

# CITY OF GROTON, CONNECTICUT COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2012  
DEPARTMENT OF FINANCE  
CITY OF GROTON, CONNECTICUT



# CITY OF GROTON, CONNECTICUT



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

**PREPARED BY:**

**MICHAEL HILLSBERG  
DIRECTOR OF FINANCE**

**MARIAN K. GALBRAITH, MAYOR**



CITY OF GROTON, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

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## **Introductory Section**





# CITY OF GROTON

295 Meridian Street  
Groton, Connecticut 06340-4040

## *Department of Finance*

Telephone (860) 446-4110

Fax (860) 446-4113

December 28, 2012

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, 2012. 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 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, 2012, 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, 2012, 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 designed to meet the special needs of federal 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 federal 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 45% 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% of the adjusted tax levy.

### **Long-Term Financial Planning**

## **Groton Utilities**

Fiscal year 2011-2012 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 8,000 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 Freemen 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.

## **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.

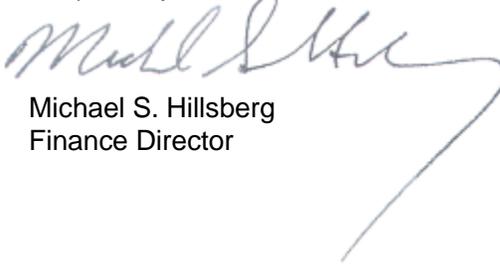
Significant cost savings from the City Self-Funding Health Program should affect future control of health cost to the City.

**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, 2011. This was the twenty-second 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 LLP, also contributed significantly to its production.

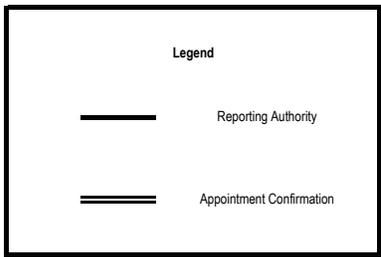
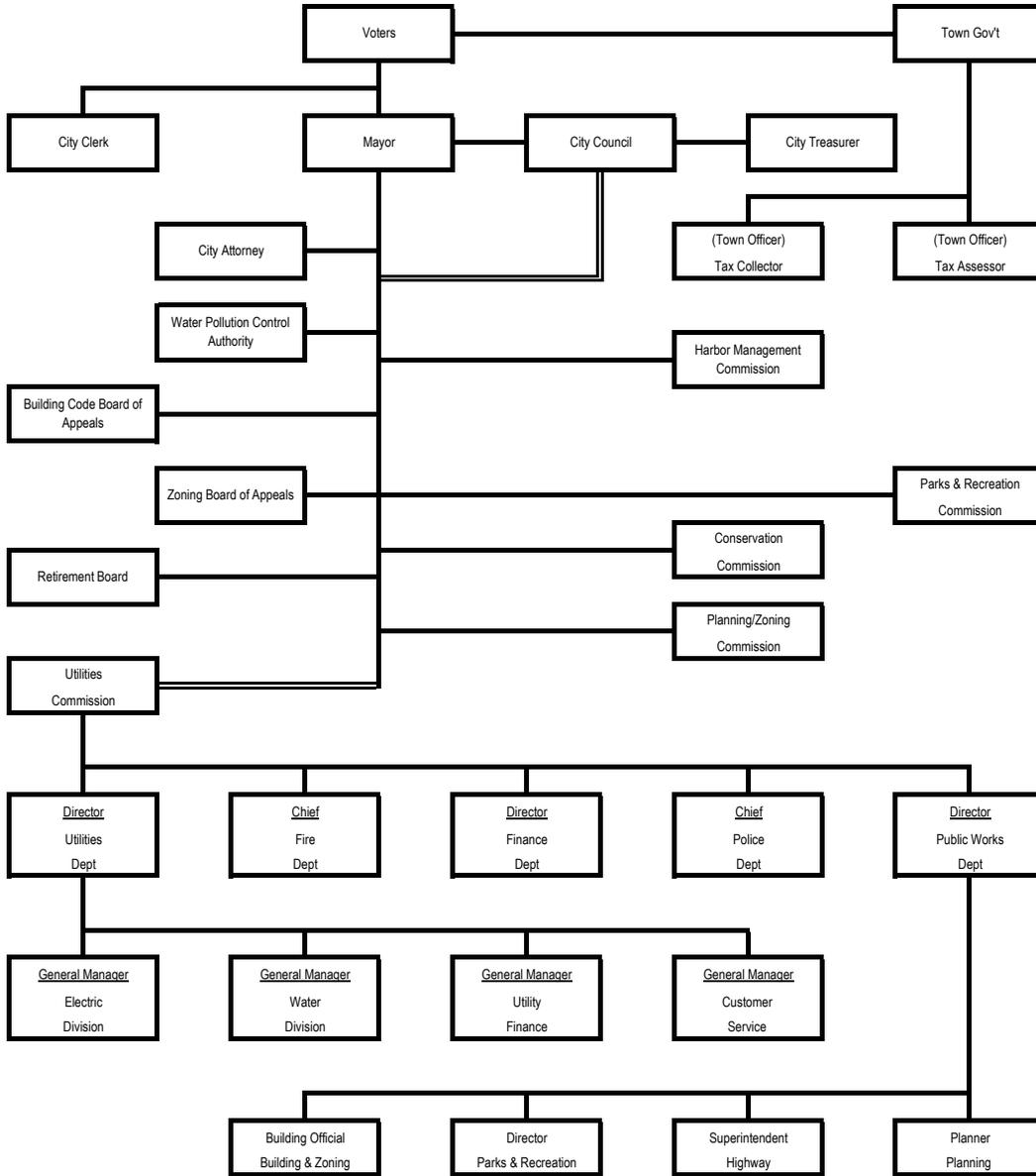
Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Michael S. Hillsberg", with a long, sweeping flourish extending to the right.

