

**CITY OF GROTON, CONNECTICUT
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



**FISCAL YEAR ENDED JUNE 30, 2010
DEPARTMENT OF FINANCE
CITY OF GROTON, CONNECTICUT**

CITY OF GROTON, CONNECTICUT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

PREPARED BY:

**MICHAEL HILLSBERG
DIRECTOR OF FINANCE**

DENNIS L. POPP, MAYOR

CITY OF GROTON, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

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Introductory Section



CITY OF GROTON

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Department of Finance

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February 23, 2011

To: The Honorable Mayor, Members of the City Council, and Citizens of the City of Groton, Connecticut.

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Groton for the year ended June 30, 2010. The report includes the independent auditors' report as required by City Charter and the Connecticut Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

McGladrey & Pullen, LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Groton, Connecticut, for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Groton's

financial statements for the year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, Federal Single Audit and State mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of state awards. These reports are available separately.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Groton

The City is governed by an elected Mayor, a six-member council, a City Clerk and a City Treasurer. The City Council and Mayor, which act as a board, also serve as the Water Pollution Control Authority.

Elections for Mayor, Council and other officials are held on the first Monday of May of each odd numbered year for a term of two years. The Mayor is elected separately from the Council and presides as its Chairperson.

In addition to all the powers and privileges conferred in the Charter, the inhabitants have the powers and privileges conferred and granted to towns and cities under the Constitution and General Statutes of Connecticut. The legislative power of the City is vested exclusively in the Council except as otherwise provided by the electors. The Council has the power to enact, amend or repeal ordinances consistent with the General Statutes or the Charter. The electors have the power to approve or reject ordinances, by referendum, as provided in the Charter. The Mayor, as the Chief Executive Officer of the City, recommends the budget to the freemen and electors for their approval at the annual meeting held on the first Monday of June.

The report includes all funds of the City. The City provides a full range of services. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; and recreational activities. In addition to general governmental activities, the governing body is the final authority of the Electric and Water Departments and the City Groton Retirement System; therefore, these activities are included in the reporting entity. The reporting entity also includes the discretely presented component units, Bozrah Light and Power Company and Thames Valley Communications, Inc.

The annual budget serves as the foundation for the City's financial planning and control. The City maintains budgetary controls with the objectives to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the freemen or electors. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. As demonstrated by the budgetary schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The City of Groton is located in New London County in the southeast part of the State of Connecticut on the east bank of the Thames River and encompasses an area of 3.06 square miles. Groton is astride Interstate 95, a major highway between New York, Providence and Boston. Numerous state routes connect Groton with all points in Connecticut and with neighboring states. Passenger service is provided by Amtrak and by a number of interstate and intrastate bus companies. Air service is provided at Groton-New London Airport to major airports and cities. The Thames River provides a deep water harbor with terminal and berth facilities for water transportation.

Rocky soil limited the City's early agricultural possibilities; therefore, the early inhabitants turned to the sea for fishing, trade, and shipbuilding. This seafaring heritage continues today in Groton, the self-proclaimed "Submarine Capital of the World." Nuclear-powered submarines, built in the City by Electric Boat division of General Dynamics, are home ported at the U. S. Naval Submarine Base here.

The Revolutionary War Battle of Groton Heights, which took place at Fort Griswold in 1781, is a hallmark of Groton's history. British forces, led by General Benedict Arnold, staged a massive attack on the fort and the colonists under the leadership of Colonel William Ledyard, who bravely resisted. Severely outnumbered they finally surrendered to the British and prepared for capture. The British took no prisoners, though, and instead brutally massacred all those who surrendered, killing Colonel Ledyard with his own sword.

Today, Fort Griswold is a state park featuring a monument and a museum. The Battle of Groton Heights is re-enacted here every year commemorating the soldiers who fought so bravely for freedom.

Factors Affecting Financial Condition

The City's economic base is supported by a diverse selection of goods producing industries and services. Pharmaceutical and submarine building continues to be the leading manufacturing sectors in Groton.

Property taxes, which account for approximately 46.4 percent of the general fund revenue, have provided a reliable revenue source, with collections consistently at or above 98 percent. Current tax collections were approximately 99.5% of the adjusted tax levy.

Long-Term Financial Planning

Groton Utilities

Fiscal year 2008-2009 marked another major milestone in the history of Groton Utilities as we continue a second century of being at the service of our customers and our community. Groton Utilities manages three types of services -water, electric and cable television. All continued to perform beyond expectations and worked to enhance its reputation.

The Electric Division continued upgrading its electrical infrastructure to meet the ever-increasing demands for reliable electric service. The Water Division began supplying our neighboring communities via the trans-Thames River water transmission line, and the cable television operation signed up over 8,400 customers for service. The cable operation is a separate legal entity owned by the City:

Electric Division Upgrading its Infrastructure

During the past fiscal year, the Electric Division has been hard at work upgrading and improving the electric distribution system infrastructure. The various infrastructure improvement projects are designed to increase service reliability, increase capacity for future load growth and provide our customers with a level of service

that is second to none. Costs associated with the Electric Division's infrastructure improvement projects have been approved by the Utility Commission, City Council and the Freeman in the form of the 2001, 2002, 2005 and 2009 Electric Bond Funds. The 2005 Bond Fund program calls for continued infrastructure and pole replacements, constructing fiber optic connection between all electric substations to improve switching reliability and facilitate SCADA coordination, and rebuilding the 115 KV portion of our main transmission feeder substation.

Demand for power is projected to increase throughout Groton Utilities service area. In order to meet this demand and to provide Groton Utilities' customers with the highest level of reliability, the distribution voltage throughout our service area will be increased from the present voltage of 8.32 kV to 13.8 kV. By increasing the voltage of the distribution system, primary conductors will be capable of distributing more power, more efficiency. The entire conversion project is scheduled to take seven years to complete.

Water

The Water Division maintains its tradition of quality water and continues to look for ways to improve it. Protecting our water sources, purifying it, maintaining our water distribution system, and providing water testing to insure the quality of the finished product is required to ensure regulatory compliance, while planning for the future. The Division is in 100 percent regulatory compliance. The Division purchased and became certified on new highly sophisticated laboratory equipment, another step in maintaining quality water. The Water Division recently upgraded its Supervisory Control and Data Acquisition (SCADA) System to operate over radio frequencies to improve reliability of system-wide communications.

The Regional Water Line Interconnection under the Thames River has been completed to serve the municipalities on both sides of the river.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit, obligations of U.S. Treasury, and pooled fixed income vehicles. Cash balances are reviewed daily and investment of excess cash is made with a number of approved financial institutions, which are polled and selected based on the best rate offered on allowable instruments and maturities.

Under existing State Statutes, allowable investments include certificates of deposit on in-state banks, repurchase agreements, obligations of U.S Treasury, and in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust.

Historically, the City has utilized minimum balance requirements with its banks to pay for banking services. As such, the City left collected funds uninvested in its account to which the bank applied an earnings rate to determine earnings to support the services it provides. However, the earnings rate applied by the bank was based on short-term Treasury bill rates and applied to collected funds only after a 10% Federal Reserve requirement was subtracted. After analyzing the spread between the earnings generated by this method and the earnings generated by an investment program over a period of time, the City decided to change to a fee-for-service basis of paying for bank services. The City implemented through the bank a treasury management system, which allows the Department of Finance to access the bank computer data on the City's account by using a dial-up modem with a personal computer. The system enhances "ready call-up" of cash balances at any given time, with user initiated internal fund transfers, and direct wire transfers without the bank intervening. The City earned interest revenue of \$1,923,818 on all idle cash investments for the year ended June 30, 2010.

Risk Management

The City has a limited risk management program for its general liability auto insurance. As part of this comprehensive plan, resources are being accumulated in a separate insurance reserve fund to meet potential losses of \$1,000 per injury/auto and \$5,000 per property damage and general liability claims. All third-party coverage is currently maintained for claims greater than the aforementioned limits and other potential losses. However, future plans include the assumption of additional risk by the City.

The City has implemented a funding change from a fully, conventionally insured benefit program to an alternative funding arrangement, known as a self-funded (ASO-Administrative Services Only) program with individual stop-loss provisions. Full-time employees of the City not covered under any collective bargaining agreement are also eligible for the group insurance program. The cost of the medical program is contributory for some full-time employees and their dependents who must contribute between 5 and 12%; however, certain employees electing dental coverage must contribute 20% of the cost for the Dental Plan and Rider A.

The individual stop-loss coverage protects the City from claims in excess of \$100,000 for Hospitalization and in excess of \$100,000 for Major Medical, per eligible employee and each eligible dependent.

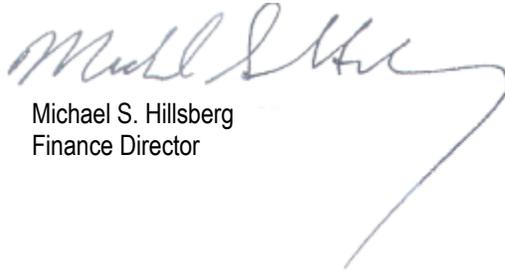
Significant cost savings from the City Self-Funding Health Program should affect future control of health cost to the City.

Awards. The Government Finance Officers Association of United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Each member has my sincere appreciation for their contributions made in the preparation of this report. The cooperation and assistance of the accounting firm of McGladrey & Pullen, LLP, also contributed significantly to its production.

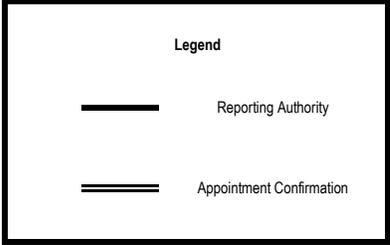
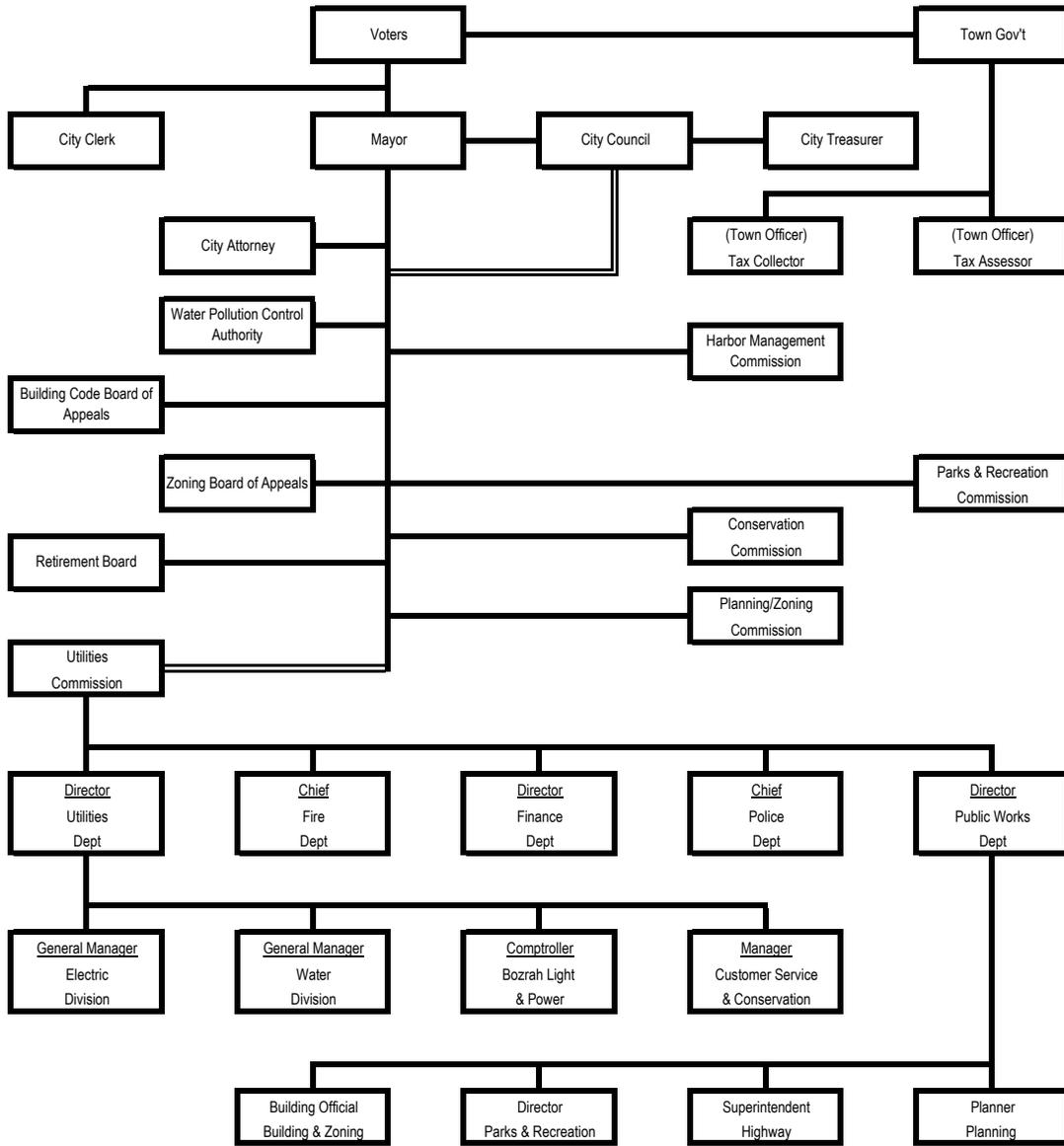
Respectfully submitted,



Michael S. Hillsberg
Finance Director

CITY OF GROTON

STRUCTURE OF GOVERNMENT



THE CITY OF GROTON PRINCIPAL MUNICIPAL OFFICIALS

Elected Officials Term of Office – May 2009 to May 2011

Dennis L. Popp – Mayor

Marian Galbraith (Deputy Mayor)	Councilor
David L. Hale	Councilor
William Jervis	Councilor
Lisa Luck	Councilor
Celeste Duffy	Councilor
Keith Hedrick	Councilor
Janice Waller-Brett	City Treasurer
Debra J. Patrick	City Clerk

Appointed Officials Term of Office – Indefinite

Philip Tuthill – Civil Preparedness Coordinator

Department Heads Term of Office – Indefinite

Director of Finance	Michael S. Hillsberg
Director of Utilities	Paul Yatcko
Director of Public Works	Vacant
Chief of Police	Bruno Giulini
Director of Parks & Recreation	Mary Hill
Building & Zoning Official	Carlton Smith
Planner	Barbara Goodrich
Fire Chief	Nicholas DeLia

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Groton
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Groton, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groton, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Thames Valley Communications, Inc., a component unit of the City, which financial statements reflect 64% of the assets and 34% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for Thames Valley Communications, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Thames Valley Communications, Inc., a discretely presented component unit, was not audited in accordance with "Government Auditing Standards." An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groton, Connecticut, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the basic financial statements, the beginning net assets of Business-Type Activities and the beginning net assets of the Electric Department Fund as of July 1, 2009 have been restated for a correction of an error. We also audited the adjustments described in Note 15 that were applied to restate net assets as of July 1, 2009. In our opinion, the adjustments are appropriate and have been properly applied.

In accordance with "Government Auditing Standards," we have also issued our report dated February 23, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedule of funding progress and employer contributions - Groton Retirement System, and schedules of funding progress and employer contributions - Groton Other Post-Employment Benefit Plan, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Groton, Connecticut's basic financial statements. The introductory section, the General Fund schedules, nonmajor governmental fund statements, the statements and schedules for the Electric Department, Water Department and internal service funds, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2010 General Fund schedules, nonmajor governmental fund statements, and the statements and schedules for the Electric Department, Water Department and internal service funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole. The City of Groton, Connecticut's financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements, were audited by other auditors, whose report thereon, dated December 15, 2009, expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Their report on the 2009 General Fund schedules, nonmajor governmental fund statements and the statements and schedules for the Electric Department, Water Department and internal service funds stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
February 23, 2011



CITY OF GROTON

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MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

As management of the City of Groton, we offer readers of the City of Groton's financial statements this narrative overview and analysis of the financial activities of the City of Groton for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$65,049,688 (net assets). Of this amount, \$17,999,768 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- On the government-wide basis, the City's total net assets decreased slightly \$.211 million for the fiscal year, with an increase in the government activities and a decrease in the business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,757,258 an increase of \$631,536 in comparison with the prior year. Approximately 83.3% of this total amount, \$5,632,007 is available for spending at the City's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$3,874,650 or 22.7% of total general fund expenditures and other financing uses.
- The City of Groton's total long term obligations increased by a net of \$4,175,254, 8.82% during the current fiscal year due to new bonds obligation and scheduled debt payments made during the fiscal year.

Overview of the Financial Statement

This discussion and analysis are intended to serve as an introduction to the City of Groton's basic financial statements. The City's 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 in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City'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 City is improving or deteriorating.

The statement of activities presents information showing how the City'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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, sewer operation and recreation. The business-type activities of the City include a Water and Electric distribution operation.

The government-wide financial statements not only include the City of Groton itself, but also two legally separate component units, Bozrah Light and Power Company and Thames Valley Communications, Inc. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City'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 City'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 City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other 9 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

<u>Major Governmental Fund</u>	<u>Non-major Governmental Funds</u>	
General	State Road Aid	D.A.R.E.
	Forfeiture Grant	Miscellaneous Grants
	Land Acquisition	Equipment Replacement
	1996 Parks & Recreation Improvements	1994 Sewer Improvements
	Submarine Memorial Fund	

The City 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 Page 15 through Page 18 of this report.

Proprietary funds. The City operates two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric and Water operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured medical benefits and property and general liability claims. These services benefit both governmental and business-type activities and therefore the operations have been recorded in proportion in the respective financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Department and for the Water System operation, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on Page 20 through Page 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Page 25 and Page 26 of this report.

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 Page 27 to Page 65 of this report.

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

The combining statements referred to earlier in connection with non-major governmental funds and internal service 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 government's financial position. In the case of the City, assets exceeded liabilities by \$65 million at the close of the most recent fiscal year.

**CITY OF GROTON, CONNECTICUT
STATEMENT OF NET ASSETS ('000)**

	June 30, 2010			June 30, 2009*		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-type Activities As Restated	Total
Current and other assets	\$ 12,515	\$ 57,976	\$ 70,491	\$ 11,666	\$ 63,674	\$ 75,340
Capital assets	23,762	57,900	81,662	22,194	58,115	80,309
Total Assets	36,277	115,876	152,153	33,860	121,789	155,649
Current liabilities	1,007	29,995	31,002	2,116	45,184	47,300
Long-term liabilities outstanding	7,093	49,008	56,101	4,771	38,317	43,088
Total Liabilities	8,100	79,003	87,103	6,887	83,501	90,388
Net assets:						
Invested in capital assets, net of related debt	18,698	28,280	46,978	17,941	32,193	50,134
Restricted	72	-	72	71	-	71
Unrestricted	9,407	8,593	18,000	8,961	6,095	15,056
Total Net Assets	\$ 28,177	\$ 36,873	\$ 65,050	\$ 26,973	\$ 38,288	\$ 65,261

* It should be noted that in the current year, investment in other companies was restated due to an error in not recognizing the investment in accordance with generally accepted accounting principles. See Note 15.

By far the largest portion of the City's net assets (72.30%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

A nominal portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$18 million (27.7%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's change in net assets decreased slightly by \$.211 million during the current fiscal year. The increase was due to positive operating results of the general fund, as well as operating results of the electric department.

Governmental activities. Governmental activities increased the City's net assets by \$1,204,000, thereby nearly offsetting the decrease in business-type net assets, yielding a slight decrease of the total net assets of the City.

**CITY OF GROTON, CONNECTICUT
STATEMENT OF ACTIVITIES ('000)**

	Year Ended					
	June 30, 2010			June 30, 2009		
	Primary Government		Total	Primary Government		Total
Governmental Activities	Business-type Activities	Governmental Activities		Business-type Activities		
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,484	\$ 74,908	\$ 76,392	\$ 1,528	\$ 80,444	\$ 81,972
Operating Grants and contributions	4,860	-	4,860	5,136	-	5,136
Capital Grants and contributions	1,095	-	1,095	-	-	-
General Revenues:						
Property Taxes	5,901	-	5,901	5,804	-	5,804
Grants and contributions not restricted to specific programs	409	-	409	111	-	111
Other	616	1,630	2,246	354	2,318	2,672
Total Revenues	14,365	76,538	90,903	12,933	82,762	95,695
Expenses:						
General Government	1,883	-	1,883	1,862	-	1,862
Public Safety	8,135	-	8,135	7,492	-	7,492
Public Works	4,949	-	4,949	4,786	-	4,786
Recreation	1,088	-	1,088	1,070	-	1,070
Interest on long-term debt	207	-	207	189	-	189
Water	-	8,179	8,179	-	8,517	8,517
Electric	-	66,673	66,673	-	68,840	68,840
Total Expenses	16,262	74,852	91,114	15,399	77,357	92,756
Change in net assets before transfers	(1,897)	1,686	(211)	(2,466)	5,405	2,939
Transfers	3,101	(3,101)	-	3,119	(3,119)	-
Change in net assets	1,204	(1,415)	(211)	653	2,286	2,939
Net assets - beginning	26,973	38,288	65,261	26,320	46,337	72,657
Restatement, see Note 15	-	-	-	-	(10,335) *	(10,335)
Net assets - ending	\$ 28,177	\$ 36,873	\$ 65,050	\$ 26,973	\$ 38,288	\$ 65,261

* It should be noted that in the current year, investment in other companies at June 30, 2009 was restated due to an error in not recognizing the investment in accordance with generally accepted accounting principles.

