAL PERCENTAGE OF APC CONTRIBUTED	NET PENSION ASSET/(OBLIGATION)
<u>TOWN PLAN</u>			
2010	\$ 112,523	256%	\$ 2,290,648
2011	525,417	57%	2,063,810
2012	619,931	49%	1,746,844
<u>FIRE PLAN</u>			
2010	\$ 46,553	100%	\$
2011	61,272	100%	
2012	66,174	99.%	(806)

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Other Post-Employment Benefits Plan

1. Plan Description

The Town administers one single-employer, post retirement healthcare plan for the Town, Police and Board of Education, for the Town of Old Saybrook Other Post Employment Benefits ("OPEB"). The plan provides medical, dental benefits and life insurance to eligible retirees and their spouses. The plan does not issue stand-alone reports.

2. Benefit Provisions

a. Benefit Provisions

The Town plan provides for medical, dental and life insurance benefits for all eligible Town and Board of Education retirees. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from current operations.

b. Employer Contributions

Contributions requirements are established by the Pension and Benefits Board and approved by the Board of Selectmen. The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town total plan contribution was \$491,000.

c. Employee Contributions

Retiree contributions are dependent on the covered group.

3. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 was as follows:

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	(C) COVERED PAYROLL	[(A-B)/C] OVER (UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
<u>TOWN</u>						
JULY 1, 2010 \$	-	\$9,668,000	\$(9,668,000)	0.0%	\$ N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Other Post-Employment Benefits Plan (Continued)

4. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for all plans as of the latest valuation date is as follows:

VALUATION DATE	July 1, 2010
ACTUARIAL COST METHOD	Projected Unit Credit
AMORTIZATION METHOD	Level Percent
REMAINING AMORTIZATION PERIOD	27 Years Closed
ASSET VALUATION METHOD	Fair Value

ACTUARIAL ASSUMPTIONS:

Investment rate of return	7.0%
Healthcare inflation rate:	
Initial	6.5%
Ultimate	4.7%

5. Annual OPEB Cost and Net OPEB Obligation ("NOO")

The changes in the NOO were as follows:

	<u>TOWN</u>
Annual required contribution	\$ 852,000
Interest on net OPEB obligation	87,597
Adjustment to annual required contribution	<u>(70,043)</u>
Annual OPEB cost	869,554
Contributions made	<u>(491,000)</u>
Change in net OPEB obligation	378,554
Net OPEB obligation - July 1, 2011	<u>1,251,381</u>
Net OPEB obligation - June 30, 2012	<u>\$1,629,935</u>

TOWN OF OLD SAYBROOK, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Other Post-Employment Benefits Plan (Continued)

6. Three Year Trend Information

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<hr/>			
TOWN			
2010	\$ 831,536	49.8%	\$ 847,536
2011	876,845	53.9%	1,251,381
2012	869,554	56.5%	1,629,935

E. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the Town's teachers was \$2,197,000.

F. Restatement

Private-purpose trust funds financial statements:

The Town has determined that the donation of the Mary E. Johnson scholarship should have been recorded as a private-purpose trust as noted below:

Beginning net assets has been restated as follows:

Net assets - June 30, 2011, as previously reported.....	\$ 183,121
Addition of Mary E. Johnson scholarship donated in the prior year.....	<u>239,985</u>
Net assets - July 1, 2011, as restated	<u>\$ 423,106</u>

Required Supplementary Information

TOWN OF OLD SAYBROOK, CONNECTICUTREQUIRED SUPPLEMENTARY INFORMATION
OLD SAYBROOK RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

TOWN PENSION PLAN						
ACTUARIAL VALUATION DATE JULY 1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROL
2005	\$16,457,998	\$ 13,271,907	\$ 3,186,091	124.0%	\$ 3,339,550	95.4%
2006	16,890,536	14,353,139	2,537,397	117.7%	3,470,663	73.1%
2007	17,514,675	14,901,747	2,612,928	117.5%	3,461,713	75.5%
2008	17,863,894	15,600,920	2,262,974	114.5%	3,574,134	63.3%
2009	15,330,433	16,824,391	(1,493,958)	91.1%	3,852,237	(38.8%)
2010	15,741,445	18,323,182	(2,581,737)	85.9%	3,737,359	(69.1%)
FIRE COMPANY PENSION PLAN						
ACTUARIAL VALUATION DATE JULY 1,	A ACTUARIAL VALUE OF ASSETS	B ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) OVER (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	C COVERED PAYROLL	[(A-B)/C] OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROL
2004	\$ 321,458	\$ 526,077	\$ (204,619)	61.1%	\$ -	-
2005	351,291	575,047	(223,756)	61.1%	-	-
2007	416,624	676,111	(259,487)	61.6%	-	-
2009	421,036	774,127	(353,091)	54.4%	-	-
2011	535,642	938,391	(402,749)	57.1%	-	-