Michael S. Hillsberg  
Finance Director

# CITY OF GROTON

## STRUCTURE OF GOVERNMENT



# THE CITY OF GROTON PRINCIPAL MUNICIPAL OFFICIALS

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## Elected Officials Term of Office – May 2011 to May 2013

Marian K. Galbraith – Mayor

Celeste G. Duffy (Deputy Mayor)	Councilor
David L. Hale	Councilor
William E. Jervis	Councilor
Amy L. Moncy	Councilor
Lawrence W. Gerrish	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 L. Giuliani
Director of Parks & Recreation	Mary K. 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, 2011

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.



*Christopher P. Moynell*

President

*Jeffrey R. Emer*

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, 2012, 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 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, were not audited in accordance with "Government Auditing Standards." An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 14 to the basic financial statements, subsequent to June 30, 2012, the City Council of the City of Groton voted to transfer ownership of Thames Valley Communications, Inc. and as a result, the City of Groton wrote-off all receivables and advances due from that entity as of June 30, 2012.

In accordance with "Government Auditing Standards," we have also issued our report dated December 28, 2012, on our consideration of the City of Groton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Groton, Connecticut as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated December 27, 2011, which contained unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The accompanying General Fund Balance Sheet and Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds as of and for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The accompanying General Fund Balance Sheet and Statements of Net Assets, Statements of Revenue, Expenses and Changes in Net Assets and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet, Statements of Net Assets and Statements of Revenue, Expenses and Changes in Net Assets and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

*McGladrey LLP*

New Haven, Connecticut  
December 28, 2012



# CITY OF GROTON

295 Meridian Street  
Groton, Connecticut 06340-4040

## *Department of Finance*

Telephone (860) 446-4110  
Fax (860) 446-4113

### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012**

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As management of the City of Groton, Connecticut, 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, 2012. 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 \$39,964,269 (net assets). Of this amount, \$(19,986,485) (unrestricted net deficit) 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 by \$26.5 million for the fiscal year, with a slight decrease 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 \$5,982,600, a decrease of \$(145,691) in comparison with the prior year. Approximately \$3,017,562 of the total amount of \$5,982,600 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,484,919 or 22.50% of total general fund expenditures and other financing uses.
- The City of Groton's total long term obligations decreased by a net of approximately \$3,726,000 during the current fiscal year due to 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 7 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 6 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.