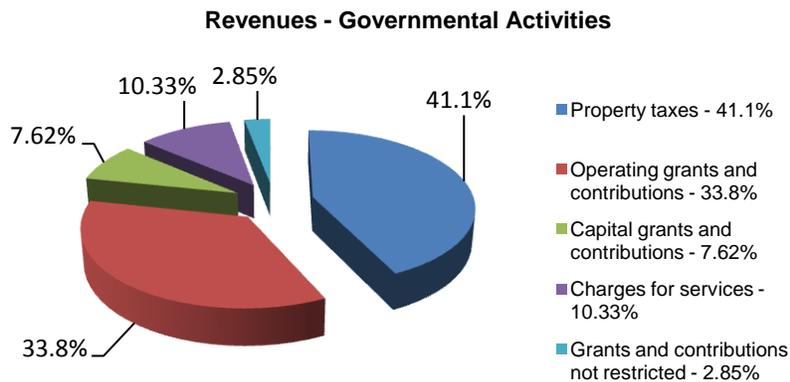
Expenses and Program Revenues – Governmental Activities

Revenues

Governmental activities' revenues totaled \$14.365 million for fiscal year 2010. Property taxes are the largest revenue source for the City and represent 41.1% of the governmental revenues. Current tax

collections were 99.35% of the adjusted tax levy. Operating and capital grants and contributions are the City's second largest revenue and represent 41.5% of the governmental revenues. In operating grants and contributions, revenues include Town of Groton's contribution for Police and Highway Department operation, State of Connecticut grants for enterprise zone and manufacturers' machinery and equipment and health district. Charges for services, the third largest revenue amount, represents 10.3% of the governmental revenues. Grants and contributions not restricted to specific programs represent 2.8% and include elderly tax relief and in lieu of tax contributions. Investment income and miscellaneous revenue represents 4.2% of governmental revenues.

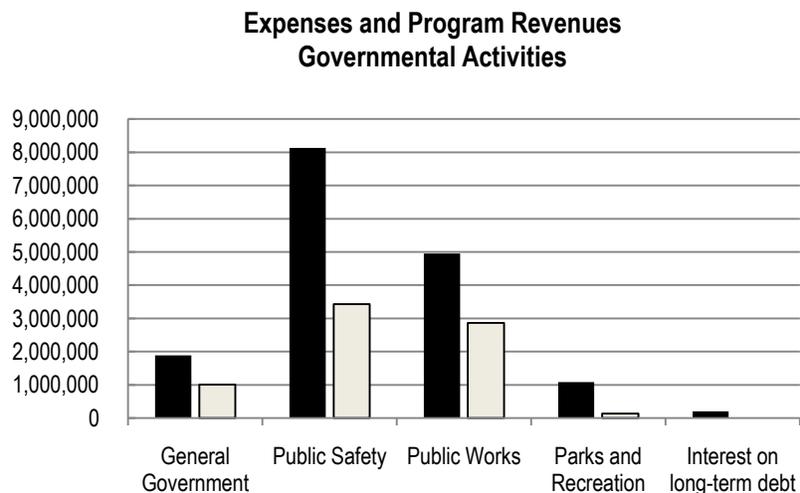
- Operating grants and contributions decreased by \$276 thousand due to a decrease in grants from the Town of Groton. All other variances were not significant.



Expenses

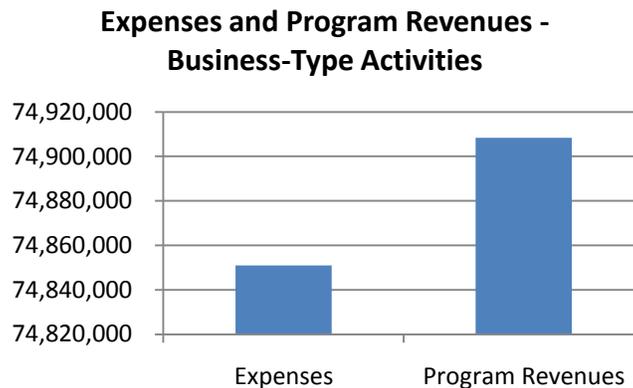
Governmental expenses totaled \$16.2 million for the fiscal year. Of the expenditures, 50.0% or \$8.1 million is related to public safety. Public works expenses amounted to \$4.9 million, or 30.4%. Recreation expenses amounted to \$1.08 million or 6.7%. Interest expense was \$0.2 million or 1.3%. General government expenses were \$1.9 million or 11.6%.

- General government, public safety and recreation expenses remained stable or decreased slightly from the previous year and this is the second year of other post employment benefits.



Business-type activities. Business-type activities represent 56.7% of the City's net assets and account for a large portion of the expenditures in the City. Key elements of this increase are as follows:

- Charges for services for business-type activities decreased by \$5.5 million. The Electric Department's portion of this decrease represents the method of billing a large customer who has constructed a Co-generation plant on site. The Water division increased 3.69% and is attributable to growth in the supply of water.
- Investment income decreased by \$688 thousand for business-type activities due to funds loaned to the taxable company owned by the City being exchanged for shares in the company, as well as a decrease in interest rates on investments held and market conditions.



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,757,258, an increase of \$631,536 in comparison with the prior year. Approximately 83.3% of this total amount, \$5,632,007, constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) encumbrances, \$78,107, 2) endowments, \$60,000, 3) inventory, \$13,538, and 4) Amount designated for subsequent year's budget, \$973,606.

The general fund is the operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,874,650, while total fund balance reached \$4,939,901. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.2% of total general fund expenditures. Total fund balance represents 32.2% of total general fund expenditures.

The fund balance of the City's general fund increased by \$503,034 during the current fiscal year.

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

Unrestricted net assets of the Electric operation at the end of the year amounted to \$8,251,188 and those from the Water operation amounted to \$(357,667). The change in net assets for Electric funds was \$(1,504,883) and the increase in net assets for Water funds was \$91,390 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original and the final departmental budgets.

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2010, amounts to approximately \$81,662,000 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, distribution systems, machinery and equipment, park facilities, sewer lines and roads. The total increase in the City's investment in capital assets for the current fiscal year was 1.7% (7.0% increase for governmental activities and 0.37% decrease for business-type activities).

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

- Construction began on various Electric and Water projects; construction in progress as of the close of the fiscal year had reached \$9,528,798.

CITY OF GROTON, CONNECTICUT
CAPITAL ASSETS ('000) (Net of Depreciation)

	June 30, 2010			June 30, 2009		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and land rights	\$ 3,627	\$ 2,794	\$ 6,421	\$ 3,627	\$ 2,295	\$ 5,922
Construction in progress	416	9,529	9,945	-	9,894	9,894
Land improvements	378	-	378	407	-	407
Buildings and improvements	5,354	4,240	9,594	5,523	4,320	9,843
Distribution systems	-	39,766	39,766	-	39,697	39,697
Machinery and equipment	728	835	1,563	581	1,084	1,665
Vehicles	2,836	736	3,572	1,901	825	2,726
Infrastructure	10,423	-	10,423	10,155	-	10,155
Total	<u>\$ 23,762</u>	<u>\$ 57,900</u>	<u>\$ 81,662</u>	<u>\$ 22,194</u>	<u>\$ 58,115</u>	<u>\$ 80,309</u>

Additional information on the City's capital assets can be found in Note 7.

Long-term debt. At the end of the current fiscal year, the City had total net bonded debt and note payable outstanding of \$48,833,547. Of this amount, \$5,063,480 comprises debt backed by the full faith and credit of the City and \$43,770,067 is Electric and Water debt for which the City is liable in the event of default by the Electric and Water Departments.

**CITY OF GROTON, CONNECTICUT
CHANGES IN BONDED DEBT AND NOTE PAYABLE DURING FISCAL 2010**

	Bonds and Note Payable (000's)
Outstanding at June 30, 2009	\$ 45,276
Issuance of bonds	16,863
Bond principal payments	(13,305)
Outstanding at June 30, 2010	<u>\$ 48,834</u>

The City's total bonded debt increased by a net of \$3,558,000 (7.9%) during the current fiscal year which included principal for a refunding issue.

The City maintains an "AA-2" 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 City is \$41,178,263, excluding the Electric and Water Departments' debt, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 9.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 8.2%, which is the same rate of a year ago. This compares favorably to the state's average unemployment rate of 8.5% and the national average rate of 9.7%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased by \$321,249. The City has appropriated \$ 973,606 of the 2010 fiscal year unreserved fund balance for spending in the 2011 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2011 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Michael S. Hillsberg, City of Groton, 295 Meridian Street, Groton, CT 06340.

Basic Financial Statements

CITY OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS (DEFICIT)

June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total*	Bozrah Light and Power Company	Thames Valley Communications, Inc.
Assets					
Cash and cash equivalents	\$ 11,111,542	\$ 7,931,149	\$ 19,042,691	\$ 1,540,828	\$ 291,444
Investments	494,073	-	494,073	-	-
Restricted cash	60,000	-	60,000	340,045	-
Receivables, net of allowances for collection losses:					
Property taxes	62,921	-	62,921	-	-
Use charges	-	6,184,232	6,184,232	1,581,311	518,220
Accrued utility revenue	-	1,077,505	1,077,505	-	-
Intergovernmental	31,973	-	31,973	-	-
Inventory and other	13,808	1,876,755	1,890,563	154,399	87,460
Internal balances	(4,439)	4,439	-	-	-
Due from component units	-	34,939,909	34,939,909	-	-
Amount held at CMEEC	-	4,701,474	4,701,474	-	-
Pension asset	745,811	572,509	1,318,320	-	-
Other noncurrent assets	-	688,311	688,311	-	-
Capital assets, net of accumulated depreciation	23,761,696	57,899,575	81,661,271	9,625,474	22,822,222
Total assets	36,277,385	115,875,858	152,153,243	13,242,057	23,719,346
Liabilities					
Accounts payable and accrued liabilities	951,714	11,397,505	12,349,219	3,229,034	3,956,487
Accrued interest payable	54,996	597,574	652,570	-	-
Bond anticipation notes	-	18,000,000	18,000,000	-	-
Due to primary government	-	-	-	3,400,000	32,245,256
Noncurrent liabilities:					
Rate stabilization	-	4,595,135	4,595,135	-	-
Due within one year	1,190,001	3,174,500	4,364,501	-	4,625
Due in more than one year	5,903,362	41,238,768	47,142,130	181,275	78,629
Total liabilities	8,100,073	79,003,482	87,103,555	6,810,309	36,284,997
Net Assets (Deficit)					
Investment in capital assets, net of related debt	18,698,216	28,279,508	46,977,724	6,225,474	(9,506,288)
Restricted for:					
Endowments - expendable	60,000	-	60,000	-	-
Permanent funds - expendable	12,196	-	12,196	-	-
Unrestricted (deficit)	9,406,900	8,592,868	17,999,768	206,274	(3,059,363)
Total net assets (deficit)	\$ 28,177,312	\$ 36,872,376	\$ 65,049,688	\$ 6,431,748	\$ (12,565,651)

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

* After internal receivables and payables have been eliminated.

CITY OF GROTON, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Bozrah Light and Power Company	Thames Valley Communications, Inc.
Primary government:									
Governmental activities:									
General government	\$ 1,883,687	\$ 924,262	\$ 85,869	\$ -	\$ (873,556)	\$ -	\$ (873,556)	\$ -	\$ -
Public safety	8,135,137	384,644	2,299,000	745,500	(4,705,993)	-	(4,705,993)	-	-
Public works	4,948,692	43,234	2,475,265	349,209	(2,080,984)	-	(2,080,984)	-	-
Parks and recreation	1,087,662	131,648	-	-	(956,014)	-	(956,014)	-	-
Interest expense	207,406	-	-	-	(207,406)	-	(207,406)	-	-
Total governmental activities	16,262,584	1,483,788	4,860,134	1,094,709	(8,823,953)	-	(8,823,953)	-	-
Business-type activities:									
Electric Department	66,672,893	66,675,238	-	-	-	2,345	2,345	-	-
Water Department	8,178,970	8,233,088	-	-	-	54,118	54,118	-	-
Total business-type activities	74,851,863	74,908,326	-	-	-	56,463	56,463	-	-
Total primary government	\$ 91,114,447	\$ 76,392,114	\$ 4,860,134	\$ 1,094,709	(8,823,953)	56,463	(8,767,490)	-	-
Component Units:									
Bozrah Light and Power Company	\$ 16,508,441	\$ 17,178,352	\$ -	\$ -	-	-	-	669,911	-
Thames Valley Communications, Inc.	11,813,664	8,330,164	-	-	-	-	-	-	(3,483,500)
Total component units	28,322,105	25,508,516	-	-	-	-	-	669,911	(3,483,500)
General revenues:									
Property taxes					5,901,139	-	5,901,139	-	-
Grants and contributions not restricted to specific programs					408,771	-	408,771	-	-
Investment income					294,327	1,629,491	1,923,818	3,703	16,281
Miscellaneous					322,512	-	322,512	(336,776)	524,800
Transfers					3,101,624	(3,101,624)	-	-	-
Total general revenues and transfers					10,028,373	(1,472,133)	8,556,240	(333,073)	541,081
Change in net assets					1,204,420	(1,415,670)	(211,250)	336,838	(2,942,419)
Net assets (deficit) - beginning, as restated (Note 15)					26,972,892	38,288,046	65,260,938	6,094,910	(9,623,232)
Net assets (deficit) - ending					\$ 28,177,312	\$ 36,872,376	\$ 65,049,688	\$ 6,431,748	\$ (12,565,651)

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

CITY OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	Major Fund		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
Assets			
Cash	\$ 5,715,445	\$ 1,149,749	\$ 6,865,194
Investments	-	494,073	494,073
Restricted cash	-	60,000	60,000
Receivables:			
Property taxes	62,921	-	62,921
Intergovernmental	31,973	-	31,973
Other	270	-	270
Due from other funds	-	377,409	377,409
Inventory of supplies, at cost	13,538	-	13,538
Total assets	\$ 5,824,147	\$ 2,081,231	\$ 7,905,378
Liabilities			
Cash overdraft	\$ -	\$ 5,069	\$ 5,069
Accounts payable	220,338	258,805	479,143
Accrued liabilities	219,139	-	219,139
Due to other funds	381,848	-	381,848
Deferred revenue	62,921	-	62,921
Total liabilities	884,246	263,874	1,148,120
Fund Balances			
Reserved for:			
Encumbrances	78,107	-	78,107
Endowments	-	60,000	60,000
Inventory	13,538	-	13,538
Unreserved:			
Designated for subsequent year's budget	973,606	-	973,606
Unreserved and undesignated:			
General fund	3,874,650	-	3,874,650
Special revenue funds	-	497,845	497,845
Capital projects funds	-	1,247,316	1,247,316
Permanent funds	-	12,196	12,196
Total fund balances	4,939,901	1,817,357	6,757,258
Total liabilities and fund balances	\$ 5,824,147	\$ 2,081,231	

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

Capital assets purchased by governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the City as a whole.	23,761,696
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.	62,921
Internal service funds are used by management to charge the costs of Health Insurance. Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,997,985
Pension asset	745,811
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(7,093,363)
Accrued interest payable	(54,996)
Net assets of governmental activities	\$ 28,177,312

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Major Fund		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
REVENUES			
Property taxes	\$ 5,913,531	\$ -	\$ 5,913,531
Intergovernmental	5,012,783	1,350,831	6,363,614
Charges for services	1,483,788	-	1,483,788
Income from investments	249,749	27,071	276,820
Other	76,298	246,214	322,512
Total revenues	12,736,149	1,624,116	14,360,265
EXPENDITURES			
Current:			
General government	1,605,410	-	1,605,410
Public safety	7,097,116	209,569	7,306,685
Public works	4,205,129	51,440	4,256,569
Parks and recreation	1,029,072	-	1,029,072
Non-departmental	61,150	-	61,150
Capital outlay	132,632	2,959,605	3,092,237
Other	87,323	-	87,323
Debt service:			
Bond principal	953,585	-	953,585
Bond and note interest	188,286	-	188,286
Total expenditures	15,359,703	3,220,614	18,580,317
Revenues over (under) expenditures	(2,623,554)	(1,596,498)	(4,220,052)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,101,624	-	3,101,624
Issuance of general obligation bond	-	1,725,000	1,725,000
Issuance of refunding bond	1,614,200	-	1,614,200
Payment to escrow agent	(1,713,838)	-	(1,713,838)
Premium on bond	124,602	-	124,602
Total other financing sources (uses)	3,126,588	1,725,000	4,851,588
Net change in fund balances	503,034	128,502	631,536
FUND BALANCES, beginning	4,436,867	1,688,855	6,125,722
FUND BALANCES, ending	\$ 4,939,901	\$ 1,817,357	\$ 6,757,258

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

CITY OF GROTON, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 631,536
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.	1,567,783
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(12,392)
Change in net pension assets	154,829
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(809,676)
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.	(315,217)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(12,443)</u>
Change in net assets of governmental activities	<u>\$ 1,204,420</u>

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
 BUDGETARY BASIS - GENERAL FUND
 For the Year Ended June 30, 2010

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,557,211	\$ 5,557,211	\$ 5,913,531	\$ 356,320
Intergovernmental	5,059,238	5,059,238	5,012,783	(46,455)
Charges for services	1,365,702	1,365,702	1,483,788	118,086
Miscellaneous revenues	85,500	85,500	76,298	(9,202)
Investment income and other sources	150,000	150,000	249,749	99,749
Total revenues	12,217,651	12,217,651	12,736,149	518,498
EXPENDITURES				
Current:				
General government	1,727,967	1,727,967	1,582,549	145,418
Public safety	7,314,165	7,314,165	7,131,829	182,336
Public works	4,721,278	4,721,278	4,337,761	383,517
Parks and recreation	1,037,088	1,037,088	1,029,072	8,016
Non-departmental	106,305	106,305	61,150	45,155
Contingency	115,000	115,000	87,323	27,677
Debt service:				
Bond principal	925,500	925,500	953,585	(28,085)
Bond and note interest	178,758	178,758	163,322	15,436
Total expenditures	16,126,061	16,126,061	15,346,591	779,470
Revenues over (under) expenditures	(3,908,410)	(3,908,410)	(2,610,442)	1,297,968
OTHER FINANCING SOURCES (USES)				
Transfers in	3,100,000	3,100,000	3,101,624	(1,624)
Appropriation of fund balance	808,410	808,410	-	808,410
Total other financing sources (uses)	3,908,410	3,908,410	3,101,624	(806,786)
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ -	491,182	\$ 491,182
BUDGETARY FUND BALANCE, beginning			4,370,612	
BUDGETARY FUND BALANCE, ending			\$ 4,861,794	

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

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CITY OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2010

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash	\$ 6,186,055	\$ 1,002,302	\$ 7,188,357	\$ 4,989,140
Receivables:				
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	5,370,144	814,088	6,184,232	-
Accrued utility revenue	1,077,505	-	1,077,505	-
Other	2,487	-	2,487	-
Due from other funds	2,223,042	1,777	2,224,819	-
Prepaid expenses	54,344	27,846	82,190	-
Other	4,730	-	4,730	-
Inventory	1,763,863	23,485	1,787,348	-
Total current assets	16,682,170	1,869,498	18,551,668	4,989,140
Noncurrent assets:				
Amount held at CMEEC	4,701,474	-	4,701,474	-
Total non current assets	4,701,474	-	4,701,474	-
Other Noncurrent Assets:				
Due from component units	34,939,909	-	34,939,909	-
Notes receivable	-	570,271	570,271	-
Bond issue costs	-	51,034	51,034	-
Other	67,006	-	67,006	-
Net pension asset	332,799	239,710	572,509	-
Total other noncurrent assets	35,339,714	861,015	36,200,729	-
Capital Assets (net of accumulated depreciation):				
Land and land rights	707,176	2,087,377	2,794,553	-
Construction in progress	8,721,273	807,525	9,528,798	-
Buildings and improvements	418,140	3,821,575	4,239,715	-
Plant and pumping stations	-	4,668,826	4,668,826	-
Station equipment	7,730,267	-	7,730,267	-
Electric distribution system	10,291,106	-	10,291,106	-
Water distribution system	-	17,075,753	17,075,753	-
Machinery and equipment	482,601	352,439	835,040	-
Vehicles	735,517	-	735,517	-
Total capital assets (net of accumulated depreciation)	29,086,080	28,813,495	57,899,575	-
Total noncurrent assets	69,127,268	29,674,510	98,801,778	-
Total assets	\$ 85,809,438	\$ 31,544,008	\$ 117,353,446	\$ 4,989,140

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

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric	Water	Total	Internal
	Department	Department		Service Fund
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 8,428,331	\$ 245,890	\$ 8,674,221	\$ 291,808
Accrued payroll and compensated absences	384,266	208,418	592,684	-
Accrued taxes	349,817	38,349	388,166	-
Accrued interest payable	521,182	76,392	597,574	-
Due to other funds	-	2,220,380	2,220,380	-
Bond anticipation notes	18,000,000	-	18,000,000	-
General obligation bonds payable - current portion	2,179,955	994,545	3,174,500	-
Current liabilities payable from restricted assets:				
Customer deposits payable	1,674,754	24,235	1,698,989	-
Total current liabilities	31,538,305	3,808,209	35,346,514	291,808
Noncurrent liabilities:				
Rate stabilization	4,595,135	-	4,595,135	-
General obligation bonds and notes payable - net of premium and deferred amount on refunding	34,756,210	5,839,357	40,595,567	-
Net OPEB obligation	368,685	274,516	643,201	-
Total noncurrent liabilities	39,720,030	6,113,873	45,833,903	-
Total liabilities	71,258,335	9,922,082	81,180,417	291,808
NET ASSETS				
Capital assets, net of related debt	6,299,915	21,979,593	28,279,508	-
Unrestricted (deficit)	8,251,188	(357,667)	7,893,521	4,697,332
Total net assets	\$ 14,551,103	\$ 21,621,926	36,173,029	\$ 4,697,332
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			699,347	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ 36,872,376	