(Continued)

TOWN OF OLD SAYBROOK, CONNECTICUTREQUIRED SUPPLEMENTARY INFORMATION
OLD SAYBROOK RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE JULY 1,	TOWN OTHER POST EMPLOYMENT BENEFITS PLAN					
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROL
2008	\$ -	\$ 10,041,000	\$(10,041,000)	0.0%	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	-	9,668,000	(9,668,000)	0.0%	N/A	N/A

(Concluded)

N/A - no actuarial valuation in current year due to biennial requirement.

TOWN OF OLD SAYBROOK, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION
 OLD SAYBROOK RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFITS PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTIONS	ACTUAL CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
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TOWN PENSION PLAN

2007	\$	\$	268,649	N/A
2008		34,656	271,769	784%
2009		24,371	283,054	1161%
2010		66,305	288,284	435%
2011		475,358	298,579	63%
2012		574,829	302,965	53%

FIRE COMPANY PENSION PLAN

2007	\$	42,770	\$	35,000	82%
2008		46,192		40,000	87%
2009		43,105		40,000	93%
2010		46,553		46,553	100%
2011		61,272		61,272	100%
2012		66,174		65,368	99%

OTHER POST EMPLOYMENT BENEFITS PLAN

2009	\$	786,000	\$	356,000	45%
2010		826,000		414,000	50%
2011		867,000		473,000	55%
2012		852,000		491,000	58%

APPENDIX B – FORM OF LEGAL OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

The opinion of Shipman & Goodwin LLP will be in substantially the following form:

Town of Old Saybrook, Connecticut
Town Hall
302 Main Street
Old Saybrook, Connecticut 06475

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Old Saybrook, Connecticut (the "Town") of its \$15,676,000 General Obligation Bonds, Issue of 2013, maturing November 1, 2014-2033 (the "Bonds").

In connection with our representation of the Town as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the Town, each dated as of November 14, 2013, the executed Bonds, and certified records of proceedings of the Town authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under the authority of the constitution and statutes of the State of Connecticut, and that the Bonds are valid and binding general obligations of the Town payable, with respect to both principal and interest, unless paid from other sources, from *ad valorem* taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the Town and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the Town.

3. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds if interest on the Bonds is to be excludable from gross income under Section 103 of the Code. The Town has covenanted in the Tax Compliance Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals or corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the Town with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the Town to fully comply with the covenants set forth therein, may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. We are of the opinion 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 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 rights of the holders of the Bonds and the enforceability of the Bonds and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

CERTAIN ADDITIONAL FEDERAL TAX CONSEQUENCES.

The following is a brief discussion of certain federal income tax matters with respect to the Bonds 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. Prospective owners of the Bonds, particularly those that 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.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes items of tax preference items. The interest on certain tax-exempt "private activity bonds" is treated as an item of tax preference. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as an item of tax preference 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 **will not** be designated by the Town as "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Changes in Federal Tax Law. Legislation affecting the exclusion from gross income of interest on obligations, such as the Bonds, is regularly proposed and considered by the United States Congress. There can be no assurance that legislation proposed or enacted after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, as to which Bond Counsel expresses no opinion.

Other. As noted above, interest on the Bonds may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax. Interest on the Bonds 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 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, 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 is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

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

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

ORIGINAL ISSUE DISCOUNT.

The initial public offering price of the Bonds (the “OID Bonds”) may be less than the stated principal amount. Under existing law, the difference between the stated principal amount and the initial offering price of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds is sold will constitute original issue discount (“OID”). Under existing law, OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of the Bonds (the “OIP Bonds”) may be more than the stated principal amount. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

* * * * *

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the Connecticut 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 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 that 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, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed 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 a specified date, all pursuant to a Continuing Disclosure Agreement for the Bonds in substantially the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 14th day of November, 2013 by the Town of Old Saybrook, Connecticut (the "Town") acting by its undersigned officers, duly authorized, in connection with the issuance of the Town's \$15,676,000 General Obligation Bonds, Issue of 2013, dated November 14, 2013 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

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

"Final Official Statement" means the official statement of the Town dated October 31, 2013 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>) to receive submissions of continuing disclosure documents that are described in the Rule.