**Major Governmental Fund**

General

**Non-major Governmental Funds**

State Road Aid  
Forfeiture Grant  
Submarine Memorial Fund  
Bridge Street  
Miscellaneous Grants  
Equipment Replacement

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided in the required supplementary information section for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Page 13 through Page 15 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 16 through Page 20 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 21 and Page 22 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 23 to Page 60 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 benefits to its employees, and certain budgetary information for the General Fund.

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 approximately \$40.0 million at the close of the most recent fiscal year.

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

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 11,157	\$ 21,261	\$ 32,418	\$ 11,185	\$ 50,391	\$ 61,576
Capital assets	24,053	60,505	84,558	24,365	58,718	83,083
<b>Total Assets</b>	<b>35,210</b>	<b>81,766</b>	<b>116,976</b>	<b>35,550</b>	<b>109,109</b>	<b>144,659</b>
Current liabilities	2,314	28,474	30,788	1,508	28,539	30,047
Long-term liabilities outstanding	5,335	40,889	46,224	5,991	42,136	48,127
<b>Total Liabilities</b>	<b>7,649</b>	<b>69,363</b>	<b>77,012</b>	<b>7,499</b>	<b>70,675</b>	<b>78,174</b>
Net assets:						
Invested in capital assets, net of related debt	20,566	38,646	59,212	20,205	34,725	54,930
Restricted	738	-	738	653	-	653
Unrestricted	6,257	(26,243)	(19,986)	7,194	3,709	10,903
<b>Total Net Assets</b>	<b>\$ 27,561</b>	<b>\$ 12,403</b>	<b>\$ 39,964</b>	<b>\$ 28,052</b>	<b>\$ 38,434</b>	<b>\$ 66,486</b>

By far the largest portion of the City's net assets (148.0%) 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 deficit, approximately \$20.0 million, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's change in net assets decreased by \$26.5 million during the current fiscal year. The decrease was due principally to the write-off of receivables and advances due to the Electric Department, from Thames Valley Communications, Inc., a component unit of the City (see Note 14).

**Governmental activities.** Governmental activities decreased the City's net assets by \$(491,000), and business-type net assets decreased net assets by \$(26,031,000).

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

	Year Ended					
	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,878	\$ 70,261	\$ 72,139	\$ 1,438	\$ 73,028	\$ 74,466
Operating Grants and contributions	4,274	-	4,274	4,388	-	4,388
Capital Grants and contributions	519	-	519	1,713	-	1,713
General Revenues:						
Property Taxes	5,615	-	5,615	6,144	-	6,144
Grants and contributions not restricted to specific programs	19	-	19	78	-	78
Other	486	1,217	1,703	392	1,324	1,716
<b>Total Revenues</b>	<b>12,791</b>	<b>71,478</b>	<b>84,269</b>	<b>14,153</b>	<b>74,352</b>	<b>88,505</b>
<b>Expenses:</b>						
General Government	2,103	-	2,103	1,906	-	1,906
Public Safety	7,922	-	7,922	8,237	-	8,237
Public Works	5,084	-	5,084	5,869	-	5,869
Recreation	1,149	-	1,149	1,231	-	1,231
Interest on long-term debt	126	-	126	137	-	137
Water	-	7,984	7,984	-	8,140	8,140
Electric	-	86,423	86,423	-	61,549	61,549
<b>Total Expenses</b>	<b>16,384</b>	<b>94,407</b>	<b>110,791</b>	<b>17,380</b>	<b>69,689</b>	<b>87,069</b>
<b>Change in net assets before transfers</b>	<b>(3,593)</b>	<b>(22,929)</b>	<b>(26,522)</b>	<b>(3,227)</b>	<b>4,663</b>	<b>1,436</b>
Transfers	3,102	(3,102)	-	3,102	(3,102)	-
<b>Change in net assets</b>	<b>(491)</b>	<b>(26,031)</b>	<b>(26,522)</b>	<b>(125)</b>	<b>1,561</b>	<b>1,436</b>
<b>Net assets - beginning</b>	<b>28,052</b>	<b>38,434</b>	<b>66,486</b>	<b>28,177</b>	<b>36,873</b>	<b>65,050</b>
<b>Net assets - ending</b>	<b>\$ 27,561</b>	<b>\$ 12,403</b>	<b>\$ 39,964</b>	<b>\$ 28,052</b>	<b>\$ 38,434</b>	<b>\$ 66,486</b>