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Business-Type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	Electric Department	Water Department	Total	
OPERATING REVENUES	\$ 66,675,238	\$ 8,233,088	\$ 74,908,326	\$ 3,828,537
OPERATING EXPENSES				
Direct Expenses:				
Purchased power	48,481,194	-	48,481,194	-
Other	2,755,117	3,202,153	5,957,270	-
Overhead Expenses:				
Customer account	1,497,449	383,663	1,881,112	-
Administrative and general	4,338,353	3,220,191	7,558,544	-
Claims and administration	-	-	-	3,860,664
Taxes	1,604,284	270,315	1,874,599	-
Depreciation	1,524,522	788,444	2,312,966	-
Total operating expenses	60,200,919	7,864,766	68,065,685	3,860,664
Operating income (loss)	6,474,319	368,322	6,842,641	(32,127)
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,592,219	37,272	1,629,491	17,507
Interest expense	(2,227,622)	(314,204)	(2,541,826)	-
Allowance for advance	(4,242,175)	-	(4,242,175)	-
Total nonoperating revenues (expenses)	(4,877,578)	(276,932)	(5,154,510)	17,507
Income (loss) before transfers	1,596,741	91,390	1,688,131	(14,620)
Transfers out	(3,101,624)	-	(3,101,624)	-
Changes in net assets	(1,504,883)	91,390	(1,413,493)	(14,620)
NET ASSETS , beginning, as restated (Note 15)	16,055,986	21,530,536	37,586,522	4,711,952
NET ASSETS , ending	\$ 14,551,103	\$ 21,621,926	36,173,029	\$ 4,697,332
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Proprietary Funds			(2,177)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ (1,415,670)	

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Business-Type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	Electric Department	Water Department	Total	
Cash Flows From Operating Activities				
Cash received from customers	\$ 65,956,189	\$ 8,170,934	\$ 74,127,123	\$ -
Cash payments to suppliers for goods and services	(51,444,156)	(3,391,668)	(54,835,824)	-
Cash payments to employees for services	(7,309,603)	(3,806,744)	(11,116,347)	-
Cash received from premiums	-	-	-	3,828,537
Cash paid to claimants	-	-	-	(3,282,466)
Cash paid for administration	-	-	-	(541,460)
Net cash provided by operating activities	7,202,430	972,522	8,174,952	4,611
Cash Flows From Investing Activities				
Payments of note receivable	1,463,680	94,378	1,558,058	-
Interest and dividends on investments	1,592,219	37,272	1,629,491	17,507
Net cash provided by investing activities	3,055,899	131,650	3,187,549	17,507
Cash Flows From Noncapital and Related Financing Activities				
Transfers to other funds	(3,101,624)	-	(3,101,624)	-
Allowance for advance	(4,242,175)	-	(4,242,175)	-
Amount held at CMEEC	(4,701,474)	-	(4,701,474)	-
Net cash used in noncapital and related financing activities	(12,045,273)	-	(12,045,273)	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,743,084)	(354,656)	(2,097,740)	-
Proceeds from bond anticipation notes	18,500,000	-	18,500,000	-
Payment of bond anticipation notes	(22,300,000)	-	(22,300,000)	-
Proceeds from general obligation bond issue	11,440,000	1,656,000	13,096,000	-
Principal paid on general obligation bond maturities and equipment contracts	(7,540,085)	(2,746,415)	(10,286,500)	-
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(3,014,242)	(265,126)	(3,279,368)	-
Net cash used in capital and related financing activities	(4,657,411)	(1,710,197)	(6,367,608)	-
Net increase (decrease) in cash and cash equivalents	(6,444,355)	(606,025)	(7,050,380)	22,118
CASH AND CASH EQUIVALENTS, beginning	12,630,410	1,608,327	14,238,737	4,967,022
CASH AND CASH EQUIVALENTS, ending	\$ 6,186,055	\$ 1,002,302	\$ 7,188,357	\$ 4,989,140

(Continued)

CITY OF GROTON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued
For the Year Ended June 30, 2010

	Business-Type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	Electric Department	Water Department	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 6,474,319	\$ 368,322	\$ 6,842,641	\$ (32,127)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,524,522	788,444	2,312,966	-
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	1,105,780	(62,154)	1,043,626	-
Accrued utility revenue	207,387	-	207,387	-
Inventory	280,165	(2,260)	277,905	-
Prepaid expenses	226,974	140,122	367,096	-
Due from other funds	75,726	28,223	103,949	-
Bond issue costs	60,000	(1,446)	58,554	-
Pension asset	(69,088)	(49,763)	(118,851)	-
Increase (decrease) in:				
Accounts payable	(819,715)	(277,292)	(1,097,007)	36,738
Accrued payroll and compensated absences	7,053	(15,211)	(8,158)	-
Accrued taxes	16,110	1,049	17,159	-
Due to other funds	(30,995)	(76,862)	(107,857)	-
Rate stabilization	(2,032,216)	-	(2,032,216)	-
Net OPEB obligation	176,408	131,350	307,758	-
Net cash provided by operating activities	\$ 7,202,430	\$ 972,522	\$ 8,174,952	\$ 4,611

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2010

	<u>Pension Trust Fund</u>
ASSETS	
Cash	<u>\$ 2,200,895</u>
Investments, at fair value	
U.S. government bonds	6,909,161
U.S. government securities	5,736,770
Collateralized mortgage obligations	2,010,429
Municipal obligations	125,722
Corporate bonds	3,818,117
Foreign bonds, notes and debentures	1,504,991
Foreign stock	5,340,930
Mutual funds:	
Equities and related securities	22,211,102
Fixed income	<u>2,705,054</u>
Total investments	<u>50,362,276</u>
Accrued interest	172,489
Pending sales	86,118
Total assets	<u>52,821,778</u>
LIABILITIES	
Pending purchases	<u>1,249,994</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 51,571,784</u></u>

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2010

	<u>Pension Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 1,787,483
Plan members	911,055
Total contributions	<u>2,698,538</u>
Investment Income:	
Change in fair value of investments	3,666,340
Interest and dividends	2,725,122
Total investment income	<u>6,391,462</u>
Less investment expenses	<u>136,631</u>
Net investment income	<u>6,254,831</u>
Total additions	<u>8,953,369</u>
Deductions	
Benefits	2,670,293
Administration	86,694
Total deductions	<u>2,756,987</u>
Change in net assets	6,196,382
Net Assets	
Beginning of year	<u>45,375,402</u>
End of year	<u>\$ 51,571,784</u>

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The City of Groton lies entirely within the Town of Groton and covers an area of 3.06 square miles. The City operates under a Council-Mayor form of government as prescribed by its charter. The City provides the following services as authorized by its charter: utilities, public safety, public works, sanitation services and recreation.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City's component units are discretely presented component units, which are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City. Bozrah Light and Power Company has a June 30 year-end. Thames Valley Communications, Inc. has a December 31 year-end.

Discretely Presented Component Units

Bozrah Light and Power Company (the "Company") is wholly-owned by the City of Groton (the "City"). The Company operates as an electric utility, purchasing power and selling it to consumers. It owns and maintains electric distribution facilities for the purpose of delivering electricity to others. The Company is subject to requirements of Chapter 101 of the Connecticut General Statutes, which sets forth the regulatory structure applicable to municipal electric utilities. Under Chapter 101, the City is permitted to realize an average rate of return on its investment of five to eight percent. Any excess revenues may be used for capital expansion, economic development or to effect a rate reduction for electric consumers. The information presented for Bozrah Light and Power Company is for the year ended June 30, 2010.

Thames Valley Communications, Inc. (the "Company") is a Connecticut taxable stock corporation wholly-owned by the City of Groton. The Company is engaged in the business of cable television, high speed data transmission, and internet services to businesses, municipalities, education communities, and the general public in the State of Connecticut. The information presented for Thames Valley Communications, Inc. is for the year ended December 31, 2009.

Complete financial statements for each component unit are available from the City of Groton's administrative offices.

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 non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary funds and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 government 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.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual (i.e., measurable and available) 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 City.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

The City reports the following major governmental fund:

The *General Fund* is the City'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 City reports the following major proprietary funds:

The *Electric Department* accounts for the activities of the City's Electric Department.

The *Water System* accounts for the activities of the City's Water System.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for risk financing activities for medical insurance benefits.

The *Pension Trust Funds* account for the activities of the City of Groton Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Electric Department and Water System and various other functions of the City. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Department enterprise fund, of the Water System enterprise fund, and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Cash and Cash Equivalents

The City's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value, based on quoted market prices. In general, State of Connecticut statutes allow the City 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 services. For the Equipment Replacement Account, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The City's Pension Trust Fund is guided by a written investment policy that describes the characteristics of the investment portfolios and expected returns on the pension fund assets. The pension fund assets are managed by investment managers.

Receivables and Payables

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes and Other Receivables

In the government-wide financial statements, property tax and electric and water use are shown net of an allowance for uncollectibles of approximately \$7,000, \$75,000 and \$2,500, respectively.

In the fund financial statements, property tax receivables are recorded as of levy date and property tax revenue is recognized when it becomes available. Available means then due or past due and receivable

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property taxes not collected during the 60-day period are recorded as deferred revenue.

Property taxes are attached as an enforceable lien on property as of July 1. Assessments are set as of October 1 preceding and, as such, an inchoate lien is placed at that time. On July 1, when the mill rate is applied to levy a dollar tax, a choate lien is recognized. Taxes are billed in one installment due July 1. A lien may be continued if filed within 1 year of the due date. The Town of Groton performs tax assessment and collection duties for the City of Groton. The City sets its own mill rate at its Annual Budget Meeting on the first Monday in June.

Inventories and Prepaid Items

Inventory is valued at moving weighted average cost for the Enterprise Funds. All other inventories are valued at specific cost using the first-in/first-out (FIFO) method. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Enterprise Funds consists of supplies and materials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and enterprise fund financial statements.

Restricted Assets

The restricted assets for the City are restricted for endowment purposes. The trust agreement restricts the expenditure of the investment income only for the designated purpose.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental (or business-type activities) columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements, and \$100,000 for infrastructure, 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

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

<u>Asset Type</u>	<u>Years</u>
Buildings	25-67
Improvements	17-100
Vehicles and equipment	5-33
Roads	50
Sewer plant	30-40
Sewer distribution system	40-50
Station equipment	20
Electrical distribution system	17-25
Plant and pumping stations	50
Water distribution system	40-50

Compensated Absences

The City's employees earn vacation leave, which generally cannot be accumulated. If unusual conditions exist, then Utilities' employees, with written permission of the director or manager of the Utilities Department, may be allowed to accumulate. Supervisory and salaried personnel in the City are permitted by an informal policy to accumulate vacation leave for 1 year. Unused sick leave may be accumulated up to certain limits, generally up to 1,000 hours per employee.

The liability for sick leave occurs only at the time of retirement. As of June 30, 2010, an estimate of future retirements has been recorded based upon years of service.

The Electric and Water Departments have recorded the liability for accumulated vacation. The Electric and Water Departments' vacation time is expensed as earned, as is the vacation time of governmental employees in the government-wide statements. The City's governmental employees' vacation time is recorded as expenditures as used in the government funds financial statements. Sick time for the City and Electric and Water Departments does not vest.

Long-Term Obligations

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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.

Pension Accounting

Pension Trust Funds

Investments are reported at fair value. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when paid. Administrative costs are financed through investment earnings.

Government-Wide Financial Statements

The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of Governmental Accounting Standards Board Statement No. 27. In the governmental funds financial statements, expenditures are recognized when they are paid or expected to be paid with current financial resources. A net pension asset (obligation) is recorded as a non-current asset (liability) in the government-wide financial statements and proprietary fund financial statements.

Funding Policy

The City funds the contributions to its pension plans based on the actuarially required contribution.

Net Other Post-employment Benefit Obligations

In fiscal year 2009, the City implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." This pronouncement required the City to calculate and record a net other post-employment benefit obligation (NOPEBO) in its government-wide financial statements and proprietary fund financial statements. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008. The City makes annual contributions based upon committee decisions using the actuarial valuation. In the governmental funds financial statements, expenditures are recognized when they are paid or are expected to be paid with current available resources.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the budgeted governmental fund types. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

Fund Equity and Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 is 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 City which are not restricted.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The three categories, and their general meanings, are as follows:

Reserved Fund Balance – indicates that portion of fund equity that is not available for appropriation or is legally segregated for specific future use.

Unreserved/Designated Fund Balance – indicates that portion of fund equity for which the Town has made tentative plans.

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

Accounting 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. A significant estimate that is susceptible to change in the near term is the collectibility of the due from component unit.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the difference are as follows:

Bonds payable	\$ 5,074,500
Premium	134,658
Deferred charges	(145,678)
Compensated absences	1,048,109
OPEB obligations	620,601
Heart and hypertension	361,173
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 7,093,363
	<hr/> <hr/>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this difference are as follows:

Capital outlay	\$ 3,092,237
Depreciation expense	(784,243)
Loss on disposal of capital asset	(740,211)
	<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 1,567,783
	<hr/> <hr/>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Another element of that reconciliation states that “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 this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 3,239,000
Premium	107,920
Deferred items	(133,744)
Principal repayments:	
General obligation debt	(689,662)
Payment of escrow agent for refunding	<u>(1,713,838)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 809,676</u>

Another element of that reconciliation states that “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.” The details of this difference are as follows:

Changes in accrued liabilities for	
Compensated absences	\$ 27,950
Accrued interest	5,823
OPEB obligations	296,944
Heart and hypertension	<u>(15,500)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 315,217</u>

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

All agencies of the City submit requests for appropriations to the City's mayor on or before the second Monday in March of each year so that a budget may be prepared. The budget is prepared for the General Fund by function and activity within departments, and includes information on the past year, current year estimates, and requested appropriations for the next year.

- The proposed budget is presented to the City Council for review on the first Monday in April. The City Council may only consider the proposed budget and make recommendations. Subsequent to publication of the proposed budget on the third Monday in May, a public hearing is held to solicit comments from citizens of the City.
- Formal budgetary integration is employed as a management control device during the year. All unencumbered appropriations lapse at fiscal year-end.
- In accordance with the provisions of the charter, no funds may be transferred from one department to another without prior approval of the qualified electors at the annual City budget meeting or special City meeting. This approval is granted at the City budget meeting which authorizes Mayor and Council to make transfers which will not exceed the total budget approved.
- The City charter does not provide for additional appropriations.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Budget – GAAP Reconciliation

A reconciliation of General Fund operations presented on a budgetary basis to the amounts presented in the fund financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) is as follows:

	Financing Sources	Financing Uses
Balance, budgetary basis, June 30, 2010	\$ 15,837,773	\$ 15,346,591
Changes in reserves for encumbrances, continued appropriations and liquidation of encumbrances	-	(11,852)
Bond issuance cost	-	24,964
Payment to escrow agent	-	1,713,838
Issuance of refunding bond	1,614,200	-
Premium on refunding bond	124,602	-
Balance, GAAP Basis, June 30, 2010	<u>\$ 17,576,575</u>	<u>\$ 17,073,541</u>

Donor Restricted Endowments

The City has received an endowment for the maintenance of the U.S. Submarine Veterans of World War II memorial located at the Thames River. The amounts are reflected in net assets as restricted for permanent funds. Investment income (interest only) is approved for expenditure by the City Council.

Special revenue funds

The City does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

Capital project funds

Legal authorization for expenditures of the capital project funds is provided by the related bond ordinances. Capital appropriations do not lapse until completion of the applicable projects.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 4. Cash and Investments

Deposits: The City does not have a policy for deposits. The City also does not have a custodial credit risk policy. However, as a practice, the City follows State statutes. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The City and the Pension Trust Fund do not have a credit risk or a custodial credit risk policy for investments. The City and the Pension Trust Fund have adopted investment policies that conform to the policies as set forth by the State of Connecticut. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries. The Pension Trust Fund's investment in foreign bonds and stocks is in proportion with which the investment manager shall deem appropriate.

Interest rate risk: The City does not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, including its Pension Trust Fund. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations or pension payments, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentration of credit risk: The City, including its Pension Trust Fund, does not have a formal policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer. Approximately 11% of the City's investments are concentrated in mortgage-backed securities.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2010, \$5,265,183 of the entity's bank balance of \$6,622,538 was uninsured and uncollateralized.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash and investments of the City consist of the following at June 30, 2010:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 9,142,394
Cutwater Asset Management - Connecticut Class Plus	12,161,192
Total cash and cash equivalents	<u>21,303,586</u>
Investments	
Pension Trust Fund	
U.S. Government Bonds	6,909,161 *
Mortgage-Backed Securities	5,736,770 *
Collateralized Mortgage Obligations	2,010,429 *
Municipal Obligations	125,722 *
Corporate Bonds	3,818,117 *
Foreign Bonds	1,504,991 *
Foreign Stock	5,340,930 *
Mutual Funds	
Equity	22,211,102 *
Fixed Income	2,705,054 *
	<u>50,362,276</u>
Other Governmental Funds	
U.S. Government Bonds	65,867 *
Collateralized Mortgage Obligations	249,920 *
Equity Securities	178,286 *
	<u>494,073</u>
Total Investments	<u>50,856,349</u>
Total cash, cash equivalents and investments	<u><u>\$ 72,159,935</u></u>

* These investments are uninsured and unregistered, with securities held by the counterparty, but not in the City's name.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and cash equivalents	\$19,102,691
Investments	494,073
Total Statement of Net Assets	<u>19,596,764</u>
Fiduciary Funds:	
Cash and cash equivalents	2,200,895
Investments	50,362,276
	<u>52,563,171</u>
Total cash and investments	<u><u>\$72,159,935</u></u>

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	5-10 Years	Over 10 Years
U.S. Government Bonds	\$ 6,975,028	\$ 2,523,125	\$ 2,623,955	\$ 611,942	\$ 1,216,006
Collateralized Mortgage Obligations	2,260,349	40,430	143,983	308,239	1,767,697
Foreign Bonds	1,504,991	1,062,154	175,869	185,028	81,940
Mortgage-Backed Securities	5,736,770	-	-	-	5,736,770
Municipal Bonds	125,722	-	-	-	125,722
Corporate Bonds	3,818,117	249,277	1,467,022	936,502	1,165,316
Fixed Income Funds	2,705,054	-	2,705,054	-	-
TOTAL	<u>\$23,126,031</u>	<u>\$ 3,874,986</u>	<u>\$ 7,115,883</u>	<u>\$ 2,041,711</u>	<u>\$10,093,451</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Foreign currency risk: The City and the Pension Trust Fund do not have a policy for foreign currency risk. The City's and the Pension Trust Fund's exposure to foreign currency related to bonds and stocks as of June 30, 2010, is as follows:

Bonds:	British Pound	\$	72,395
	Euro Currency Unit		1,093,224
	Canadian Dollar		154,232
	Japanese Yen		185,139
Stocks:	British Pound		832,925
	Euro Currency Unit		1,376,131
	Canadian Dollar		688,536
	Japanese Yen		368,575
	Australian Dollar		276,315
	Brazilian Real		196,981
	Swiss Franc		849,309
	Singapore Dollar		72,628
	Mexican Peso		81,819
	Hong Kong Dollar		51,109
	Norwegian Krone		121,325
	Bermuda Dollar		176,423

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

Average Rating	Foreign Bonds	Corporate Bonds	Collateralized Mortgage Oblig.	U.S. Gov't Bonds	Mortgage-Backed Securities	Municipal Bonds	Pooled Fixed Income
AAAm	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$12,161,192
AAA	-	-	885,011	6,975,028	5,736,770	125,722	-
AA	-	247,437	227,340	-	-	-	-
AA-	-	-	-	-	-	-	-
A+	-	104,932	-	-	-	-	-
A	-	722,821	321,193	-	-	-	-
A-	-	117,333	-	-	-	-	-
BBB+	257,400	468,815	177,796	-	-	-	-
BBB	103,497	861,338	87,861	-	-	-	-
BBB-	154,529	1,295,441	40,430	-	-	-	-
BB+	-	-	230,899	-	-	-	-
B	-	-	39,899	-	-	-	-
Unrated	989,565	-	249,920	-	-	-	2,705,054
	<u>\$ 1,504,991</u>	<u>\$ 3,818,117</u>	<u>\$ 2,260,349</u>	<u>\$ 6,975,028</u>	<u>\$ 5,736,770</u>	<u>\$ 125,722</u>	<u>\$14,866,246</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 5. Unearned Revenue/Deferred Revenue

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 and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue/deferred revenue were as follows:

	<u>Deferred Revenue</u>
General Fund:	
Taxes and accrued interest on delinquent property taxes	<u>\$ 62,921</u>

Note 6. Interfund and Intra Entity Balances and Interfund Transfers

Interfund Balances

A summary of interfund balances as of June 30, 2010 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 381,848
Non-Major Funds	377,409	-
Proprietary Funds	2,224,819	2,220,380
Total	<u>\$ 2,602,228</u>	<u>\$ 2,602,228</u>