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

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

Section 2. Annual Financial Information.

(a) The Town agrees to provide, or cause to be provided, to the MSRB in an electronic format as prescribed by the MSRB, in accordance with the provisions of the Rule and this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2013), as follows:

(i) the audited general purpose financial statements of the Town, which financial statements include the Town's general fund, any special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and the general fixed assets and general long-term debt account groups, 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 Town prepares its financial statements in accordance with generally accepted accounting principles.

(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 gross and 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 preceding 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 and total direct net debt as of the close of the fiscal year,
- F. total direct debt and total direct net debt of the Town per capita,
- G. ratios of the total direct debt and total direct net debt of the Town to the Town'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 Town's pension benefit obligation.

(b) The financial information and operating data described above shall be provided not later than eight months after the close of the fiscal year for which such information is being provided, commencing with information for the fiscal year ending June 30, 2013. The Town agrees that if audited information is not available eight months after the close of the fiscal year, it shall submit unaudited information by such time and will submit audited information when available.

(c) Annual financial information and operating data may be provided in whole or in part by reference to other documents available to the public on the MSRB's internet website or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Town 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 for the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required or permitted by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Town; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule.

(e) The Town may file information with the MSRB, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the Town chooses to make a Voluntary Filing, the Town shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the Town is under no obligation to provide any Voluntary Filing.

Section 3. Listed Events.

The Town agrees to provide, or cause to be provided, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:

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

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

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

The Town agrees to provide, or cause to be provided, in a timely manner, to the MSRB in an electronic format as prescribed by the MSRB, notice of any failure by the Town 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 Town or by any agents which may be employed by the Town for such purpose from time to time.

Section 6. Termination.

The obligations of the Town 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 Town ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Identifying Information.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 8. Enforcement.

The Town 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 Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure within a reasonable time (but not exceeding thirty (30) days with respect to the undertakings set forth in Section 2 hereof or five (5) business days with respect to undertakings set forth in Sections 3 and 4 hereof) from the time the First Selectman receives written notice from any beneficial owner of the Bonds of such failure. The present address of the First Selectman is Office of the First Selectman, Town Hall, 302 Main Street, Old Saybrook, Connecticut 06475. In the event the Town 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 Town expressly acknowledges and the beneficial owners are hereby deemed to expressly 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 9. Miscellaneous.

(a) The Town 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 Town from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Town elects to provide any such additional information, data or notices, the Town 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 Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) 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 Town, (ii) the Agreement as so amended or waived 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 Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Bonds. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

TOWN OF OLD SAYBROOK, CONNECTICUT

By _____
Carl P. Fortuna, Jr.
First Selectman

By _____
Robert W. Fish
Treasurer

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

\$15,676,000

TOWN OF OLD SAYBROOK, CONNECTICUT

GENERAL OBLIGATION BONDS, ISSUE OF 2013 (BOOK-ENTRY)

ELECTRONIC PROPOSALS via PARITY® (“PARITY”) will be received by the Town of Old Saybrook, Connecticut (the “Town”), at the First Selectman’s Office, Old Saybrook Town Hall, 302 Main Street, Old Saybrook, Connecticut, until **11:00 A.M. (Eastern Daylight Time) on THURSDAY,**

OCTOBER 31, 2013

for the purchase, when issued, of the Town's \$15,676,000 General Obligation Bonds, Issue of 2013, dated November 14, 2013, bearing interest payable semiannually on May 1 and November 1 in each year until maturity, commencing November 1, 2014, and maturing November 1 in each year as follows:

\$576,000 in 2014
\$780,000 in 2015 through 2017, both inclusive
\$785,000 in 2018 through 2029, both inclusive
\$825,000 in 2030 through 2031, both inclusive
\$845,000 in 2032 through 2033, both inclusive

(the “Bonds”). The Bonds will be delivered against payment in Federal funds in New York, New York on or about November 14, 2013. The Bonds **will not** be designated by the Town as “qualified tax-exempt obligations” for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

The Bonds maturing on or before November 1, 2018 are not subject to redemption prior to maturity. The Bonds maturing on November 1, 2019 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after November 1, 2018, at any time, either in whole or in part in such amounts and in such order of maturity (but by lot within a maturity), as the Town may determine, at the redemption price (expressed as a percentage of the par amount of the Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
November 1, 2018 and thereafter	100%

Certifying, Transfer and Paying Agent; Registrar. The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut, which will also act as transfer and paying agent and registrar.