## **Expenses and Program Revenues – Governmental Activities**

### **Revenues**

Governmental activities' revenues totaled \$12.791 million for fiscal year 2012. Property taxes are the largest revenue source for the City and represent 43.9% of the governmental revenues. Current tax collections were 98.76% of the adjusted tax levy. Operating grants and contributions are the City's second largest revenue and represent 33.4% 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. Capital grants and contributions represent 4.1%. Investment income and miscellaneous revenue represent 3.8% of governmental revenues.

Capital grants and contributions decreased by \$1,194 thousand as larger capital improvement grants were received in prior year. Charges for services increased \$440 thousand due to increased fines, fees and permits.

### **Expenses**

Governmental expenses totaled \$16.4 million for the fiscal year. Of the expenditures, 48.4% or \$7.9 million is related to public safety. Public works expenses amounted to \$5.1 million, or 31.0%. Recreation expenses amounted to \$1.1 million or 7.0%. Interest expense was \$0.1 million or 0.7%. General government expenses were \$2.1 million or 12.8%.

Public safety and recreation expenses remained stable or decreased slightly from the previous year and this is the third year of other post employment benefits.

**Business-type activities.** Business-type activities represent 31.0% of the City's net assets and account for a large portion of the expenditures in the City. Key elements of the activity are as follows:

- Electric department expenses increased \$24.9 million as a result of a write-off of an amount due from a component unit (see Note 14.)
- Charges for services for business-type activities decreased by \$2.7 million.

### **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 \$5,982,600, a decrease of \$145,691 in comparison with the prior year. Approximately 50.4% of this total amount, \$3,017,562, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The general fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,484,919, while total fund balance reached \$4,206,855. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.8% of total general fund expenditures. Total fund balance represents 27.5% of total general fund expenditures.

The fund balance of the City's general fund increased by \$4,548 during the current fiscal year due to revenues slightly ahead of expenses.

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

The unrestricted deficit of the Electric operation at the end of the year amounted to \$28,462,327 and the unrestricted net assets of the Water operation amounted to \$1,811,722. The change in net assets for Electric funds was \$(27,690,109) and the increase in net assets for Water funds was \$1,747,943 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 was supplemental appropriation to the original budget to transfer \$175,832 to the Equipment Replacement Fund.

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates; however, the City did use a portion of their fund balance as planned.

### **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, 2012, amounts to approximately \$84,557,406 (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% (1.3% decrease for governmental activities and 3.0% increase 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 \$5,261,412.

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

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and land rights	\$ 3,789	\$ 2,820	\$ 6,609	\$ 3,789	\$ 2,819	\$ 6,608
Construction in progress	-	5,261	5,261	500	4,636	5,136
Land improvements	320	-	320	349	-	349
Buildings and improvements	5,483	4,127	9,610	5,656	4,224	9,880
Distribution systems	-	46,474	46,474	-	45,774	45,774
Machinery and equipment	630	796	1,426	659	408	1,067
Vehicles	2,723	1,027	3,750	2,588	857	3,445
Infrastructure	11,107	-	11,107	10,824	-	10,824
<b>Total</b>	<b>\$ 24,052</b>	<b>\$ 60,505</b>	<b>\$ 84,557</b>	<b>\$ 24,365</b>	<b>\$ 58,718</b>	<b>\$ 83,083</b>

Additional information on the City's capital assets can be found in Note 6.

**Long-term debt.** At the end of the current fiscal year, the City had total net bonded debt and note payable outstanding of \$41,628,272. Of this amount, \$3,486,528 comprises debt backed by the full faith and credit of the City and \$38,141,744 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 2012**

	<u>Bonds and Note Payable (000's)</u>
Outstanding at June 30, 2011	\$ 45,354
Issuance of bonds	-
Bond principal payments	<u>(3,726)</u>
Outstanding at June 30, 2012	<u>\$ 41,628</u>

The City's total bonded debt decreased by \$3,726,000 (8.2%) during the current fiscal year.