All interfund balances resulted from the time lag between the date payments occurred between funds for short-term internal financing.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Intra Entity Balances

Intra entity balances between the primary government and the component units do not agree for the reason summarized below:

Receivable	Payable	Amount
Electric Department and Business-Type Activities	Thames Valley Communications, Inc. - for repayment of notes occurring after the fiscal year end of this component unit.	\$ 705,347

Interfund Transfers

A summary of interfund transfers as of June 30, 2010 is as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 3,101,624	\$ -
Proprietary Funds	-	3,101,624
Total	\$ 3,101,624	\$ 3,101,624

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,627,257	\$ -	\$ -	\$ 3,627,257
Construction in progress	-	415,605	-	415,605
Total capital assets, not being depreciated	<u>3,627,257</u>	<u>415,605</u>	<u>-</u>	<u>4,042,862</u>
Capital assets, being depreciated:				
Land improvements	747,479	-	-	747,479
Buildings and improvements	11,860,992	-	-	11,860,992
Machinery and equipment	3,555,466	217,055	-	3,772,521
Vehicles	4,202,190	1,991,603	1,198,086	4,995,707
Infrastructure	15,320,642	467,974	-	15,788,616
Total capital assets being depreciated	<u>35,686,769</u>	<u>2,676,632</u>	<u>1,198,086</u>	<u>37,165,315</u>
Less accumulated depreciation for:				
Land improvements	340,745	28,752	-	369,497
Buildings and improvements	6,337,558	169,359	-	6,506,917
Machinery and equipment	2,974,128	70,412	-	3,044,540
Vehicles	2,301,639	315,648	457,875	2,159,412
Infrastructure	5,166,043	200,072	-	5,366,115
Total accumulated depreciation	<u>17,120,113</u>	<u>784,243</u>	<u>457,875</u>	<u>17,446,481</u>
Total capital assets, being depreciated, net	<u>18,566,656</u>	<u>1,892,389</u>	<u>740,211</u>	<u>19,718,834</u>
Governmental activities capital assets, net	<u>\$ 22,193,913</u>	<u>\$ 2,307,994</u>	<u>\$ 740,211</u>	<u>\$ 23,761,696</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,294,553	\$ 500,000	\$ -	\$ 2,794,553
Construction in progress	9,894,108	4,864,720	5,230,030	9,528,798
Total capital assets, not being depreciated	<u>12,188,661</u>	<u>5,364,720</u>	<u>5,230,030</u>	<u>12,323,351</u>
Capital assets, being depreciated:				
Buildings and improvements	7,397,850	94,155	-	7,492,005
Station equipment	19,209,761	403,563	-	19,613,324
Electric distribution system	25,987,742	815,433	2,211	26,800,964
Plant and pumping stations	9,890,715	129,991	-	10,020,706
Water distribution system	23,848,831	373,593	-	24,222,424
Machinery and equipment	5,426,605	75,131	18,653	5,483,083
Vehicles	3,350,485	71,130	61,266	3,360,349
Total capital assets, being depreciated	<u>95,111,989</u>	<u>1,962,996</u>	<u>82,130</u>	<u>96,992,855</u>
Less accumulated depreciation for:				
Buildings and improvements	3,077,508	174,782	-	3,252,290
Station equipment	11,564,632	318,425	-	11,883,057
Electric distribution system	15,862,916	649,153	2,211	16,509,858
Plant and pumping stations	5,092,750	259,130	-	5,351,880
Water distribution system	6,851,124	295,547	-	7,146,671
Machinery and equipment	4,211,950	454,837	18,744	4,648,043
Vehicles	2,524,968	161,092	61,228	2,624,832
Total accumulated depreciation	<u>49,185,848</u>	<u>2,312,966</u>	<u>82,183</u>	<u>51,416,631</u>
Total capital assets, being depreciated, net	<u>45,926,141</u>	<u>(349,970)</u>	<u>(53)</u>	<u>45,576,224</u>
Business-type activities capital assets, net	<u>\$ 58,114,802</u>	<u>\$ 5,014,750</u>	<u>\$ 5,229,977</u>	<u>\$ 57,899,575</u>

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

Governmental Activities:	
General government	\$ 33,728
Public safety	240,906
Public works	474,917
Recreation	34,692
Total depreciation expense – governmental activities	<u>\$ 784,243</u>
Business-Type Activities:	
Electric Department	\$ 1,524,522
Water System	788,444
Total depreciation expense – business-type activities	<u>\$ 2,312,966</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Discretely Presented Component Units

Activity for Bozrah Light and Power Company for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated				
Land and land rights	\$ 67,706	\$ -	\$ -	\$ 67,706
Intangibles	4,711	-	-	4,711
Construction in progress	761,331	397,817	634,906	524,242
Total capital assets not being depreciated	<u>833,748</u>	<u>397,817</u>	<u>634,906</u>	<u>596,659</u>
Capital assets being depreciated:				
Buildings and improvements	375,718	-	-	375,718
Electric distribution system	12,432,901	639,791	4,884	13,067,808
Machinery and equipment	417,815	-	-	417,815
Vehicles	518,843	-	37,120	481,723
Total capital assets, being depreciated	<u>13,745,277</u>	<u>639,791</u>	<u>42,004</u>	<u>14,343,064</u>
Less accumulated depreciation for:				
Building and improvements	212,177	10,396	-	222,573
Electric distribution system	3,879,247	389,525	4,884	4,263,888
Machinery and equipment	403,188	5,329	-	408,517
Vehicles	411,712	41,039	33,480	419,271
Total accumulated depreciation	<u>4,906,324</u>	<u>446,289</u>	<u>38,364</u>	<u>5,314,249</u>
Total capital assets, being depreciated, net	<u>8,838,953</u>	<u>193,502</u>	<u>3,640</u>	<u>9,028,815</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,672,701</u>	<u>\$ 591,319</u>	<u>\$ 638,546</u>	<u>\$ 9,625,474</u>

Activity for Thames Valley Communications, Inc. for the year ended December 31, 2009:

	Balance January 1, 2009	Increases	Decreases	Balance December 31, 2009
Capital assets being depreciated:				
Head end and related equipment	\$ 4,452,953	\$ 103,391	\$ -	\$ 4,556,344
Towers, poles and fixtures	2,246,237	-	138,710	2,107,527
Distribution systems	16,609,127	689,574	-	17,298,701
Furniture and fixtures	173,935	17,747	-	191,682
Transportation equipment	84,117	-	-	84,117
Other equipment	2,994,834	281,328	-	3,276,162
Total plant and equipment	<u>26,561,203</u>	<u>1,092,040</u>	<u>138,710</u>	<u>27,514,533</u>
Less: accumulated depreciation	<u>3,350,069</u>	<u>1,342,242</u>	<u>-</u>	<u>4,692,311</u>
Total capital assets, being depreciated, net	<u>\$ 23,211,134</u>	<u>\$ (250,202)</u>	<u>\$ 138,710</u>	<u>\$ 22,822,222</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 8. Bond Anticipation Notes Payable

Bond anticipation note transactions for the year ended June 30, 2010 were as follows:

Outstanding, July 1, 2009	\$ 21,800,000
Borrowings	18,500,000
Repayments	<u>(22,300,000)</u>
Outstanding, June 30, 2010	<u>\$ 18,000,000</u>

The bond anticipation notes matured in January 2011 and were rolled over through January 2012.

The bond anticipation notes issued for telecommunications above are taxable notes issued by the Electric Department. Thames Valley Communication, Inc. will be responsible for the repayment of these notes. The City has pledged its full faith and credit to pay the principal and interest on the notes when due. The City's Electric Department has a corresponding note receivable at 3.00% to 4.85% interest.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 9. Long-Term Obligations

A summary of changes in outstanding long-term debt during the year ended June 30, 2010 is as follows:

Governmental Activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Current Portion
BONDS									
General	\$ 550,000	06/01/91	06/01/11	6.60%-6.75%	\$ 54,000	\$ -	\$ 27,000	\$ 27,000	\$ 27,000
General	1,060,000	10/15/98	10/15/13	4.00%-4.50%	280,000	-	280,000	-	-
General	1,610,000	07/15/02	07/15/17	3.00%-4.75%	930,000	-	715,000	215,000	115,000
General	880,000	10/01/07	10/01/17	4.00%-4.50%	790,000	-	90,000	700,000	90,000
General*	849,000	10/08/09	07/15/22	1.75%-5.00%	-	849,000	15,000	834,000	56,000
General	1,725,000	10/01/09	10/01/29	1.75%-5.00%	-	1,725,000	-	1,725,000	115,000
Sewer	360,000	06/01/91	06/01/11	6.60%-6.75%	35,000	-	17,500	17,500	17,500
Sewer	470,000	05/15/93	05/15/13	5.15%-5.50%	80,000	-	20,000	60,000	20,000
Sewer	3,785,000	10/15/98	10/15/13	4.00%-4.50%	940,000	-	940,000	-	-
Sewer	1,385,000	02/15/03	02/15/10	3.00%-3.10%	340,000	-	170,000	170,000	170,000
Sewer	1,140,000	02/15/06	02/15/16	3.60%-4.00%	790,000	-	115,000	675,000	115,000
Sewer*	665,000	10/08/09	07/15/22	1.75%-5.00%	-	665,000	14,000	651,000	180,000
Total bonds					4,239,000	3,239,000	2,403,500	5,074,500	905,500
Premiums					26,738	107,920	-	134,658	-
Deferred charge on refunding issue					(11,934)	-	133,744	(145,678)	-
Total bonds and related liabilities					4,253,804	3,346,920	2,537,244	5,063,480	905,500
Compensated absences					1,020,159	836,024	808,074	1,048,109	209,622
Net OPEB Obligation					323,657	296,944	-	620,601	-
Heart and Hypertension					376,673	59,379	74,879	361,173	74,879
Total Governmental Activities Long-Term Liabilities					\$ 5,974,293	\$ 4,539,267	\$ 3,420,197	\$ 7,093,363	\$ 1,190,001

* part of current year advance refunding

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Business-Type Activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Current Portion
BONDS									
Electric Bonds	\$ 725,000	06/01/91	06/01/11	6.60%-6.75%	\$ 71,000	\$ -	\$ 35,500	\$ 35,500	\$ 35,500
Electric Bonds	2,335,000	05/15/93	05/15/03	5.15%-5.50%	460,000	-	115,000	345,000	115,000
Electric Bonds	1,745,000	10/15/98	10/15/18	4.00%-4.50%	140,000	-	140,000	-	-
Electric Bonds	9,190,000	07/15/02	07/15/22	3.00%-4.75%	6,827,980	-	5,926,915	901,065	441,785
Electric Bonds	400,000	02/15/03	02/15/15	3.00%-3.10%	185,000	-	30,000	155,000	30,000
Electric Bonds	1,293,000	02/15/06	02/15/26	3.60%-4.00%	3,654,990	-	212,670	3,442,320	212,670
Electric Bonds	3,500,000	10/01/07	10/01/27	4.00%-4.50%	3,325,000	-	175,000	3,150,000	175,000
Electric Bonds*	5,640,000	10/08/09	07/15/22	1.75%-5.00%	-	5,640,000	55,000	5,585,000	30,000
Electric Bonds	5,800,000	10/01/09	10/01/29	1.75%-5.00%	-	5,800,000	-	5,800,000	290,000
Telecommunication	6,555,000	02/15/06	02/15/24	5.15%-5.75%	5,500,000	-	350,000	5,150,000	350,000
Telecommunication	10,000,000	10/01/07	10/01/27	5.375%-6.50%	9,500,000	-	500,000	9,000,000	500,000
Total bonds					29,663,970	11,440,000	7,540,085	33,563,885	2,179,955
Premiums					94,338	350,618	-	444,956	-
Deferred charge on refunding issue					(11,617)	-	461,059	(472,676)	-
Total electric bonds and refunding issue					29,746,691	11,790,618	8,001,144	33,536,165	2,179,955
Note payable					3,400,000	-	-	3,400,000	-
Net OPEB Obligation					192,277	176,408	-	368,685	-
Total electric long-term obligations					33,338,968	11,967,026	8,001,144	37,304,850	2,179,955
Water Bonds	4,265,000	06/01/91	06/01/11	6.60%-6.75%	420,000	-	210,000	210,000	210,000
Water Bonds	2,715,000	05/15/93	05/15/13	5.15%-5.50%	540,000	-	135,000	405,000	135,000
Water Bonds	2,705,000	10/15/98	10/15/18	4.00%-4.50%	1,060,000	-	1,060,000	-	-
Water Bonds	1,315,000	07/15/02	07/15/22	3.00%-4.75%	977,020	-	848,085	128,935	63,215
Water Bonds	4,170,000	02/15/03	02/15/15	3.00%-3.10%	2,115,000	-	320,000	1,795,000	320,000
Water Bonds	1,662,000	02/15/06	02/15/26	3.00%-4.00%	1,415,010	-	82,330	1,332,680	82,330
Water Bonds	1,490,000	10/01/07	10/01/27	4.00%-4.50%	1,415,000	-	75,000	1,340,000	75,000
Water Bonds*	1,656,000	10/08/09	07/15/22	1.75%-5.00%	-	1,656,000	16,000	1,640,000	109,000
Total bonds					7,942,030	1,656,000	2,746,415	6,851,615	994,545
Premiums					47,095	68,751	-	115,846	-
Deferred charge on refunding issue					(114,175)	-	19,384	(133,559)	-
Total water bonds and refunding issue					7,874,950	1,724,751	2,765,799	6,833,902	994,545
Net OPEB Obligation					143,166	131,350	-	274,516	-
Total Water Long-Term Obligations					8,018,116	1,856,101	2,765,799	7,108,418	994,545
Total Business-Type Long-Term Liabilities					\$41,357,084	\$ 13,823,127	\$ 10,766,943	\$44,413,268	\$ 3,174,500

* part of current year advance refunding

The bonds issued for telecommunications above are taxable bonds issued by the Electric Department for a taxable corporation wholly-owned by the City of Groton and presented as a discrete component unit. Thames Valley Communication, Inc. will be responsible for the repayment of these bonds. The City's Electric Department has a corresponding note receivable at 3.00% to 4.85% interest.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The annual requirements to amortize all bonded debt outstanding as of June 30, 2010, were as follows:

Year Ending June 30	General Fund				Enterprise Fund				Total Payments
	General Government Principal Payments	General Government Interest Payments	Sewer Principal Payments	Sewer Interest Payments	Electric Principal Payments	Electric Interest Payments	Water Principal Payments	Water Interest Payments	
2011	\$ 403,000	\$ 104,340	\$ 502,500	\$ 48,276	\$ 2,179,955	\$ 1,472,845	\$ 994,545	\$ 249,809	\$ 5,955,270
2012	361,000	90,713	315,000	34,485	2,156,930	1,371,266	762,050	206,823	5,298,267
2013	360,000	80,073	280,000	25,035	2,152,670	1,274,070	767,330	177,563	5,116,741
2014	362,000	69,318	256,000	14,970	2,086,270	1,177,185	625,730	147,655	4,739,128
2015	305,000	59,231	115,000	8,380	2,102,670	1,084,612	612,330	124,867	4,412,090
2016-2020	1,135,000	177,547	105,000	3,780	10,333,750	4,099,346	1,786,250	394,455	18,035,128
Thereafter	575,000	52,038	-	-	12,551,640	2,140,677	1,303,380	177,916	16,800,651
	<u>\$ 3,501,000</u>	<u>\$ 633,260</u>	<u>\$ 1,573,500</u>	<u>\$ 134,926</u>	<u>\$ 33,563,885</u>	<u>\$ 12,620,001</u>	<u>\$ 6,851,615</u>	<u>\$ 1,479,088</u>	<u>\$ 60,357,275</u>

The General Government and Sewer Authority bonds are funded in the General Fund and paid from taxation. The Electric and Water Departments' bonds are paid by the rate payers.

Note Payable

The City has a note payable to the Connecticut Municipal Electric Energy Cooperative's (CMEEC) Rate Stabilization Fund Trust. The proceeds were loaned to Bozrah Light and Power Company (BLP), a discretely presented component unit. BLP will pay back the loan directly to CMEEC with a 4.5% interest rate per annum. Payment of principal is not required by BLP until the construction is completed which is not expected until after June 30, 2011. The total amount available is \$3,500,000 with a current draw down of \$3,400,000. The City's Electric Utility has a corresponding note receivable at 4.5% interest.

Statutory Debt Limitation

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

Category	Debt Limit	Total Indebtedness	Balance
General purpose	\$ 13,235,870	\$ 3,501,000	\$ 9,734,870
Sewers	22,059,784	1,573,500	20,486,284

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$41,178,263.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

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.

2010 General Obligation Bond – In-Substance Defeasance

On October, 2009, the City issued \$8,810,000 of general obligation bonds with interest rates ranging from 1.75% to 5.0% of which was used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the City. Total proceeds of \$9,285,994 includes \$475,994 net original issue premium and payment of \$105,110 in underwriters' fees and other costs to arrive at net proceeds of \$9,180,884, which was placed in an irrevocable trust fund under an Escrow Agreement dated March, 2010 between the City and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The City advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and net debt) of \$432,962, and a savings of \$437,832 between the old debt payments and the new debt payments.

The balance in the escrow was approximately \$9,000,000 at June 30, 2010. The balance of the defeased bonds was approximately \$8,625,000 at June 30, 2010. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

In-Substance Defeasance – Prior Years

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. 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 City's government-wide financial statements. As of June 30, 2010, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$6,875,000.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Authorized/Unissued Bonds

The following is a summary of authorized/unissued bonds:

Description	Bonds Authorized	Cumulative Bonded, Rescinded Or Paid	Bonds Unissued
Improvements:			
Beach and parks	\$ 1,500,000	\$ 1,085,000	\$ 415,000
Land purchase	1,160,000	880,000	280,000
Firehouse	1,500,000	1,450,000	50,000
Fire department enhancement program	1,727,500	1,725,000	2,500
Systems:			
Water	18,387,000	14,693,000	3,694,000
Electric	38,512,639	27,094,700	11,417,939
Telecommunication	6,900,000	6,900,000	-
Telecommunication	10,000,000	10,000,000	-
Telecommunication	10,000,000	10,000,000	-
Telecommunication	8,500,000	8,500,000	-
Sewer	6,400,000	6,400,000	-
Total	\$ 104,587,139	\$ 88,727,700	\$ 15,859,439

Accrued Liabilities, Primarily Compensated Absences

In accordance with GASB No. 16, Accounting for Compensated Absences, the Town accrues compensated absences as they are earned by employees if the leave is attributable to past service and it is probable that the employer will compensate the employee by cash payments at termination or retirement. The amount of this estimated obligation at June 30, 2010 is recorded in the government-wide statements since the benefits are to be funded from future financial resources and will be paid from the General Fund.

Heart and Hypertension

The amount recorded for heart and hypertension liability is for employees or spouses who have retired on a disability pension under state statutes relating to heart or hypertension health issues. Payments are made over a period of years based upon the settlement agreement.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Thames Valley Communications, Inc.

The following is a summary of the component unit's notes that are due and payable to Groton Utilities, and are secured by certain assets of the Company:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009	Current Portion
Note payable	\$ 6,717,500	2/15/2006	02/15/2024	5.690%	\$ 5,660,117	\$ -	\$ 373,195	\$ 5,286,922	\$ 373,194
Note payable	10,000,000	9/25/2007	10/27/2027	5.410%	9,416,667	-	500,000	8,916,667	500,000
Note payable*	18,500,000	10/8/2008	10/8/2009	5.125%	18,500,000	-	18,500,000	-	-
Note payable*	18,500,000	10/8/2009	02/1/2010	1.300%	-	18,500,000	458,333	18,041,667	500,000
					<u>33,576,784</u>	<u>18,500,000</u>	<u>19,831,528</u>	<u>32,245,256</u>	<u>1,373,194</u>
Premiums					87,880	-	4,626	83,254	4,625
					<u>\$ 33,664,664</u>	<u>\$ 18,500,000</u>	<u>\$ 19,836,154</u>	<u>\$ 32,328,510</u>	<u>\$ 1,377,819</u>

* See Note 8

The annual requirement to amortize all long-term debt outstanding as of December 31, 2009 is as follows:

Year Ending December 31,	Notes Payable
2010	\$ 1,373,194
2011	1,373,194
2012	1,373,194
2013	1,373,194
2014	1,373,194
2015-2019	6,865,971
2020-2024	6,554,981
2025-2029	3,916,667
2030-2034	2,500,000
2035-2039	2,500,000
2040-2044	2,500,000
2045-2046	541,667
Totals	<u>\$ 32,245,256</u>

Total interest expense for 2009 was \$1,609,073, of which \$36,433 was capitalized for a net expense of \$1,572,640 for 2009.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 10. Risk Management

The City 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 or illness of employees, natural disasters, and owners and contractors protective liability.

The City established as an internal service fund, the Health Insurance Fund, to account for and finance the retained risk of loss for City employee medical benefits coverage. A third party administers the plan for which the fund pays a fee, The Health Insurance Fund provides coverage for all eligible full time employees.

The City has purchased a stop loss policy for individual claims exceeding \$100,000.

In addition, the City has established an Internal Service Fund to reduce the cost of commercial insurance by raising the deductibles on the policies purchased. The City charges its departments premiums, while claims paid are provided for in the following year's General Fund budget.