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. Ownership of the Bonds will be evidenced in principal amounts of \$1,000 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 and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

Proposals. All proposals for the purchase of the Bonds 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 1/20 or 1/8 of 1% 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 3%. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to any interest on the Bonds accrued to the date of delivery. **No proposal for less than the entire \$15,676,000 Bonds, or for less than par and accrued interest, will be considered.**

Basis of Award. As between proposals which comply with this Notice of Sale, the Bonds will be sold to the responsible bidder or bidders 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 14, 2013, 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.

The Town reserves the right to reject any and all proposals, to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

Electronic Proposals Bidding Procedure. Electronic proposals for the purchase of the Bonds must be submitted through the facilities of PARITY by **11:00 A.M. (Eastern Daylight Time), on Thursday, October 31, 2013**. Any prospective bidder must be a subscriber of Bidcomp's competitive bidding system. Further information about Bidcomp/ PARITY, including any fee charged, may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021. The Town will neither confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic proposal made through the facilities of PARITY is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed proposal delivered to the Town. By submitting a proposal for the Bonds via PARITY, the bidder represents and warrants to the Town that such bidder's proposal 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 proposal 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 of Sale. 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 proposal 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 proposal 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 proposal complies with the terms of this Notice of Sale and in particular the proposal requirements set forth herein. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of proposals 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 proposal for the Bonds, the prospective bidder should telephone PARITY at (212) 849-5021. If any provision of this Notice of Sale conflicts with information provided by PARITY, this Notice of Sale shall control.

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 proposals the true interest cost to the Town, as described under "Basis of Award" above, represented by the rate or rates of interest and the premium, if any, specified in their respective proposals. All electronic proposals shall be deemed to incorporate the provisions of this Notice of Sale.

Bond Counsel Opinion. The legal opinion of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished without charge and will be placed on file with the certifying bank for the Bonds. A copy of the opinion will be delivered to each purchaser of the Bonds. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid and binding general obligations of the Town when duly certified, (2) that, assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, based on existing law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations, and (3) that interest on the Bonds is 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.

Preliminary Official Statement and Official Statement. The Town has prepared a Preliminary Official Statement dated October 24, 2013 for this Bond issue. The Town deems such Preliminary Official Statement final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for omissions permitted thereby, but the Preliminary Official Statement is subject to revision or amendment. The Town will make available to the winning purchaser 50 copies of the final Official Statement at the Town's expense by the delivery of the Bonds or, if earlier, by the seventh business day after the day proposals on the Bonds are received. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies may be obtained by the purchaser at its own expense by arrangement with the printer.

The purchaser agrees to promptly file the final Official Statement with the Municipal Securities Rulemaking Board and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers.

Continuing Disclosure Agreement. The Town will agree, in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, to provide, or cause to be provided, (i) certain annual financial information and operating data; (ii) timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning purchaser'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 the Bonds.

CUSIP Numbers. The deposit of the Bonds with DTC under a book-entry-only system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Bonds prior to delivery. The Town will not be responsible for any delay caused by the inability to deposit the Bonds with DTC due to the failure of the winning purchaser to obtain such numbers and provide them to the Town in a timely manner. 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 Price. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE BONDS THE REOFFERING PRICES FOR THE BONDS AT WHICH A SUBSTANTIAL PORTION OF EACH MATURITY THE BONDS WERE SOLD.

Additional Information. For more information regarding this Bond issue and the Town, reference is made to the Preliminary Official Statement dated October 24, 2013. The Preliminary Official Statement may be accessed via the internet at www.i-dealprospectus.com. Electronic access to the Preliminary Official Statement is being provided as a matter of convenience only. The only official version of the Preliminary Official Statement is the printed version for physical delivery. Copies of the Preliminary Official Statement and Official Statement may be obtained from Mr. Mark N. Chapman, Director, Independent Bond & Investment Consultants, LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, telephone (203) 245-7264.

October 24, 2013

Carl P. Fortuna, Jr.
First Selectman

Robert W. Fish
Treasurer