The City maintains an "AA-3" 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 \$39,369,428.

Additional information on the City's long-term debt can be found in Note 8.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City is currently 8.8%, which is the same rate of a year ago. This compares favorably to the state's average unemployment rate of 8.4% and the national average rate of 8.2%.
- Inflationary trends in the region compare favorably to national indices.

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

During the current fiscal year, fund balance in the general fund increased by \$4,548. The City has appropriated \$676,227 of the 2012 fiscal year fund balance for spending in the 2013 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2013 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, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total*	Bozrah Light and Power Company	Thames Valley Communications, Inc.
<b>Assets</b>					
Cash and cash equivalents	\$ 9,315,569	\$ 6,566,634	\$ 15,882,203	\$ 1,174,961	\$ 99,290
Investments	436,086	-	436,086	-	-
Restricted cash	60,000	-	60,000	-	-
Receivables, net of allowances for collection losses:					
Property taxes	66,488	-	66,488	-	-
Use charges	-	5,425,165	5,425,165	1,255,394	576,293
Accrued utility revenue	-	1,191,014	1,191,014	-	-
Intergovernmental and other	51,359	-	51,359	-	-
Inventory and prepayments	17,138	1,882,785	1,899,923	128,655	95,165
Internal balances	700,910	(700,910)	-	-	-
Due from component units	-	3,799,600	3,799,600	-	-
Amount held at CMEEC	-	2,339,476	2,339,476	424,466	-
Net pension asset	509,469	391,086	900,555	-	-
Other noncurrent assets	-	366,734	366,734	-	-
Capital assets, net of accumulated depreciation	24,052,840	60,504,566	84,557,406	10,857,704	21,445,413
<b>Total assets</b>	<b>35,209,859</b>	<b>81,766,150</b>	<b>116,976,009</b>	<b>13,841,180</b>	<b>22,216,161</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	2,219,927	11,797,164	14,017,091	2,655,267	10,158,401
Accrued interest payable	35,499	526,376	561,875	-	-
Unearned revenue	58,799	-	58,799	-	-
Bond anticipation notes	-	16,150,000	16,150,000	-	-
Due to primary government	-	-	-	3,799,600	28,963,956
Noncurrent liabilities:					
Rate stabilization	-	1,727,017	1,727,017	-	-
Due within one year	1,704,000	2,920,000	4,624,000	-	-
Due in more than one year	3,630,701	36,242,257	39,872,958	482,254	-
<b>Total liabilities</b>	<b>7,648,926</b>	<b>69,362,814</b>	<b>77,011,740</b>	<b>6,937,121</b>	<b>39,122,357</b>
<b>Net Assets (Deficit)</b>					
Investment in capital assets, net of related debt	20,566,312	38,646,385	59,212,697	7,058,104	-
Restricted for:					
Endowments - expendable	60,000	-	60,000	-	-
Permanent funds - expendable	246	-	246	-	-
Public works	677,811	-	677,811	-	-
Unrestricted (deficit)	6,256,564	(26,243,049)	(19,986,485)	(154,045)	(16,906,196)
<b>Total net assets (deficit)</b>	<b>\$ 27,560,933</b>	<b>\$ 12,403,336</b>	<b>\$ 39,964,269</b>	<b>\$ 6,904,059</b>	<b>\$ (16,906,196)</b>