Health insurance premiums are based upon estimates by number of employees and type of coverage (single or family), trends in the insurance' claims and estimates for administration. The claims liability reported in the fund, is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2009	\$ 271,994	\$ 3,457,300	\$ 3,474,224	\$ 255,070
2010	255,070	3,257,104	3,220,366	291,808

The City currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes for workers' compensation and employer liability coverage. CIRMA currently has 218 members in the workers' compensation pool. The City pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$750,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

The City 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. There have not been any significant reductions in insurance coverage from the amounts held in prior years

Note 11. Related Party Transactions

CMEEC

The Board of Directors of the Electric Department's present wholesale electric supplier, Connecticut Municipal Electric Energy Cooperative (CMEEC), consists of two representatives from each of the municipalities which created CMEEC. The representatives for the City of Groton are the Electric Department's Director/Utility Commissioner and another member of the Utility Commission. The amount of power purchased from the wholesale supplier for the fiscal year ended June 30, 2010 is \$48,481,194.

As part of the City's contract with Connecticut Municipal Electric Energy Cooperative (CMEEC), the members agreed to proportionally share in the benefits and detriments resulting from the changes in load from the base assumptions set forth in the contract as a single integrated participant in the New England Power Pool. Amounts are computed annually, based upon nonfuel revenues, less any direct and assigned nonfuel expenses.

In March of 2003, the Board of directors of CMEEC formed a Municipal Competitive Trust for the purpose to accumulate funds to be applied to fixed cost obligations (debt defeasance) and rate stabilization (rate support) to ensure competitive margins in rates and to mitigate any negative impacts to customers as a result of the restructuring of the electric industry in Connecticut and restructuring of power supply markets. Rate stabilization funds are held with CMEEC and are deferred revenue to be applied against future power costs unless changed by regulators. The rates and amortization of the deferred revenue are included in the rate setting policies approved by regulators. Each beneficiary (member) has an account and sub accounts within the trust, and no beneficiary shall have any interest in any account or sub account of any other beneficiary.

Thames Valley Communications, Inc.

The Company has entered into a management agreement with the City of Groton, Groton Utilities, the sole stockholder, for management services. The substance of the agreement relates to Groton Utilities providing personnel to the Company. The agreement states that the employees are employees of Groton Utilities and are billed to the Company for the services provided. The amount of services provided to the Company for the year ended December 31, 2009 was \$3,135,742. Accounts payable, as of December 31, 2009, include payables due to Groton Utilities of \$2,865,173.

The Groton Utilities has recorded an allowance for advances to Thames Valley Communications, Inc. of \$4,242,175 for the year ended June 30, 2010.

In addition to the management agreement discussed above, the City of Groton, Groton Utilities, also is the holder of the Companies' notes payable as described in Notes 8 and 9.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Major Taxpayers/Customers

The City's two major taxpayers account for approximately 61% of the October 1, 2008 Grand List.

The two taxpayers and a third customer also account for approximately 52% of the Electric Department revenues and approximately 31% of the Water Department revenues.

Note 12. Contingencies and Commitments

Lawsuits

There are several personal injury and negligence lawsuits pending against the City. The City's management, based upon consultation with legal counsel, estimates that potential claims against the City, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial position of the City.

Commitments

The City Council authorized and directed either the Chairman of the Utility Commission or Director of Utilities to execute and deliver a "Power Sales Contract for the Supply of Electric Power and Energy Cooperative". Such a contract was entered into on December 1, 1979. The contract contains at least the following provisions:

1. Term of the contract -50 years commencing with date executed.
2. "Participant" shall not, after the date of the contract, execute or adopt any instrument securing bonds, notes or other indebtedness payable from and secured by a lien on the net revenues derived from the ownership or operation of its electric system unless such instrument provides that any payments to be made under the contract shall be payable as operating expenses of such electric system.

The Company has a power purchase agreement with Connecticut Municipal Electric Energy Cooperative (CMEEC) for interruptible power to supply a major customer, Airgas Merchant Gases, Inc. The agreement, which runs through December 31, 2013, is based on customer usage. The Company has contracted with CMEEC to purchase its full requirements for electric capacity and energy from CMEEC.

Note 13. Employee Retirement Plans

Retirement Plan for the Employees of the Town

Plan Description

The City of Groton is the administrator of a single-employer, contributory, defined benefit plan established and administered by the City to provide pension benefits for its employees. The pension plan is considered to be part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. The fund's pooled investments may be used to pay benefits to members or beneficiaries of all employee groups. The plan does not issue a stand-alone financial report.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Classes of Employees Covered

Based upon the actuarial valuation dated July 1, 2009, membership consisted of:

	<u>City</u>	<u>Police</u>	<u>Fire</u>	<u>Utilities</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	35	17	12	51	115
Active employees	54	30	17	128	229
Total	89	47	29	179	344

Benefit Provisions

The plan covers all City employees. Employees are fully vested after five (5) years of service, except Police, Firefighters and Utility (GUSEA) union are vested after ten (10) years of service. If an employee leaves covered employment or dies before being vested, accumulated employee contributions and related investment earnings are refunded. Benefits and contributions are established by Collective Bargaining and may be amended only by the City Council.

The retirement benefit is calculated based on average annual compensation multiplied by years of credited services (maximized at 32 years for Police Officers and at 30 years for all others). The following are the multipliers for the different groups:

- 2.00% City and Utility Non Union
- 2.10% for AFSCME all unions, CSEA unions
- 2.67% for Police and Firefighters with a maximum benefit of 80%

Average annual compensation is the highest three consecutive years for Police and Firefighters, and five consecutive years for all other groups.

Contributions

The City's contributions are actuarially determined on an annual basis using the project unit credit method. Contributions from the general, electric and water funds are recognized when due. Administrative costs are generally financed through investment earnings.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Employee contributions are required as follows:

- 5.2% of pay for City and Utility Non-union employees hired before December 2008
- 5.5% of pay for City and Utility Non-Union employees hired after November 2008
- 5.8% of pay for City/Utility CSEA Union
- 5.7% of pay for AFSCME local B5 and 818 employees
- 5.8% of pay for Utility AFSCME007 employees
- 6.0% of pay for City and Utilities Steelworkers
- 8.25% of pay for Police and Fire (Fire for the first 30 years of service)
- 6.0% of pay for Fire after 30 years of service

The City's contributions for the current year were determined as part of the July 1, 2009 actuarial valuation. Actuarial assumptions are summarized later in this note.

Schedule of Employer Contributions and Net Pension Obligation

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Actual Contribution
2008	\$ 1,977,600	111.7%	\$ 2,212,536
2009	1,704,300	105.5%	1,798,260
2010	1,423,100	125.6%	1,787,483

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, the date of the most recent actuarial valuation, was as follows:

	A	B	(A-B)	(A/B)	C	[(B-A)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL As A Percentage of Covered Payroll
July 1, 2009	\$50,381,140	\$56,046,214	\$ (5,665,074)	89.9%	\$15,672,642	36.1

* Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes to the financial statements (RSI) 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.

Actuarial Assumptions

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

Actuarial valuation date	July 1, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount open
Asset valuation method	4 year smoothing of capital appreciation
Remaining amortization period	Equivalent single amortization period is 10 years. For groups with Unfunded Actuarial Liability (UAAL) greater than zero, a period of 9.5 years (closed) was used. For all other groups, an amortization payment of zero was reflected.
Actuarial assumptions:	
Investment rate of return	7.50% per annum (net of expenses)
Retirement	Age 62 with 5 years of service for City and Utility employees (except Utility AFSCME-007); age 50 with 25 years of service for Police and Fire, or age 60 with 10 years of service; age 60 with 5 years of service for City Steelworks and AFSCME-007.
Salary Increase	4.75% percent per annum, assume City Steelworks overtime was equal to \$1,000, Police overtime equal to \$6,000, and Firefighters equal to \$4,000, except the Chief and Deputy Chief.
Cost of Living:	
Adjustment	N/A
Mortality	RP 2000 Projected to year of decrement with separate male and female tables.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the City's retirement plan for the last three years are as follows:

Fiscal Year Ended June 30,	Annual Required Contribution (ARC)	Interest	Adjustment to (ARC)	Annual Pension Cost	Contribution Made	Increase (Decrease) in NPO	NPO Beginning of Year	NPO End of Year
2008	\$ 1,977,600	\$ (62,025)	\$ 112,060	\$ 2,027,635	\$ 2,212,536	\$ (184,901)	\$ (827,000)	\$ (1,011,901)
2009	1,704,300	(75,893)	137,114	1,765,521	1,798,260	(32,739)	(1,011,901)	(1,044,640)
2010	1,423,100	(76,153)	166,856	1,513,803	1,787,483	(273,680)	(1,044,640)	(1,318,320)

Three-Year Trend Information

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 2,027,635	109.10%	\$ (1,011,901)
2009	1,765,521	101.90%	(1,044,640)
2010	1,513,803	118.19%	(1,318,320)

Other Post-Employment Benefits

Plan Description

The City administers one single-employer, post retirement healthcare plan, for the City of Groton's Other Post Employment Benefits (OPEB). The plan provides medical benefits and life insurance to eligible retirees and their spouses. The Plan does not issue a separate financial report as it is currently funded on a pay-as-you-go basis.

Participant Counts

Based upon the actuarial valuation dated July 1, 2009, participants consisted of:

	City	Police	Fire	Utilities	Total
Retirees and beneficiaries	20	13	12	55	100
Active participants	54	30	17	128	229
Total	74	43	29	183	329

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Benefit Provisions

The City plan provides for medical and life insurance benefits for all eligible City retirees. Employees are fully vested after five (5) years of service, except Police and Firefighters are vested after twenty-five (25) years of service. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from current operations.

Employer Contributions

The City's total plan contribution was \$455,933, which was approximately 3% of covered payroll. The City has chosen to fund the plan benefits on a pay-as-you-go basis from the general, electric and water funds.

Employee Contributions

There are no employee contributions to the plan.

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarially 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
July 1, 2009	\$ -	\$ 9,467,511	\$ (9,467,511)	0.0%	\$ 14,871,492	(64.0)%

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 immediately following the notes to the financial statements (RSI) presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

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 actuarially accrued liabilities and the actuarial value of assets.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Asset valuation method	4 year smoothing of capital appreciation
Remaining amortization period	30 years open

Actuarial assumptions:

Investment rate of return	7.50%
Healthcare inflation rate	5.0%

Annual OPEB Cost and Net OPEB Obligation

The actuarially determined changes in the NOO were as follows:

Annual required contribution	\$ 1,063,100
Interest on net pension obligation	49,433
Adjustment to ARC	51,898
Annual OPEB cost	<u>1,060,635</u>
Contributions made	<u>455,933</u>
Increase in net OPEB liability	604,702
Net OPEB obligation, beginning of year	659,100
Net OPEB obligation, end of year	<u><u>\$ 1,263,802</u></u>

Trend Information

Year Ending June 30,	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
2009	\$ 1,033,500	\$ 374,400	36.2%	\$ 659,100
2010	1,060,635	455,933	42.9%	1,263,802

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 14. Fund Deficits

The following funds had fund deficits as of June 30, 2010:

D.A.R.E.	\$ 5,069
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The fund deficits are expected to be funded through future transfers or bond proceeds.

Note 15. Restatement

The June 30, 2009 financial statements were restated due to an error in not accounting for the City's investments in other companies in accordance with generally accepted accounting principles.

As a result, for the fiscal year beginning July 1, 2009, the following restatements were made to beginning net assets for business-type activities and the Electric Fund:

Business-type activities and Electric Fund financial statements. Beginning net assets for business-type activities and for the Electric Fund was restated as follows:

	Business-Type	Electric Fund
Net assets as of June 30, 2009, as previously reported	\$ 48,623,341	\$ 26,391,281
Adjustments for investment in other companies	(10,335,295)	(10,335,295)
Net assets, restated, as of July 1, 2009	\$ 38,288,046	\$ 16,055,986

Additionally, the City has reported the other companies as discretely presented component units for the fiscal year ended June 30, 2010, whereas they were not considered component units in the June 30, 2009 financial statements of the City.

The impact of the restatement on the change in net assets reported for the Business-Type Activities and Electric Fund for the year ended June 30, 2009 was not material.

Note 16. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates in the future that may impact future financial presentations.

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be implemented by the City as required by the GASB during the fiscal year ending June 30, 2011. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. This statement establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The implementation of this statement will result in changes to the classification of fund balances in the City's governmental funds.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.
- GASB Statement No. 59, *Financing Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice for periods beginning after June 15, 2010.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statement No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

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Required Supplementary Information

CITY OF GROTON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION – GROTON RETIREMENT SYSTEM

June 30, 2010

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL As A Percentage of Covered Payroll
July 1,						
2004	\$ 32,036,455	\$ 41,522,736	\$ (9,486,281)	77.2%	\$ 10,933,635	(86.8)%
2005	33,927,678	43,786,010	(9,858,332)	77.5%	11,938,106	(82.6)%
2006	37,724,093	45,933,426	(8,209,333)	82.1%	13,640,651	(60.2)%
2007	44,268,484	49,792,927	(5,524,443)	88.9%	14,828,095	(37.3)%
2008	48,653,308	52,342,332	(3,689,024)	93.0%	14,218,244	(25.9)%
2009	50,381,140	56,046,214	(5,665,074)	89.9%	15,672,642	(36.1)%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$ 1,582,700	\$ 1,630,917	103.0%
2006	2,016,900	2,182,796	108.2%
2007	2,240,700	2,492,043	111.2%
2008	1,977,600	2,212,436	111.9%
2009	1,704,300	1,798,260	105.5%
2010	1,423,100	1,787,483	125.6%

CITY OF GROTON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION – OPEB

June 30, 2010

SCHEDULE OF FUNDING PROGRESS - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL As A Percentage of Covered Payroll
<u>July 1,</u> 2007	\$ -	\$ 7,546,200	\$ (7,546,200)	0.0%	\$ 14,828,095	(50.9)%
2009	-	9,467,511	(9,467,511)	0.0%	14,871,492	(64.0)%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$ 1,033,500	\$ 374,400	36.2%
2010	1,063,100	455,933	42.9%

**Supplemental and Combining Individual
Nonmajor Fund Statements and Schedules**

General Fund

The general fund is the principal fund of the City and is used to account for all activities of the City, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the City (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental funds.

CITY OF GROTON, CONNECTICUT

COMPARATIVE BALANCE SHEETS

GENERAL FUND

June 30, 2010

	2010	2009
ASSETS		
Cash	\$ 5,715,445	\$ 874,121
Investments	-	4,530,465
Receivables:		
Property taxes	62,921	63,057
Intergovernmental	31,973	10,838
Other	270	5,006
Due from other funds	-	318,933
Inventory of supplies, at cost	13,538	8,801
Total assets	\$ 5,824,147	\$ 5,811,221
LIABILITIES		
Accounts payable	\$ 220,338	\$ 321,622
Accrued liabilities	219,139	264,241
Due to other funds	381,848	733,702
Deferred revenue	62,921	54,789
Total liabilities	884,246	1,374,354
FUND BALANCE		
Reserved for:		
Encumbrances	78,107	66,255
Inventory	13,538	8,801
Unreserved:		
Designated for subsequent year's budget	973,606	808,410
Unreserved and undesignated	3,874,650	3,553,401
Total fund balance	4,939,901	4,436,867
Total liabilities and fund balance	\$ 5,824,147	\$ 5,811,221

CITY OF GROTON, CONNECTICUT

SCHEDULE OF REVENUES - BUDGETARY BASIS - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
TAXES:				
Current levy	\$ 5,535,211	\$ 5,535,211	\$ 5,891,852	\$ 356,641
Interest on taxes	20,000	20,000	21,031	1,031
Lien fees on taxes	2,000	2,000	648	(1,352)
Total taxes	5,557,211	5,557,211	5,913,531	356,320
INTERGOVERNMENTAL:				
Town of Groton:				
Highway grant	2,099,000	2,099,000	2,099,000	-
Police grant	2,299,000	2,299,000	2,299,000	-
Health District	70,960	70,960	70,959	(1)
PILOT program	18,243	18,243	18,243	-
State of Connecticut:				
Boating grant	3,390	3,390	1,735	(1,655)
Civil preparedness	3,500	3,500	17,133	13,633
Town aid pass thru (PILOT)	19,464	19,464	19,464	-
Total disabled	125	125	132	7
Elderly property	5,845	5,845	2,902	(2,943)
Enterprise zone	49,181	49,181	115,589	66,408
Manufacturers - machinery and equipment (PILOT)	460,530	460,530	314,517	(146,013)
Telephone access line	19,000	19,000	13,312	(5,688)
Miscellaneous grants	11,000	11,000	11,376	376
State FEMA	-	-	26,464	26,464
State Nitrogen Credits	-	-	2,957	2,957
Total intergovernmental revenue	5,059,238	5,059,238	5,012,783	(46,455)
CHARGES FOR SERVICES AND FACILITIES:				
Municipal Building Rental:				
Electric department	128,219	128,219	144,046	15,827
Water department	23,555	23,555	24,388	833
Finance Department Services:				
Electric department	206,650	206,650	187,183	(19,467)
Water department	96,761	96,761	96,761	-
Human Reservices Department Services:				
Electric department	95,657	95,657	95,657	-
Water department	51,507	51,507	51,507	-
Highway department sales	14,287	14,287	15,732	1,445
Sewer use	21,800	21,800	27,502	5,702
Public beach receipts	78,000	78,000	98,185	20,185
Recreation receipts	18,000	18,000	20,774	2,774
Parks receipts	10,300	10,300	7,887	(2,413)
Recycling	10,000	10,000	4,802	(5,198)
Fire protection:				
West Pleasant Valley Fire District	281,748	281,748	281,748	-
Outside services - police	15,218	15,218	40,749	25,531
Rent	10,000	10,000	9,167	(833)
Fines and forfeits	50,000	50,000	52,980	2,980
Licenses and permits	254,000	254,000	324,720	70,720
Total	1,365,702	1,365,702	1,483,788	118,086

CITY OF GROTON, CONNECTICUT

SCHEDULE OF REVENUES - BUDGETARY BASIS - BUDGET AND ACTUAL -
 GENERAL FUND, Continued
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
MISCELLANEOUS REVENUES:				
Investment income	150,000	150,000	249,749	99,749
Other revenue	85,500	85,500	76,298	(9,202)
Total miscellaneous revenues	235,500	235,500	326,047	90,547
Total revenues	12,217,651	12,217,651	12,736,149	518,498
OTHER FINANCING SOURCES				
Transfer in	3,100,000	3,100,000	3,101,624	1,624
Appropriation of fund balance	808,410	808,410	-	(808,410)
Total other financing sources	3,908,410	3,908,410	3,101,624	(806,786)
Total revenues and other financing sources	\$ 16,126,061	\$ 16,126,061	\$ 15,837,773	\$ (288,288)

(Concluded)

CITY OF GROTON, CONNECTICUT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT:				
Mayor's office	\$ 90,345	\$ 90,345	\$ 86,685	\$ 3,660
City clerk's office	186,880	186,880	167,054	19,826
Human resources	161,450	161,450	149,240	12,210
Finance department	552,415	552,415	563,165	(10,750)
Planning and zoning	363,121	363,121	290,509	72,612
Health services	70,960	70,960	70,959	1
Municipal building operation	223,586	223,586	234,587	(11,001)
Civil preparedness	25,310	25,310	16,207	9,103
Unallocated	53,900	53,900	4,143	49,757
Total general government	1,727,967	1,727,967	1,582,549	145,418
PUBLIC SAFETY:				
Police Department:				
Supervision	90,329	90,329	90,178	151
Youth and community services	87,570	87,570	74,684	12,886
Criminal investigation	342,952	342,952	419,899	(76,947)
Uniformed patrol	3,858,450	3,858,450	3,479,094	379,356
Harbor patrol	38,435	38,435	30,708	7,727
Traffic control	108,111	108,111	97,325	10,786
Crossing guards	-	-	13,647	(13,647)
Police training	103,335	103,335	92,045	11,290
DWI project	27,370	27,370	38,914	(11,544)
Outside charges	15,218	15,218	28,484	(13,266)
Unallocated	237,075	237,075	313,270	(76,195)
Total police department	4,908,845	4,908,845	4,678,248	230,597
Fire Department	2,405,320	2,405,320	2,453,581	(48,261)
Total public safety	7,314,165	7,314,165	7,131,829	182,336
PUBLIC WORKS:				
Highway Department:				
Highway maintenance	1,969,564	1,969,564	2,012,897	(43,333)
Sanitation	928,366	928,366	781,537	146,829
Snow removal	177,387	177,387	78,324	99,063
Inter-departmental services	15,320	15,320	1,923	13,397
Total highway department	3,090,637	3,090,637	2,874,681	215,956
Pollution Abatement Facility	1,630,641	1,630,641	1,463,080	167,561
Total public works	4,721,278	4,721,278	4,337,761	383,517

(Continued)

CITY OF GROTON, CONNECTICUT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -
 BUDGET AND ACTUAL - GENERAL FUND, Continued
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
PARKS AND RECREATION:				
Supervision and general expenditures	420,136	420,136	379,105	41,031
Summer recreation	135,859	135,859	124,336	11,523
Beach activities	99,571	99,571	107,998	(8,427)
Winter recreation	27,700	27,700	29,412	(1,712)
Beach and park maintenance	353,822	353,822	388,221	(34,399)
Total parks and recreation	1,037,088	1,037,088	1,029,072	8,016
NON-DEPARTMENTAL:				
General insurance	56,305	56,305	61,150	(4,845)
Pay adjustment	50,000	50,000	-	50,000
Total non-departmental	106,305	106,305	61,150	45,155
CONTINGENCY	115,000	115,000	87,323	27,677
DEBT SERVICE:				
Bonded principal:				
Public improvements	313,000	313,000	327,085	(14,085)
Sewer authority	612,500	612,500	626,500	(14,000)
Total bonded principal	925,500	925,500	953,585	(28,085)
Bond and Note Interest:				
Public improvements	99,745	99,745	93,254	6,491
Sewer authority	79,013	79,013	70,068	8,945
Total bond and note interest	178,758	178,758	163,322	15,436
Total debt service	1,104,258	1,104,258	1,116,907	(12,649)
Total expenditures	\$ 16,126,061	\$ 16,126,061	\$ 15,346,591	\$ 779,470

CITY OF GROTON, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND
OUTSTANDING - GENERAL FUND
For the Year Ended June 30, 2010

Grand List Year	Uncollected Taxes July 1, 2009	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections				Uncollected Taxes June 30, 2010
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected	Total	
2008	\$ -	\$ 5,634,676	\$ 28,139	\$ 10,454	\$ 7,228	\$ 5,645,133	\$ 5,598,314	\$ 10,067	\$ 206	\$ 5,608,587	\$ 46,819
2007	48,765	-	172,825	4,121	5,606	211,863	196,462	7,441	767	204,670	15,401
2006	10,796	-	52,308	432	2,598	60,074	54,308	1,763	1,662	57,733	5,766
2005	2,935	-	-	7	728	2,200	755	935	851	2,541	1,445
2004	273	-	-	7	28	238	(7)	224	299	516	245
2003	260	-	-	7	14	239	(7)	325	378	696	246
2002	14	-	-	-	14	-	-	581	507	1,088	-
2001	14	-	-	-	14	-	-	239	175	414	-
2000	-	-	-	-	-	-	-	346	230	576	-
1999	-	-	-	-	-	-	-	587	336	923	-
1998	-	-	-	-	-	-	-	403	225	628	-
1997	-	-	-	-	-	-	-	214	130	344	-
1996	-	-	-	-	-	-	-	438	200	638	-
1995	-	-	-	-	-	-	-	161	63	224	-
1994	-	-	-	-	-	-	-	93	36	129	-
Subtotal	\$ 63,057	\$ 5,634,676	\$ 253,272	\$ 15,028	\$ 16,230	\$ 5,919,747	\$ 5,849,825	\$ 23,817	\$ 6,065	\$ 5,879,707	\$ 69,922

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

State Road Aid

This fund is used to account for the State grant to maintain roads.

D.A.R.E.

This fund is used to account for donations for the drug awareness program.

Forfeiture Grant

This fund is used to account for a State grant dealing with drug investigations.

Miscellaneous Grants

This fund is used to account for various general government grants.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Submarine Memorial Fund

This fund will be used to maintain the Wall of Honor for Submarine Veterans of World War II.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Equipment Replacement Account

This fund is used to account for capital assets acquisition and construction from general government resources.

Land Acquisition

This fund is used to account for a portion of the purchase of land.

1994 Sewer Improvements

This fund is used to account for 1994 bond authorization as approved by City taxpayers for sewer improvements.

1996 Parks & Recreation Improvements

This fund is used to account for 1996 bond authorization as approved by City taxpayers for parks and recreation facility improvements.

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CITY OF GROTON, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Funds				Permanent Fund
	State Aid Road	D.A.R.E.	Forfeiture Grant	Miscellaneous Grants	Submarine Memorial Fund
ASSETS					
Cash	\$ 294,187	\$ -	\$ 50,556	\$ 158,171	\$ 12,196
Investments	-	-	-	-	-
Restricted cash	-	-	-	-	60,000
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 294,187</u>	<u>\$ -</u>	<u>\$ 50,556</u>	<u>\$ 158,171</u>	<u>\$ 72,196</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
Liabilities:					
Cash overdraft	\$ -	\$ 5,069	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>5,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)					
Reserved for endowments	-	-	-	-	60,000
Unreserved:					
Undesignated	294,187	(5,069)	50,556	158,171	12,196
Total fund balances (deficits)	<u>294,187</u>	<u>(5,069)</u>	<u>50,556</u>	<u>158,171</u>	<u>72,196</u>
Total liabilities and fund balances (deficits)	<u>\$ 294,187</u>	<u>\$ -</u>	<u>\$ 50,556</u>	<u>\$ 158,171</u>	<u>\$ 72,196</u>

Capital Project Funds					
Equipment Replacement Account	Land Acquisition	1994 Sewer Improvements	1996 Parks and Recreation Improvements		Totals
\$ 634,639	\$ -	\$ -	\$ -		\$ 1,149,749
494,073	-	-	-		494,073
-	-	-	-		60,000
377,409	-	-	-		377,409
<u>\$ 1,506,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 2,081,231</u>
\$ -	\$ -	\$ -	\$ -		\$ 5,069
258,805	-	-	-		258,805
<u>258,805</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>263,874</u>
-	-	-	-		60,000
1,247,316	-	-	-		1,757,357
<u>1,247,316</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,817,357</u>
<u>\$ 1,506,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 2,081,231</u>

CITY OF GROTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010**

	Special Revenue Funds				Permanent
	State Aid Road	D.A.R.E.	Forfeiture Grant	Miscellaneous Grants	Fund Submarine Memorial Fund
REVENUES					
Intergovernmental	\$ 57,606	\$ -	\$ 14,910	\$ 318,659	\$ -
Income from investments	-	-	-	-	765
Other	-	-	-	-	-
Total revenues	<u>57,606</u>	<u>-</u>	<u>14,910</u>	<u>318,659</u>	<u>765</u>
EXPENDITURES					
Current:					
Public safety	-	1,919	-	207,650	-
Public works	51,440	-	-	-	-
Capital Outlay	-	-	-	-	-
Total expenditures	<u>51,440</u>	<u>1,919</u>	<u>-</u>	<u>207,650</u>	<u>-</u>
Revenues over (under) expenditures	<u>6,166</u>	<u>(1,919)</u>	<u>14,910</u>	<u>111,009</u>	<u>765</u>
OTHER FINANCING SOURCES					
Bond proceeds	-	-	-	-	-
Net change in fund balances (deficits)	<u>6,166</u>	<u>(1,919)</u>	<u>14,910</u>	<u>111,009</u>	<u>765</u>
FUND BALANCES (DEFICITS), beginning	<u>288,021</u>	<u>(3,150)</u>	<u>35,646</u>	<u>47,162</u>	<u>71,431</u>
FUND BALANCES (DEFICITS), ending	<u>\$ 294,187</u>	<u>\$ (5,069)</u>	<u>\$ 50,556</u>	<u>\$ 158,171</u>	<u>\$ 72,196</u>

Capital Project Funds					
Equipment Replacement Account	Land Acquisition	1994 Sewer Improvements	1996 Parks and Recreation Improvements		Totals
\$ 959,656	\$ -	\$ -	\$ -		\$ 1,350,831
26,306	-	-	-		27,071
35,902	15,444	120,827	74,041		246,214
<u>1,021,864</u>	<u>15,444</u>	<u>120,827</u>	<u>74,041</u>		<u>1,624,116</u>
-	-	-	-		209,569
-	-	-	-		51,440
2,959,605	-	-	-		2,959,605
<u>2,959,605</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>3,220,614</u>
(1,937,741)	15,444	120,827	74,041		(1,596,498)
1,725,000	-	-	-		1,725,000
(212,741)	15,444	120,827	74,041		128,502
1,460,057	(15,444)	(120,827)	(74,041)		1,688,855
<u>\$ 1,247,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 1,817,357</u>

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Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City’s Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City’s council has decided that periodic determination of net income is appropriate for accountability purposes.

Electric Department

This fund is used to account for the activities of the City’s Electric System.

Water System

This fund is used to account for the activities of the City’s Water System.

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CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENT OF NET ASSETS - ELECTRIC DEPARTMENT - ENTERPRISE FUNDS
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash	\$ 6,186,055	\$ 1,121,334
Investments	-	11,509,076
Receivables:		
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	5,370,144	6,475,011
Accrued utility revenue	1,077,505	1,284,892
Due from component unit-current portion	-	1,463,681
Other	2,487	62,487
Due from other funds	2,223,042	2,298,768
Prepaid expenses	54,344	281,318
Other	4,730	4,730
Inventory	1,763,863	2,044,028
Total current assets	16,682,170	26,545,325
Noncurrent assets:		
Amount held at CMEEC	4,701,474	-
Total non current assets	4,701,474	-
Other Noncurrent Assets:		
Due from component unit	34,939,909	34,939,908
Other	67,006	67,919
Net pension asset	332,799	263,711
Investment in electric company	-	5,390,911 *
Investment in cable company	-	4,944,384 *
Total other noncurrent assets	35,339,714	45,606,833
Capital Assets (net of accumulated depreciation):		
Land and land rights	707,176	707,176
Construction in progress	8,721,273	8,437,652
Buildings and improvements	418,140	372,471
Station equipment	7,730,267	7,645,129
Electric distribution system	10,291,106	10,169,796
Machinery and equipment	482,601	709,815
Vehicles	735,517	825,479
Total capital assets (net of accumulated depreciation)	29,086,080	28,867,518
Total noncurrent assets	69,127,268	74,474,351
Total assets	85,809,438	101,019,676

	2010	2009
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 8,428,331	\$ 9,348,206
Accrued payroll and compensated absences	384,266	377,213
Accrued taxes	349,817	333,707
Accrued interest payable	521,182	1,197,311
Due to other funds	-	30,995
Bond anticipation notes	18,000,000	21,800,000
General obligation bonds payable - current portion	2,179,955	1,995,580
Current liabilities payable from restricted assets:		
Customer deposits payable	1,674,754	1,574,594
Total current liabilities	31,538,305	36,657,606
Noncurrent liabilities:		
Rate stabilization	4,595,135	6,627,351
General obligation bonds and notes payable - net of premium and deferred amount on refunding	34,756,210	31,151,161
Net OPEB obligation	368,685	192,277
Total non-current liabilities	39,720,030	37,970,789
Total liabilities	71,258,335	74,628,395
NET ASSETS*		
Capital assets, net of related debt	6,299,915	10,820,777
Unrestricted	8,251,188	15,570,504
Total net assets	\$ 14,551,103	\$ 26,391,281

* See Note 15 and page 84 for a restatement of the 2009 net assets.

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
ELECTRIC DEPARTMENT - ENTERPRISE FUND
For the Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUES	\$ 66,675,238	\$ 72,497,383
OPERATING EXPENSES		
Direct Expenses:		
Purchased power	48,481,194	54,825,199
Other	2,755,117	2,424,591
Overhead Expenses:		
Customer account	1,497,449	1,447,979
Administrative and general	4,338,353	4,566,668
Taxes	1,604,284	1,620,939
Depreciation	1,524,522	1,495,752
Total operating expenses	60,200,919	66,381,128
Operating income	6,474,319	6,116,255
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,592,219	2,256,029
Interest expense	(2,227,622)	(2,568,737)
Allowance for advance	(4,242,175)	-
Total nonoperating revenues (expenses)	(4,877,578)	(312,708)
Income before transfers out	1,596,741	5,803,547
Transfers out	(3,101,624)	(3,119,490)
Changes in net assets	(1,504,883)	2,684,057
* NET ASSETS, beginning	16,055,986	23,707,224
NET ASSETS, ending	\$ 14,551,103	\$ 26,391,281

Ending net assets as of June 30, 2009 were restated due to the reporting of two component units as investments. The amount restated was as follows:

Net Asset, June 30, 2009	\$ 26,391,281
Less: Investment in Electric Company	(5,390,911)
Less: Investment in Cable Company	(4,944,384)
Net Assets (pg. 22)	<u>\$ 16,055,986</u>

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - ENTERPRISE FUND
For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Cash received from customers	\$ 65,956,189	\$ 71,770,787
Cash payments to suppliers for goods and services	(51,444,156)	(63,748,458)
Cash payments to employees for services	(7,309,603)	(3,832,418)
Net cash provided by operating activities	7,202,430	4,189,911
Cash Flows From Noncapital and Related Financing Activities		
Transfers to other funds	(3,101,624)	(3,119,490)
Allowance for advance	(4,242,175)	-
Amount held at CMEEC	(4,701,474)	-
Loan to Thames Valley Communications, Inc	-	(18,500,000)
Loan to Bozrah Light and Power	-	(1,700,000)
Net cash used in noncapital and related financing activities	(12,045,273)	(23,319,490)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,743,084)	(3,977,265)
Proceeds from bond anticipation notes	18,500,000	21,800,000
Payment of bond anticipation notes	(22,300,000)	(14,500,000)
Proceeds from general obligation bond issue	11,440,000	-
Proceeds from CMEEC loan	-	1,700,000
Principal paid on general obligation bond maturities and equipment contracts	(7,540,085)	(1,996,330)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(3,014,242)	(2,265,392)
Net cash provided by (used in) capital and related financing activities	(4,657,411)	761,013
Cash Flows From Investing Activities		
Payments of note receivable	1,463,680	15,581,527
Interest and dividends on investments	1,592,219	2,256,029
Net cash provided by investing activities	3,055,899	17,837,556
Net decrease in cash and cash equivalents	(6,444,355)	(531,010)
CASH AND CASH EQUIVALENTS, beginning	12,630,410	13,161,420
CASH AND CASH EQUIVALENTS, ending	\$ 6,186,055	\$ 12,630,410

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - ENTERPRISE FUND, Continued
 For the Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 6,474,319	\$ 6,116,255
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,524,522	1,495,752
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,105,780	(669,541)
Accrued utility revenue	207,387	(57,055)
Inventory	280,165	(98,144)
Prepaid expenses	226,974	(29,046)
Due from other funds	75,726	(829,115)
Bond issue costs	60,000	3,725
Pension asset	(69,088)	47,550
Investment in cable company	-	(524,800)
Increase (decrease) in:		
Accounts payable	(819,715)	(871,764)
Accrued payroll and compensated absences	7,053	12,270
Accrued taxes	16,110	(278,107)
Due to other funds	(30,995)	13,425
Rate stabilization	(2,032,216)	(333,771)
Net OPEB obligation	176,408	192,277
Net cash provided by operating activities	\$ 7,202,430	\$ 4,189,911

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF REVENUES
ELECTRIC DEPARTMENT
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Electric Service Revenues		
Residential	\$ 17,191,643	\$ 16,801,491
Commercial	12,461,772	16,281,069
Industrial	36,435,652	38,569,674
Private street lighting	210,754	204,037
Public street lighting	328,904	313,549
Water department	(207,387)	57,055
Total Electric Service Revenues	<u>66,421,338</u>	<u>72,226,875</u>
Other Electric Revenue		
Miscellaneous - rents, scrap, jobbing sales, etc.	<u>253,900</u>	<u>270,508</u>
Total operating revenues	<u>\$ 66,675,238</u>	<u>\$ 72,497,383</u>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF EXPENSES -
ELECTRIC DEPARTMENT
For the Years Ended June 30, 2010 and 2009

	2010	2009
Direct expenses		
Purchased power	\$ 48,481,194	\$ 54,825,199
Other Expenses		
Transmission Expenses:		
Supervision and engineering	\$ -	\$ 1,894
Station expenses	1,919	12,217
Overhead conductors and devices		805
Maintenance:	59,339	
Station equipment	4,198	34,643
Overhead conductors and devices	-	8,976
Underground lines	-	1,999
Total Transmission Expenses	65,456	60,534
Distribution Expenses:		
Supervision and engineering	607,396	599,360
Station expenses	55,185	56,525
Line expenses	5,078	153,498
Street lighting and signal system expenses	47,172	21,230
Meter expenses	150,038	110,866
Customer installation expenses	77,650	73,808
Miscellaneous	151,974	119,779
Maintenance:		
Supervision and engineering	49,007	107,268
Station expenses	330,411	448,952
Overhead lines	1,085,098	576,160
Services	30,108	4,914
Underground lines	4,913	12,166
Line transformers	8,400	13,906
Signal lights and fire alarms	13,395	
Meters	73,836	65,625
Total distribution expenses	2,689,661	2,364,057
Total other expenses	\$ 2,755,117	\$ 2,424,591
Customer Account Expenses:		
Meter reading	\$ 228,481	\$ 198,091
Customer records and collection	318,309	296,327
Uncollectible accounts	89,635	76,860
Miscellaneous	861,024	876,701
Total customer account expenses	\$ 1,497,449	\$ 1,447,979
Administrative and General Expenses:		
Administrative and general salaries	\$ 1,245,987	\$ 1,167,844
General office supplies and expenses	414,652	406,595
Outside services employed	677,932	706,432
Insurance	44,259	104,830
Injuries and damages	257,154	379,177
Employee welfare and benefits	2,249,658	1,817,781
Miscellaneous general expenses	356,854	134,926
Rent	132,313	116,949
Maintenance:		
General plant	73,247	108,114
General plant - municipal buildings	85,509	412,428
Office furniture and equipment	-	111,489
Communications equipment	123,829	46,844
	5,661,394	5,513,409
Deduct: Expenses transferred for transportation and administrative	(1,323,041)	(946,741)
Total administrative and general expenses	\$ 4,338,353	\$ 4,566,668

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CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENT OF NET ASSETS - WATER DEPARTMENT - ENTERPRISE FUNDS
 June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash	\$ 1,002,302	\$ 217,960
Investments	-	1,390,367
Receivables (net of allowance for uncollectibles of \$2,622 and \$6,000, respectively)	814,088	751,934
Due from other funds	1,777	30,000
Prepaid expenses	27,846	167,968
Bond issue costs	-	6,848
Inventory	23,485	21,225
Total current assets	1,869,498	2,586,302
Other Noncurrent Assets:		
Notes receivable	570,271	664,649
Bond issue costs	51,034	42,740
Net pension asset	239,710	189,947
Total other noncurrent assets	861,015	897,336
Capital Assets (net of accumulated depreciation):		
Land and land rights	2,087,377	1,587,377
Construction in progress	807,525	1,456,456
Buildings and improvements	3,821,575	3,947,870
Plant and pumping stations	4,668,826	5,115,022
Water distribution system	17,075,753	16,766,813
Machinery and equipment	352,439	373,707
Vehicles	-	38
Total capital assets (net of accumulated depreciation)	28,813,495	29,247,283
Total noncurrent assets	29,674,510	30,144,619
Total assets	31,544,008	32,730,921

	2010	2009
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 245,890	\$ 446,756
Accrued payroll and compensated absences	208,418	223,629
Accrued taxes	38,349	37,300
Accrued interest payable	76,392	76,681
Due to other funds	2,220,380	2,297,242
General obligation bonds payable - current portion	994,545	1,044,920
Customer deposits payable	24,235	100,661
Total current liabilities	3,808,209	4,227,189
Noncurrent liabilities:		
General obligation bonds and notes payable - net of premium and deferred amount on refunding	5,839,357	6,830,030
Net OPEB obligation	274,516	143,166
Total non-current liabilities	6,113,873	6,973,196
Total liabilities	9,922,082	11,200,385
NET ASSETS		
Capital assets, net of related debt	21,979,593	21,372,333
Unrestricted	(357,667)	158,203
Total net assets	\$ 21,621,926	\$ 21,530,536

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
 WATER DEPARTMENT - ENTERPRISE FUND
 For the Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUES	\$ 8,233,088	\$ 7,946,755
OPERATING EXPENSES		
Direct Expenses:		
Other	3,202,153	3,575,827
Overhead Expenses:		
Customer account	383,663	382,934
Administrative and general	3,220,191	3,269,113
Taxes	270,315	271,829
Depreciation	788,444	735,989
Total operating expenses	7,864,766	8,235,692
Operating income (loss)	368,322	(288,937)
NONOPERATING REVENUES (EXPENSES)		
Investment income	37,272	61,805
Interest expense	(314,204)	(362,531)
Net nonoperating expenses	(276,932)	(300,726)
Changes in net assets	91,390	(589,663)
NET ASSETS, beginning	21,530,536	22,120,199
NET ASSETS, ending	\$ 21,621,926	\$ 21,530,536

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - WATER FUND
 For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Cash received from customers	\$ 8,170,934	\$ 7,751,158
Cash payments to suppliers for goods and services	(3,391,668)	(4,312,953)
Cash payments to employees for services	(3,806,744)	(2,180,179)
Net cash provided by operating activities	972,522	1,258,026
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(354,656)	(136,008)
Proceeds from general obligation bond issue	1,656,000	-
Principal paid on general obligation bond maturities and equipment contracts	(2,746,415)	(1,058,170)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(265,126)	(374,206)
Net cash used in capital and related financing activities	(1,710,197)	(1,568,384)
Cash Flows From Investing Activities		
Payments on note receivable	94,378	89,771
Interest and dividends	37,272	61,805
Net cash provided by investing activities	131,650	151,576
Net decrease in cash and cash equivalents	(606,025)	(158,782)
CASH AND CASH EQUIVALENTS, beginning	1,608,327	1,767,109
CASH AND CASH EQUIVALENTS, ending	\$ 1,002,302	\$ 1,608,327

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DEPARTMENT - ENTERPRISE FUND, Continued
 For the Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 368,322	\$ (288,937)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	788,444	735,989
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(62,154)	(195,597)
Inventory	(2,260)	(3,642)
Prepaid expenses	140,122	(23,322)
Due from other funds	28,223	(18,833)
Other	(1,446)	6,458
Pension asset	(49,763)	(9,424)
Increase (decrease) in:		
Accounts payable	(277,292)	56,792
Accrued payroll and compensated absences	(15,211)	28,508
Accrued taxes	1,049	-
Due to other funds	(76,862)	826,868
Net OPEB obligation	131,350	143,166
Net cash provided by operating activities	\$ 972,522	\$ 1,258,026

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF REVENUES
WATER SYSTEM
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Water Service Revenues		
Residential	\$ 2,069,237	\$ 1,998,385
Commercial	1,385,104	1,354,120
Industrial	2,735,289	2,812,605
Private fire protection	92,822	95,091
Public fire protection	250,409	246,531
Other sales to public authorities	1,203,552	966,654
Total water service revenues	<u>7,736,413</u>	<u>7,473,386</u>
Other Water Revenue		
Miscellaneous - rents, lien fees, scrap sales, etc.	<u>496,675</u>	<u>473,369</u>
Total operating revenues	<u>\$ 8,233,088</u>	<u>\$ 7,946,755</u>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF EXPENSES -
WATER SYSTEM

For the Years Ended June 30, 2010 and 2009

	2010	2009
Direct Expenses		
Source of Water Supply Expenses:		
Operation labor	\$ 90,546	\$ 90,238
Supplies and expenses	78,012	85,541
Rent	10,000	10,000
Maintenance - structure and improvement	66,015	64,861
Total source of water supply expenses	244,573	250,640
Pumping Expenses:		
Fuel for power production	8,459	8,782
Power purchased	538,024	516,661
Operation labor	202,390	180,547
Maintenance - structure and equipment	97,828	108,070
Total pumping expenses	846,701	814,060
Water Treatment Expenses		
Chemicals	188,240	333,298
Operation labor	880,299	901,576
Supplies and expenses	101,133	130,017
Maintenance - structure and equipment	147,621	161,729
Total water treatment expenses	1,317,293	1,526,620
Transmission and Distribution Expenses		
Supervision and engineering	82,614	93,923
Storage facilities	1,269	63,832
Operation of lines	186	531
Supplies and expenses	163,189	190,084
Maintenance:		
Structures and improvements	4,550	71,092
Mains	211,294	248,842
Services	153,141	146,430
Meters	132,848	130,058
Hydrants	44,495	39,715
Total transmission and distribution expenses	793,586	984,507
Total other expenses	\$ 3,202,153	\$ 3,575,827
Customer Account Expenses:		
Meter reading	\$ 62,340	\$ 95,837
Customer records and collection	191,700	175,839
Uncollectible accounts	5,500	37,155
Miscellaneous	124,123	74,103
Total customer account expenses	\$ 383,663	\$ 382,934
Administrative and General Expenses:		
Administrative and general salaries	\$ 798,903	\$ 802,809
General office supplies and expenses	173,080	194,946
Outside services employed	293,708	330,095
Insurance	108,747	95,499
Injuries and damages	256,128	302,254
Employee welfare and benefits	1,244,719	1,206,694
Miscellaneous general expenses	52,014	53,620
Rent	26,510	26,492
Maintenance:		
Office furniture and equipment	8,720	6,692
Communication equipment	1,710	1,354
Miscellaneous general property	255,952	175,926
	3,220,191	3,196,381
Deduct: Expenses transferred for transportation and administrative		72,732
Total administrative and general expenses	\$ 3,220,191	\$ 3,269,113

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the City to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Self-Insurance

This fund is used to account for losses arising from property and general liability claims.