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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Bozrah Light and Power Company	Thames Valley Communications, Inc.
					Governmental Activities	Business-type Activities	Total		
<b>Primary government:</b>									
Governmental activities:									
General government	\$ (2,103,355)	\$ 1,179,037	\$ 89,771	\$ -	\$ (834,547)	\$ -	\$ (834,547)	\$ -	\$ -
Public safety	(7,921,386)	508,484	2,036,606	66,547	(5,309,749)	-	(5,309,749)	-	-
Public works	(5,084,289)	60,212	2,147,357	389,100	(2,487,620)	-	(2,487,620)	-	-
Parks and recreation	(1,148,723)	130,635	-	63,475	(954,613)	-	(954,613)	-	-
Interest expense	(125,814)	-	-	-	(125,814)	-	(125,814)	-	-
<b>Total governmental activities</b>	<b>(16,383,567)</b>	<b>1,878,368</b>	<b>4,273,734</b>	<b>519,122</b>	<b>(9,712,343)</b>	<b>-</b>	<b>(9,712,343)</b>	<b>-</b>	<b>-</b>
Business-type activities:									
Electric Department	(86,423,334)	60,553,199	-	-	-	(25,870,135)	(25,870,135)	-	-
Water Department	(7,984,553)	9,708,205	-	-	-	1,723,652	1,723,652	-	-
<b>Total business-type activities</b>	<b>(94,407,887)</b>	<b>70,261,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,146,483)</b>	<b>(24,146,483)</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ (110,791,454)</b>	<b>\$ 72,139,772</b>	<b>\$ 4,273,734</b>	<b>\$ 519,122</b>	<b>(9,712,343)</b>	<b>(24,146,483)</b>	<b>(33,858,826)</b>	<b>-</b>	<b>-</b>
<b>Component Units:</b>									
Bozrah Light and Power Company	\$ (14,467,601)	\$ 14,866,766	\$ -	\$ -	-	-	-	399,165	-
Thames Valley Communications, Inc.	(12,488,087)	10,178,362	-	-	-	-	-	-	(2,309,725)
<b>Total component units</b>	<b>(26,955,688)</b>	<b>25,045,128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>399,165</b>	<b>(2,309,725)</b>
General revenues:									
Property taxes					5,615,381	-	5,615,381	-	-
Grants and contributions not restricted to specific programs					19,088	-	19,088	-	-
Investment income					383,372	1,217,005	1,600,377	1,916	955
Miscellaneous					102,082	-	102,082	(238,263)	-
Transfers					3,101,624	(3,101,624)	-	-	-
Issuance of common stock					-	-	-	-	160,000
<b>Total general revenues and transfers</b>					<b>9,221,547</b>	<b>(1,884,619)</b>	<b>7,336,928</b>	<b>(236,347)</b>	<b>160,955</b>
Change in net assets					(490,796)	(26,031,102)	(26,521,898)	162,818	(2,148,770)
Net assets (deficit) - beginning					28,051,729	38,434,438	66,486,167	6,741,241	(14,757,426)
Net assets (deficit) - ending					<b>\$ 27,560,933</b>	<b>\$ 12,403,336</b>	<b>\$ 39,964,269</b>	<b>\$ 6,904,059</b>	<b>\$ (16,906,196)</b>

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

CITY OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	Major Fund General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 5,098,744	\$ 982,161	\$ 6,080,905
Investments	-	436,086	436,086
Receivables:			
Property taxes	66,488	-	66,488
Intergovernmental and other	51,359	-	51,359
Restricted cash	-	60,000	60,000
Due from other funds	2,342,759	2,443,825	4,786,584
Inventory of supplies, at cost	17,138	-	17,138
<b>Total assets</b>	<b>\$ 7,576,488</b>	<b>\$ 3,922,072</b>	<b>\$ 11,498,560</b>
<b>Liabilities</b>			
Cash overdraft	\$ -	\$ 698,653	\$ 698,653
Accounts payable and accrued liabilities	577,184	39,188	616,372
Due to other funds	2,735,987	1,349,687	4,085,674
Deferred revenue	56,462	-	56,462
Unearned revenue	-	58,799	58,799
<b>Total liabilities</b>	<b>3,369,633</b>	<b>2,146,327</b>	<b>5,515,960</b>
<b>Fund Balances</b>			
Nonspendable	17,138	-	17,138
Restricted	-	737,811	737,811
Committed	676,227	1,505,291	2,181,518
Assigned	28,571	-	28,571
Unassigned	3,484,919	(467,357)	3,017,562
<b>Total fund balances</b>	<b>4,206,855</b>	<b>1,775,745</b>	<b>5,982,600</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,576,488</b>	<b>\$ 3,922,072</b>	

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.	24,052,840
Deferred revenues are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.	56,462
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.	2,329,762
Pension asset	509,469
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,334,701)
Accrued interest payable not recorded in funds	(35,499)

Net assets of governmental activities \$ 27,560,933

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 -  
GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2012