Health Plan

This fund is used to account for losses arising from medical claims of the City's employees.

CITY OF GROTON, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
 June 30, 2010 (With Comparative Totals at June 30, 2009)

	Self-Insurance	Health Plan	2010	2009
ASSETS				
Cash	\$ 720,215	\$ 4,268,925	\$ 4,989,140	\$ 34,133
Investments	-	-	-	4,932,889
Total current assets	720,215	4,268,925	4,989,140	4,967,022
LIABILITIES				
Liabilities:				
Accounts/claims payable	-	291,808	291,808	255,070
Total liabilities	-	291,808	291,808	255,070
NET ASSETS				
Unrestricted	\$ 720,215	\$ 3,977,117	\$ 4,697,332	\$ 4,711,952

CITY OF GROTON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2010 (With Comparative Totals for the Year Ended June 30, 2009)

	Self-Insurance	Health Plan	2010	2009
OPERATING REVENUES				
Premiums	\$ 65,861	\$ 3,762,676	\$ 3,828,537	\$ 3,833,096
OPERATING EXPENSES				
Claims Paid:				
Public Safety	11,020	-	11,020	3,662
Public Works	30,874	-	30,874	4,500
General Government	5,025	-	5,025	5,000
Electric Department	15,181	-	15,181	-
Health Plan	-	3,257,104	3,257,104	3,127,560
Administration:				
Health Plan	112,147	429,313	541,460	316,578
Total operating expenses	174,247	3,686,417	3,860,664	3,457,300
Operating income (loss)	(108,386)	76,259	(32,127)	375,796
NONOPERATING REVENUE				
Investment income	-	17,507	17,507	49,730
Change in net assets	(108,386)	93,766	(14,620)	425,526
NET ASSETS, beginning	828,601	3,883,351	4,711,952	4,286,426
NET ASSETS, ending	\$ 720,215	\$ 3,977,117	\$ 4,697,332	\$ 4,711,952

CITY OF GROTON, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2010 (With Comparative Totals for the Year Ended June 30, 2009)

	Self-Insurance	Health Plan	2010	2009
Cash Flows From Operating Activities				
Cash received for premiums	\$ 65,861	\$ 3,762,676	\$ 3,828,537	\$ 3,845,381
Cash paid to claimants	(62,100)	(3,220,366)	(3,282,466)	(3,164,607)
Cash paid for administration	(112,147)	(429,313)	(541,460)	(309,617)
Net cash provided by (used in) operating activities	(108,386)	112,997	4,611	371,157
Cash Flows Provided by Investing Activities				
Investment income	-	17,507	17,507	49,730
Net increase (decrease) in cash and cash equivalents	(108,386)	130,504	22,118	420,887
Cash and Cash Equivalents, beginning	828,601	4,138,421	4,967,022	4,546,135
Cash and Cash Equivalents, ending	\$ 720,215	\$ 4,268,925	\$ 4,989,140	\$ 4,967,022
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (108,386)	\$ 76,259	\$ (32,127)	\$ 375,796
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	6,961
(Increase) decrease in due from other funds	-	-	-	31,891
(Decrease) increase in accrued liabilities	-	36,738	36,738	(16,924)
(Decrease) increase in due to other funds	-	-	-	(26,567)
Net cash provided by (used in) operating activities	\$ (108,386)	\$ 112,997	\$ 4,611	\$ 371,157

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Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

Financial Trends (Tables 1-4)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (Tables 5-9)

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity (Tables 10-14)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 15-17)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information (Tables 18-19)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number.

**NET ASSETS BY COMPONENT
LAST EIGHT YEARS
(Unaudited)**

	FISCAL YEAR ENDED							
	2010	2009	2008	2007	2006	2005	2004	2003
GOVERNMENTAL ACTIVITIES								
Invested in capital assets, net of related debt	\$ 18,698,216	\$ 17,940,109	\$ 17,644,455	\$ 17,258,682	\$ 15,174,745	\$ 15,471,038	\$ 15,280,844	\$ 14,255,399
Restricted for:								
Endowment:								
Nonexpendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Expendable	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
Unrestricted	9,406,900	8,961,352	8,604,464	7,997,580	9,217,898	7,641,596	7,426,960	7,883,645
Total governmental activities	28,177,312	26,972,892	26,319,507	25,324,029	24,456,901	23,174,589	22,768,845	22,199,481
BUSINESS-TYPE ACTIVITIES								
Invested in capital assets, net of related debt	28,279,508	32,193,110	31,548,632	22,765,060	23,958,301	22,883,388	25,644,631	21,672,972
Restricted for:								
Debt service	-	9,662,286	10,501,840	8,046,297	8,640,866	4,235,814	6,147,926	2,908,963
Economic development	-	4,422	626,017	34,201	34,201	31,897	2,289,728	889,316
Energy and efficiency	-	413,457	359,730	810,850	236,407	166,275	-	-
Unrestricted	8,592,868	6,350,066	3,301,448	14,324,794	12,837,386	16,589,580	8,205,668	15,531,794
Total business-type activities	36,872,376	48,623,341	46,337,667	45,981,202	45,707,161	43,906,954	42,287,953	41,003,045
CITY NET ASSETS								
Invested in capital assets, net of related debt	46,977,724	50,133,219	49,193,087	40,023,742	39,133,046	38,354,426	40,925,475	35,928,371
Restricted for:								
Capital projects	-	-	-	780,496	-	2,744,540	-	-
Endowment:								
Nonexpendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Expendable	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
Debt service	-	9,662,286	10,501,840	8,046,297	8,640,866	4,235,814	6,147,926	2,908,963
Economic development	-	4,422	626,017	34,201	34,201	31,897	2,289,728	889,316
Energy and efficiency	-	413,457	359,730	810,850	236,407	166,275	-	-
Unrestricted	17,999,768	15,311,418	11,905,912	21,541,878	22,055,284	24,231,176	15,632,628	23,415,439
Total City net assets	\$ 65,049,688	\$ 75,596,233	\$ 72,657,174	\$ 71,305,231	\$ 70,164,062	\$ 69,826,083	\$ 65,056,798	\$ 63,202,526

Note: Less than ten years of data due to the implementation date of GASB No. 34.

CHANGES IN NET ASSETS
Last Eight Fiscal Years
(Unaudited)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental activities:								
General government	\$ 1,883,687	\$ 1,862,419	\$ 1,596,959	\$ 1,528,470	\$ 1,330,894	\$ 1,244,599	\$ 1,195,068	\$ 1,120,560
Public safety	8,135,137	7,491,823	7,035,055	7,044,463	6,269,841	6,063,965	5,988,046	5,361,475
Public works	4,948,692	4,786,325	4,842,439	4,259,599	4,325,419	4,189,414	3,999,878	3,523,248
Recreation	1,087,662	1,069,777	831,869	898,307	805,702	843,815	828,257	736,786
Interest expense	207,406	188,952	233,053	223,433	231,050	253,842	267,593	359,277
Total governmental expenses	16,262,584	15,399,296	14,539,375	13,954,272	12,962,906	12,595,635	12,278,842	11,101,346
Business-type activities:								
Electric Department	66,672,893	68,840,133	70,271,183	70,349,760	63,265,662	49,360,548	43,941,912	42,521,885
Water Department	8,178,970	8,516,675	7,626,088	7,282,315	6,480,608	6,032,857	5,996,207	5,552,070
Total business-type expenses	74,851,863	77,356,808	77,897,271	77,632,075	69,746,270	55,393,405	49,938,119	48,073,955
Total expenses	91,114,447	92,756,104	92,436,646	91,586,347	82,709,176	67,989,040	62,216,961	59,175,301
Program Revenues:								
Governmental activities:								
Charges for services:								
General government	924,262	1,033,369	1,325,812	821,134	734,574	711,765	627,863	878,345
Public safety	384,644	310,747	277,838	272,215	321,844	460,724	491,240	-
Public works	43,234	79,352	54,898	76,876	181,106	57,698	136,137	124,169
Recreation	131,648	104,780	95,672	104,293	105,408	110,497	76,823	94,108
Operating grants and contributions	4,860,134	5,135,871	4,901,814	4,968,635	5,243,944	4,659,508	3,912,936	4,067,915
Capital grants and contributions	1,094,709	-	-	-	-	5,000	51,616	40,416
Total governmental activities	7,438,631	6,664,119	6,656,034	6,243,153	6,586,876	6,005,192	5,296,615	5,204,953
Business-type activities:								
Electric Department	66,675,238	72,497,383	71,747,273	71,478,540	65,864,885	51,038,035	45,768,005	44,011,248
Water Department	8,233,088	7,946,755	7,582,363	6,679,385	6,570,471	6,651,483	6,286,607	6,024,389
Total business-type activities	74,908,326	80,444,138	79,329,636	78,157,925	72,435,356	57,689,518	52,054,612	50,035,637
Total program revenues	82,346,957	87,108,257	85,985,670	84,401,078	79,022,232	63,694,710	57,351,227	55,240,590
Net (expense)/revenue								
Governmental activities	(8,823,953)	(8,735,177)	(7,883,341)	(7,711,119)	(6,376,030)	(6,590,443)	(6,982,227)	(5,896,393)
Business-type activities	56,463	3,087,330	1,432,365	525,850	2,689,086	2,296,113	2,116,493	1,961,682
Total net expenses	(8,767,490)	(5,647,847)	(6,450,976)	(7,185,269)	(3,686,944)	(4,294,330)	(4,865,734)	(3,934,711)

(Continued)

CHANGES IN NET ASSETS, Continued
Last Eight Fiscal Years
(Unaudited)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:								
Governmental activities:								
Property taxes	5,901,139	5,803,801	5,229,254	5,253,697	4,747,176	4,491,172	4,610,396	4,424,481
Grants and contributions not restricted to specific purposes	408,771	111,351	168,660	122,268	213,730	316,847	1,140,038	1,123,118
Investment income	294,327	240,744	518,553	685,033	405,262	202,439	80,565	155,993
Miscellaneous	322,512	113,176	126,452	52,215	148,666	121,809	99,773	54,002
Transfers	3,101,624	3,119,490	2,835,900	2,465,034	2,143,508	1,863,920	1,620,819	1,409,400
Total governmental activities	10,028,373	9,388,562	8,878,819	8,578,247	7,658,342	6,996,187	7,551,591	7,166,994
Business-type activities:								
Investment income	1,629,491	2,317,834	2,396,799	2,138,106	1,254,629	1,136,522	789,234	739,127
Transfers	(3,101,624)	(3,119,490)	(2,835,900)	(2,465,034)	(2,143,508)	(1,863,920)	(1,620,819)	(1,409,400)
Total business-type activities	(1,472,133)	(801,656)	(439,101)	(326,928)	(888,879)	(727,398)	(831,585)	(670,273)
Total general revenues	8,556,240	8,586,906	8,439,718	8,251,319	6,769,463	6,268,789	6,720,006	6,496,721
Change in Net Assets:								
Governmental activities	1,204,420	653,385	995,478	867,128	1,282,312	405,744	569,364	1,270,601
Business-type activities	(1,415,670)	2,285,674	993,264	198,922	1,800,207	1,568,715	1,284,908	1,291,409
Change in net assets	\$ (211,250)	\$ 2,939,059	\$ 1,988,742	\$ 1,066,050	\$ 3,082,519	\$ 1,974,459	\$ 1,854,272	\$ 2,562,010

Note: Less than ten years of data due to the implementation date of GASB 34.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years (Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
REVENUES										
Property taxes	\$ 5,913,531	\$ 5,812,388	\$ 5,220,845	\$ 5,253,193	\$ 4,762,481	\$ 4,487,668	\$ 4,673,090	\$ 4,396,254	\$ 3,788,365	\$ 3,774,853
Intergovernmental	6,363,614	5,245,422	5,067,286	5,088,128	5,455,684	4,964,086	5,090,080	5,070,443	5,469,566	4,319,607
Charges for services	1,483,788	1,528,248	1,754,220	1,274,518	1,342,932	1,340,509	1,254,094	1,596,609	1,082,497	1,235,519
Income from investments	276,820	191,014	348,587	493,709	280,371	147,449	47,943	123,606	225,969	489,873
Contributions	-	1,800	3,188	2,775	1,990	17,269	13,110	85,638	2,443	4,475
Other	322,512	118,439	126,452	52,215	148,666	121,809	99,773	54,002	137,798	200,596
Total revenues	14,360,265	12,897,311	12,520,578	12,164,538	11,992,124	11,078,790	11,178,090	11,326,552	10,706,638	10,024,923
EXPENDITURES										
Current:										
General government	1,605,410	1,789,364	1,433,598	1,448,768	1,258,889	1,158,978	1,063,159	1,048,796	957,416	976,932
Public safety	7,306,685	6,987,176	6,820,956	6,948,625	6,231,187	5,909,434	5,522,178	5,379,101	5,222,473	4,874,151
Public works	4,256,569	4,266,753	3,880,959	3,936,897	3,770,474	3,676,363	3,480,926	3,497,176	3,725,390	3,165,118
Parks and recreation	1,029,072	1,029,690	861,109	826,327	777,313	759,916	734,607	690,859	713,761	638,859
Non-departmental and other	148,473	36,386	54,665	64,105	38,697	46,675	58,142	48,139	25,204	19,586
Capital outlay	3,092,237	407,667	981,788	2,899,161	1,051,058	395,425	856,430	730,585	1,396,850	554,539
Debt service:										
Bond principal	953,585	930,500	841,017	860,738	740,500	766,896	771,600	646,600	571,600	571,600
Bond and note interest	188,286	195,161	233,355	229,668	227,268	243,669	274,007	287,778	292,372	316,912
Total expenditures	18,580,317	15,642,697	15,107,447	17,214,289	14,095,386	12,957,356	12,761,049	12,329,034	12,905,066	11,117,697
Deficiency of revenues over expenditures	(4,220,052)	(2,745,386)	(2,586,869)	(5,049,751)	(2,103,262)	(1,878,566)	(1,582,959)	(1,002,482)	(2,198,428)	(1,092,774)
OTHER FINANCING SOURCES (USES)										
Bond proceeds	1,725,000	-	880,000	-	1,140,000	-	-	250,000	-	-
Refunding bond proceeds	1,614,200	-	-	-	-	-	-	1,385,000	-	-
Proceeds from bond anticipation notes	-	-	-	-	-	-	-	-	1,360,000	-
Payment to refunding bond escrow	(1,713,838)	-	-	-	-	-	-	(1,377,664)	-	-
Premium on bond sale	124,602	-	7,048	-	7,962	-	-	28,066	-	-
Proceeds from sale of assets	-	-	-	-	-	500	-	-	250	4,355
Transfers in	3,101,624	3,421,852	3,450,400	2,621,720	2,620,580	2,078,410	1,980,482	1,993,076	1,569,528	1,495,523
Transfers out	-	(302,362)	(614,500)	(156,686)	(477,072)	(214,490)	(359,663)	(583,676)	(288,248)	(330,723)
Net other financing sources (uses)	4,851,588	3,119,490	3,722,948	2,465,034	3,291,470	1,864,420	1,620,819	1,694,802	2,641,530	1,169,155
Net changes in fund balances	\$ 631,536	\$ 374,104	\$ 1,136,079	\$ (2,584,717)	\$ 1,188,208	\$ (14,146)	\$ 37,860	\$ 692,320	\$ 443,102	\$ 76,381
Debt Service as a Percentage of Noncapital Expenditures	7.37%	7.00%	8.00%	8.00%	7.00%	8.00%	9.00%	8.00%	8.00%	8.00%

FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years (Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
GENERAL FUND										
Reserved	\$ 91,645	\$ 75,056	\$ 122,172	\$ 33,609	\$ 52,003	\$ 26,793	\$ 93,850	\$ 107,605	\$ 72,710	\$ 77,447
Unreserved:										
Designated	973,606	808,410	690,208	659,538	574,897	779,094	470,026	223,585	224,616	361,162
Undesignated	3,874,650	3,553,401	3,150,154	2,769,282	2,808,146	2,157,856	2,170,544	1,981,938	1,585,748	1,465,540
Total unreserved	4,848,256	4,361,811	3,840,362	3,428,820	3,383,043	2,936,950	2,640,570	2,205,523	1,810,364	1,826,702
Total general fund	4,939,901	4,436,867	3,962,534	3,462,429	3,435,046	2,963,743	2,734,420	2,313,128	1,883,074	1,904,149
ALL OTHER GOVERNMENTAL FUNDS										
Endowment	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	-	-
Unreserved, reported in:										
Special revenue funds	497,845	367,679	358,993	304,847	366,770	241,810	258,115	221,292	229,484	187,264
Capital funds	1,247,316	1,249,745	1,359,503	780,496	3,334,182	2,744,540	2,972,618	3,393,477	3,183,456	2,761,499
Permanent funds	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437	-	-
Total all other governmental funds	1,817,357	1,688,855	1,789,084	1,153,110	3,765,210	3,048,305	3,291,774	3,675,206	3,412,940	2,948,763
Total all governmental funds	\$ 6,757,258	\$ 6,125,722	\$ 5,751,618	\$ 4,615,539	\$ 7,200,256	\$ 6,012,048	\$ 6,026,194	\$ 5,988,334	\$ 5,296,014	\$ 4,852,912

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY ⁽¹⁾
LAST TEN YEARS
(Unaudited)**

Year Ended June 30,	Grand List of October 1,	Real Property		Personal Property		Total		Ratio of Total Assessed Value To Total Estimated Actual Value	Total Direct City Rate
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2001	1999	\$ 574,811,250	\$ 825,128,039	\$ 170,406,651	\$ 243,438,073	\$ 745,217,901	\$ 1,068,566,112	70.00%	\$ 4.95
2002	2000	559,225,432	798,893,474	198,335,388	283,336,269	757,560,820	1,082,229,743	70.00%	4.95
2003	2001	628,055,520	897,222,171	221,993,996	317,134,280	850,049,516	1,214,356,451	70.00%	4.95
2004	2002	653,680,756	933,829,651	242,685,864	346,694,091	896,366,620	1,280,523,742	70.00%	4.91
2005	2003	657,237,888	938,911,269	246,422,766	352,032,523	903,660,654	1,290,943,792	70.00%	4.90
2006	2004	695,411,928	993,445,611	256,958,321	367,083,316	952,370,249	1,360,528,927	70.00%	4.90
2007	2005	832,292,222	1,188,988,889	336,672,532	480,960,760	1,168,964,754	1,669,949,649	70.00%	4.90
2008	2006	951,406,061	1,359,151,516	353,958,567	505,655,096	1,305,364,628	1,864,806,612	70.00%	4.40
2009	2007	1,049,560,390	1,499,371,986	308,965,716	441,379,594	1,358,526,106	1,940,751,580	70.00%	4.13
2010	2008	1,049,470,816	1,499,244,023	282,742,288	403,917,554	1,332,213,104	1,903,161,577	70.00%	4.14

⁽¹⁾ Total assessed value based on 70 percent of estimated actual value.

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
(Unaudited)**

Year Ended June 30,	Grand List of October 1,	City of Groton	Town of Groton	Total Mill Rate
2001	1999	\$ 4.95	\$ 23.50	\$ 28.45
2002	2000	4.95	20.57	25.52
2003	2001	4.95	20.57	25.52
2004	2002	4.90	22.62	27.52
2005	2003	4.90	22.95	27.85
2006	2004	4.90	22.95	27.85
2007	2005	4.90	24.05	28.95
2008	2006	4.40	21.21	25.61
2009	2007	4.14	19.27	23.41
2010	2008	4.14	17.95	22.09

Note: Data supplied by Town and City of Groton Tax Collector.

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Name	Nature of Business	Current Year			Ten Years Ago		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Chas.Pfizer Company, Inc.	Pharmaceuticals	\$541,096,282	1	40.62%	\$296,357,483	1	39.77%
General Dynamics Corporation	Submarine	195,622,154	2	14.68%	157,721,985	2	21.16%
Colonial Manor, Inc.	Apartments	13,063,280	3	0.98%	6,864,630	4	0.92%
Branford Manor, Inc.	Apartments	10,579,970	4	0.79%	14,776,096	3	1.98%
CSC Dynamics	Equipment Leasing	10,101,420	5	0.76%	5,461,945	5	0.73%
The North/South Harbor Ltd.	Apartments	7,770,140	6	0.58%	3,704,020	7	0.50%
Amerada Hess Corporation	Oil & Gas	6,289,040	7	0.47%	4,464,436	6	0.60%
Ansonia Acquisitions, LLC	Apartments	5,271,470	8	0.40%	2,482,320	9	0.33%
Groton Townhouse Apts., LLC	Apartments	4,746,610	9	0.36%	2,290,162	10	0.31%
Avery Heights Limited STSHP	Apartments	4,126,661	10	0.31%	2,559,830	10	0.34%
Total		<u>\$798,667,027</u>		<u>59.95%</u> %	<u>\$496,682,907</u>		<u>66.64%</u>

Source: Town of Groton Assessor's Department

The total net assessment of the top ten taxpayers for the City of Groton constitutes 61% of the total 10/1/2008 net taxable grand list for the City of Groton after the BAA deliberations.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(Unaudited)**

Year Ended June 30,	Tax Rate in Mills	Grand List of October 1	Total Adjusted Tax Levy	Net Current Collections	Percent of Levy Collected	Net Delinquent Taxes Collected	Net Total Tax Collections	Percentage of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
2001	\$ 4.95	1999	\$ 3,730,769	\$ 3,685,360	98.78%	\$ 45,409	\$ 3,730,769	100.00%	\$ -	0.00%
2002	4.95	2000	3,773,391	3,728,880	98.82%	44,511	3,773,391	100.00%	-	0.00%
2003	4.95	2001	4,244,111	4,197,758	98.91%	46,339	4,244,097	100.00%	14	0.00%
2004	4.90	2002	4,420,061	4,369,291	98.85%	50,756	4,420,047	100.00%	14	0.00%
2005	4.90	2003	4,458,089	4,411,023	98.94%	46,807	4,457,830	99.99%	259	0.01%
2006	4.90	2004	4,680,780	4,647,368	99.29%	33,139	4,680,507	99.99%	273	0.01%
2007	4.90	2005	5,148,126	5,101,085	99.09%	44,106	5,145,191	99.94%	2,935	0.06%
2008	4.40	2006	5,192,653	5,146,799	99.12%	35,057	5,181,856	99.79%	10,797	0.21%
2009	4.14	2007	5,678,591	5,629,826	99.14%	46,819	5,676,645	99.97%	48,765	0.86%
2010	4.14	2008	5,634,676	5,608,587	99.54%	-	5,608,587	99.54%	46,819	0.83%

Source: Town of Groton Tax Collector's Department.

MAJOR TAXPAYERS/CUSTOMERS
(Amounts Expressed In Thousands)
Years Ended June 30 (Unaudited)

	2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	%	Amount																		
Taxes Collectible at Levy Date																				
General Fund:																				
Property tax revenue ⁽¹⁾																				
General Dynamics Corporation	15%	\$ 809	15%	\$ 845	15%	\$ 794	17%	\$ 867	18%	\$ 846	18%	\$ 808	17%	\$ 797	18%	\$ 765	21%	\$ 787	21%	\$ 776
Chas. Pfizer Company, Inc.	41%	2,237	46%	2,680	46%	2,401	49%	2,575	43%	2,026	41%	1,815	43%	2,003	38%	1,640	41%	1,521	40%	1,517
Operating Revenues																				
Enterprise Funds																				
Electric Department:																				
General Dynamics Corporation	18%	11,416	14%	9,986	13%	9,013	12%	8,806	12%	8,120	16%	7,108	14%	6,417	13%	5,536	13%	5,451	13%	5,647
Chas. Pfizer Company, Inc.	12%	7,861	23%	16,636	26%	18,473	27%	19,192	26%	16,935	28%	12,620	21%	9,778	21%	9,125	24%	10,338	25%	10,953
U.S. Naval Submarine Base	17%	10,949	15%	10,483	15%	10,797	15%	10,867	14%	9,096	15%	6,891	14%	6,329	15%	6,417	15%	6,633	15%	6,499
Water Department:																				
General Dynamics Corporation	5%	350	4%	335	4%	278	4%	292	8%	509	8%	481	6%	334	4%	242	3%	199	4%	222
Chas. Pfizer Company, Inc.	15%	1,177	16%	1,213	18%	1,385	21%	1,375	19%	1,235	25%	1,489	23%	1,352	23%	1,388	22%	1,276	24%	1,341
U.S. Naval Submarine Base	10%	758	11%	837	13%	957	13%	866	10%	685	14%	855	19%	1,125	17%	1,008	17%	980	17%	945
Usage																				
Enterprise Funds:																				
Electric Department (Kilowatt Hrs):																				
General Dynamics Corporation	22%	101,662	15%	90,205	15%	90,069	15%	90,486	16%	98,872	17%	103,823	17%	104,045	15%	91,754	16%	88,488	16%	90,166
Chas. Pfizer Company, Inc.	10%	46,447	22%	132,090	26%	156,718	26%	157,507	26%	156,822	26%	154,403	26%	156,299	25%	151,277	26%	143,883	27%	150,984
U.S. Naval Submarine Base	19%	88,834	15%	90,734	17%	101,726	17%	105,200	17%	100,353	15%	91,683	15%	89,501	16%	96,464	17%	94,755	17%	98,177
Water Department (Cubic Feet):																				
General Dynamics Corporation	5%	11,606	4%	11,471	4%	10,762	5%	13,724	9%	27,543	9%	26,472	7%	19,036	4%	12,355	4%	11,406	5%	13,900
Chas. Pfizer Company, Inc.	14%	44,807	19%	49,505	25%	64,757	24%	72,811	22%	67,062	30%	86,809	29%	82,165	28%	83,879	30%	88,588	32%	96,833
U.S. Naval Submarine Base	13%	31,458	14%	36,096	18%	46,147	16%	47,057	13%	38,924	18%	51,087	25%	70,350	25%	72,933	24%	70,807	23%	71,134

⁽¹⁾ The amount of collectible taxes includes real estate, personal property and motor vehicle.

**RATIOS OF OUTSTANDING DEBT TYPE
LAST TEN YEARS
(Unaudited)**

Year Ended June 30,	Governmental Activities			Business-Type Activities			Grand Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligations Bonds			General Obligation Bonds					
	City	Sewer	Total	Electric ⁽³⁾	Sewer	Total			
2001	\$ 1,256,440	\$ 5,380,960	\$ 6,637,400	\$ 4,139,560	\$11,128,040	\$15,267,600	\$21,905,000	9.80%	\$ 2,188
2002	1,145,830	4,919,970	6,065,800	3,649,670	10,179,530	13,829,200	19,895,000	8.90%	1,988
2003	2,630,220	4,503,980	7,134,200	12,377,780	10,828,020	23,205,800	30,340,000	13.60%	3,031
2004	2,399,610	3,962,990	6,362,600	11,526,960	9,785,440	21,312,400	27,675,000	12.40%	2,765
2005	2,164,000	3,432,000	5,596,000	10,681,140	8,742,860	19,424,000	25,020,000	11.20%	2,500
2006	1,936,500	4,054,000	5,990,500	6,550,000	9,485,280	16,035,280	22,025,780	9.90%	2,200
2007	1,709,000	3,421,000	5,130,000	19,496,630	8,498,370	27,995,000	33,125,000	14.90%	3,309
2008	2,366,500	2,803,000	5,169,500	31,660,300	9,000,200	40,660,500	45,830,000	20.60%	4,578
2009	2,054,000	2,185,000	4,239,000	29,663,970	7,942,030	37,606,000	41,845,000	18.80%	4,180
2010	3,501,000	1,573,500	5,074,500	33,563,885	6,851,615	40,415,500	45,490,000	26.60%	5,926

Note: ⁽¹⁾ Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ Electric and Water general obligation bonds are paid by the rate payers. Only a portion of the rate payers are property owners.

⁽³⁾ Includes \$14,150,000 of bonds issued for telecommunications. City has offsetting note receivable recorded for this amount.

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET GENERAL BONDED DEBT PER CAPITA**

**Last Ten Fiscal Years
(Unaudited)**

Year Ended June 30,	Population	Assessed Value	Bonded Debt	Percentage of Net Long-Term Debt to Assessed Value	Net Long-Term Debt Per Capita
2001	*** 10,010	\$ 745,217,901	\$ 6,637,400	0.89%	\$ 663
2002	*** 10,010	757,560,820	6,065,800	0.80%	606
2003	*** 10,010	850,049,516	7,134,200	0.84%	713
2004	*** 10,010	896,366,620	6,362,600	0.71%	636
2005	*** 10,010	903,660,654	5,596,000	0.62%	559
2006	*** 10,010	952,370,249	5,990,500	0.63%	598
2007	*** 10,010	1,168,964,754	5,130,000	0.44%	512
2008	*** 10,010	1,305,364,628	5,169,500	0.40%	516
2009	*** 10,010	1,358,526,106	4,239,000	0.31%	423
2010	*** 10,010	1,332,213,104	6,108,000	0.46%	610

*** Based on 2000 Bureau of Census figure.

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2010

(Unaudited)

Jurisdiction	Net Bonded Debt Outstanding	Percentage Application to City	Amount Applicable to City
Direct:			
City of Groton	\$ 6,108,000	100.00%	\$ 6,108,000
Overlapping:			
Town of Groton	<u>48,813,000</u>	33.10%	<u>16,157,103</u>
Total	<u>\$ 54,921,000</u>		<u>\$ 22,265,103</u>

SCHEDULE OF STATUTORY DEBT LIMITATION
For the Year Ended June 30, 2010
(Unaudited)

Total Tax Collections (including interest and lien fees)		\$ 5,879,707
Reimbursement for revenue loss on:		
Tax relief for elderly freeze		<u>2,902</u>
Total Base		<u>\$ 5,882,609</u>
	General Purpose	Sewer
Debt Limitation		
2-1/4 times	\$ 13,235,870	\$ -
3-3/4 times	-	22,059,784
Total debt	<u>13,235,870</u>	<u>22,059,784</u>
Indebtedness:		
Bonds payable	3,501,000	1,573,500
Bond anticipation notes	-	-
Total Indebtedness	<u>3,501,000</u>	<u>1,573,500</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 9,734,870</u>	<u>\$ 20,486,284</u>

Notes: (A) The above total indebtedness amounts to: \$ 30,221,154

(B) In no case shall total indebtedness exceed seven times annual receipts from taxation \$ 41,178,263

(C) A "Schools" column is not provided in the above schedule since an educational system is provided by the Town of Groton.

(D) There are authorized and existing bonds of both the Electric and Water Departments. Although this debt is also a general obligation of the City, repayment is expected to come from the respective utility's operational income. Therefore, the amounts are not reflected in the schedule.

(E) The bond anticipation notes above are recorded in the Electric Department's major fund, but are shown here due to the ruling of the DPUC that the amount must be shown against the City's borrowing limitation.

**SCHEDULE OF STATUTORY DEBT LIMITATION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total tax collections, including interest and lien fees	\$ 5,879,707	\$ 5,789,797	\$ 5,201,200	\$ 5,214,744	\$ 4,756,093	\$ 4,446,560	\$ 4,646,264	\$ 4,359,360	\$ 3,788,365	\$ 3,774,853
Reimbursement for revenue loss on:										
Tax relief for elderly freeze	2,902	-	306	599	598	936	936	713	697	697
TOTAL BASE	\$ 5,882,609	\$ 5,789,797	\$ 5,201,506	\$ 5,215,343	\$ 4,756,691	\$ 4,447,496	\$ 4,647,200	\$ 4,360,073	\$ 3,789,062	\$ 3,775,550
DEBT LIMIT										
General purpose 2 1/4 times base	\$ 13,235,870	\$ 13,027,043	\$ 11,703,389	\$ 11,734,522	\$ 10,702,555	\$ 10,006,866	\$ 10,456,200	\$ 9,810,164	\$ 8,525,390	\$ 8,494,988
Sewer 3 3/4 times base	22,059,784	21,711,739	19,505,648	19,557,536	17,837,591	16,678,110	17,427,000	16,350,274	14,208,983	14,158,313
TOTAL DEBT LIMIT	35,295,654	34,738,782	31,209,036	31,292,058	28,540,146	26,684,976	27,883,200	26,160,438	22,734,372	22,653,300
Net debt applicable to limit:										
General purpose:										
Bonds payable	3,501,000	2,054,000	2,366,500	1,709,000	1,936,500	2,164,000	2,399,610	2,630,220	1,145,830	1,256,440
Bond anticipation notes	-	-	-	-	-	6,900,000	6,900,000	3,000,000	1,360,000	-
Sewer:										
Bonds payable	1,573,500	2,185,000	2,803,000	3,421,000	4,054,000	3,432,000	3,962,990	4,503,980	4,919,970	5,380,960
Bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	5,074,500	4,239,000	5,169,500	5,130,000	5,990,500	12,496,000	13,262,600	10,134,200	7,425,800	6,637,400
LEGAL DEBT LIMIT	\$ 30,221,154	\$ 30,499,782	\$ 26,039,536	\$ 26,162,058	\$ 22,549,646	\$ 14,188,976	\$ 14,620,600	\$ 16,026,238	\$ 15,308,572	\$ 16,015,900
In no case shall total indebtedness exceed seven times annual receipts from taxation	\$ 41,178,263	\$ 40,528,579	\$ 36,410,542	\$ 36,507,401	\$ 33,296,837	\$ 31,132,472	\$ 32,530,400	\$ 30,520,511	\$ 26,523,434	\$ 26,428,850
Total net debt applicable to the limit as a percentage of debt limit	14.38%	12.20%	16.56%	16.39%	20.99%	46.83%	47.56%	38.74%	32.66%	29.30%

- Notes: (A) A "Schools" column is not provided in the above schedule since an educational system is provided by the Town of Groton.
(B) There are authorized and existing bonds of both the Electric and Water Departments. Although this debt is also a general obligation of the City, repayment is expected to come from the respective utility's operational income. Therefore, the amounts are not reflected in the schedule.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income (Amounts Expressed in Thousands)	Per Capital Income ²	Median Age ³	Education Level in Years of Schooling ⁴	Unemployment Rate ¹
2001	*** 10,010	\$ 222,612	\$ 22,239	*** 31.6	N/A	3.20%
2002	*** 10,010	222,612	22,239	*** 31.6	N/A	3.00%
2003	*** 10,010	222,612	22,239	*** 31.6	N/A	4.80%
2004	*** 10,010	222,612	22,239	*** 31.6	N/A	4.20%
2005	*** 10,010	222,612	22,239	*** 31.6	N/A	5.10%
2006	*** 10,010	222,612	22,239	*** 31.6	N/A	4.40%
2007	*** 10,010	222,612	22,239	*** 31.6	N/A	4.40%
2008	*** 10,010	222,612	22,239	*** 31.6	N/A	5.80%
2009	*** 10,010	222,612	22,239	*** 31.6	N/A	7.70%
2010	*** 1,010	222,612	22,239	*** 31.6	N/A	9.10%

*** Based on 2000 Bureau of Census figure.

(1) Based on the Connecticut Labor Department employment data.

(2) Based on 1990 U.S. Department of Commerce, Bureau of Census from 1993 to 2000 and for 2001 to date based 2000 U.S. Department of Commerce, Bureau of Census data.

(3) Based on 1990 Bureau of Census, except 2001 and forward, which is based on 2000 Bureau of Census data.

(4) Information not available from State Department of Education.

PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment*
General Dynamics, Electric Boat Division	8,000	1	60.0%	N/A	1	N/A
Pfizers	4,069	2	30.0%	N/A	2	N/A
City of Groton	234	3	2.0%	N/A	3	N/A
University of Connecticut	233	4	2.0%	N/A	4	N/A
Superintendent of Ships	230	5	2.0%	N/A	5	N/A
Groton Board of Education	135	6	1.0%	N/A	6	N/A
Coast Guard Research & Development	130	7	1.0%	N/A	7	N/A
Proto-Power	108	8	1.0%	N/A	8	N/A
Project Oceanology	35	9	0.5%	N/A	9	N/A
Sacred Heart School	33	10	0.5%	N/A	10	N/A
Total	13,207		100.0% %	N/A		N/A

SOURCE: State Department of Labor.

N/A - Data for 2001 not available separately for the City of Groton.

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Five Fiscal Years
(Unaudited)

Function/Program	2010	2009	2008	2007	2006
General Government:					
Mayor	1	1	1	1	1
Finance	5	5	5	5	5
Planning	1	1	1	1	1
Parks and Recreation	5	5	5	5	5
City Clerk	1	1	1	1	1
Building and Zoning	3	3	3	3	3
Other	3	3	1	1	1
Police:					
Officers	32	32	32	32	32
Civilians	13	13	13	7	5
Fire:					
Firefighters and officers	17	17	17	17	17
Public Works:					
Engineering	2	2	2	2	1
Highway	20	20	18	18	18
Water Department	34	34	31	33	35
Sewer Department	6	6	6	6	5
Electric Department	95	95	99	92	61
Total	238	238	235	224	191

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Six Fiscal Years
(Unaudited)

Function/Program	Fiscal Year					
	2010	2009	2008	2007	2006	2005
GENERAL GOVERNMENT						
Public Safety:						
Physical arrests	732	721	721	719	775	735
Parking violations	3,488	3,242	3,242	3,790	2,604	3,469
Traffic violations	3,290	2,576	2,576	2,096	1,126	1,765
Fire:						
Emergency responses	745	776	776	804	693	737
Fires extinguished	44	55	55	50	50	44
Public Works						
Highways and Streets:						
Street resurfacing (miles)	1	-	-	3	1	-
Sidewalk repaired (feet)	687	1,128	1,128	2,596	1,217	1,017
Sanitation:						
Refuse collected (tons/day)	12	12	12	14	15	15
Recyclables collected (tons/day)	2	4	4	3	3	3
Water Pollution Authority:						
Average daily sewage treatment (millions of gallons)	2	2	2	2	2	2
Parks and Recreation						
Beach passes issued	1,671	1,718	1,718	1,687	2,477	1,606
Recreation:						
Summer program	275	189	189	167	110	149
Fall program	187	29	29	27	34	42
Winter program	205	53	53	98	148	158
BUSINESS-TYPE ACTIVITIES						
Water Fund						
New connections	11	33	33	116	41	29
Water main breaks	11	16	16	16	20	12
Average daily consumption (millions of gallons)	5,600MGD	5,900MGD	5,900MGD	6,163MGD	6,663MGD	6,723MGD
Peak daily consumption (millions of gallons)	9,120MGD	8,857MGD	8,857MGD	11,800MGD	9,376MGD	9,521MGD
(millions of gallons)						

SOURCES: Various City Departments.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Six Fiscal Years

(Unaudited)

Function/Program	Fiscal Year					
	2010	2009	2008	2007	2006	2005
GENERAL GOVERNMENT						
Parks and Recreation:						
Acreage	40	40	40	40	40	40
Playgrounds	6	6	6	6	6	6
Baseball/softball diamonds	5	5	5	5	5	5
Basketball courts	3	3	3	3	3	3
Tennis courts	6	6	6	6	6	6
Public Safety:						
Fire Department	2	2	2	2	2	2
Police Department:						
Stations	1	1	1	1	1	1
Patrol units	24	24	24	24	24	25
Public Works:						
Highway Department:						
Streets (miles)	29	29	29	29	29	29
Sidewalks (miles)	23	23	23	22	22	22
Water Fund						
Water mains (miles)	105	105	105	105	105	105
Fire hydrants	708	708	708	708	708	689
Storage capacity (thousands of gallons)	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000
Sewer Fund						
Sewer mains (miles)	35	35	35	35	35	35
Storm drainage (miles)	16	16	16	16	16	16
Treatment capacity (millions of gallons)	3.1	3.1	3.1	3.1	3.1	3.1

SOURCES: Various City Departments.