	Major Fund		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
<b>REVENUES</b>			
Property taxes	\$ 5,628,575	\$ -	\$ 5,628,575
Intergovernmental	4,571,359	259,198	4,830,557
Charges for services	1,740,471	-	1,740,471
Income from investments	348,203	21,153	369,356
Other	92,777	137,897	230,674
<b>Total revenues</b>	<b>12,381,385</b>	<b>418,248</b>	<b>12,799,633</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,782,217	31,305	1,813,522
Public safety	7,118,299	106,454	7,224,753
Public works	4,450,747	-	4,450,747
Parks and recreation	1,085,185	-	1,085,185
Non-departmental	64,922	-	64,922
Capital outlay	-	606,560	606,560
Debt service:			
Bond principal	676,000	-	676,000
Bond and note interest	125,259	-	125,259
<b>Total expenditures</b>	<b>15,302,629</b>	<b>744,319</b>	<b>16,046,948</b>
<b>Revenues over (under) expenditures</b>	<b>(2,921,244)</b>	<b>(326,071)</b>	<b>(3,247,315)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,101,624	175,832	3,277,456
Transfer out	(175,832)	-	(175,832)
<b>Total other financing sources (uses)</b>	<b>2,925,792</b>	<b>175,832</b>	<b>3,101,624</b>
<b>Net change in fund balances</b>	<b>4,548</b>	<b>(150,239)</b>	<b>(145,691)</b>
<b>FUND BALANCES, beginning</b>	<b>4,202,307</b>	<b>1,925,984</b>	<b>6,128,291</b>
<b>FUND BALANCES, ending</b>	<b>\$ 4,206,855</b>	<b>\$ 1,775,745</b>	<b>\$ 5,982,600</b>

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, 2012**

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

Net change in fund balances – total governmental funds	\$ (145,691)
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 depreciation exceeded capital outlays in the current period.	(312,206)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(13,194)
Change in net pension assets	(168,937)
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.	673,726
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.	(16,098)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(508,396)</u>
Change in net assets of governmental activities	<u><u>\$ (490,796)</u></u>

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

CITY OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
June 30, 2012

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash	\$ 5,244,624	756,155	\$ 6,000,779	\$ 3,800,519
Receivables:				
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	4,493,277	931,888	5,425,165	-
Accrued utility revenue	1,191,014	-	1,191,014	-
Due from other funds	-	754,092	754,092	-
Prepaid expenses	30,732	9,141	39,873	-
Inventory	1,642,205	200,707	1,842,912	-
<b>Total current assets</b>	<b>12,601,852</b>	<b>2,651,983</b>	<b>15,253,835</b>	<b>3,800,519</b>
Noncurrent assets:				
Amount held at CMEEC	2,339,476	-	2,339,476	-
<b>Total non current assets</b>	<b>2,339,476</b>	<b>-</b>	<b>2,339,476</b>	<b>-</b>
Other Noncurrent Assets:				
Due from component units	3,799,600	-	3,799,600	-
Notes receivable	-	366,734	366,734	-
Net pension asset	227,338	163,748	391,086	-
<b>Total other noncurrent assets</b>	<b>4,026,938</b>	<b>530,482</b>	<b>4,557,420</b>	<b>-</b>
Capital Assets (net of accumulated depreciation):				
Land and land rights	707,176	2,112,377	2,819,553	-
Construction in progress	4,251,227	1,006,732	5,257,959	-
Buildings and improvements	358,827	3,767,251	4,126,078	-
Plant and pumping stations	-	4,487,121	4,487,121	-
Station equipment	7,489,949	-	7,489,949	-
Electric distribution system	17,626,077	-	17,626,077	-
Water distribution system	-	16,871,201	16,871,201	-
Machinery and equipment	581,611	199,202	780,813	-
Vehicles	1,045,815	-	1,045,815	-
<b>Total capital assets (net of accumulated depreciation)</b>	<b>32,060,682</b>	<b>28,443,884</b>	<b>60,504,566</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>38,427,096</b>	<b>28,974,366</b>	<b>67,401,462</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 51,028,948</b>	<b>\$ 31,626,349</b>	<b>\$ 82,655,297</b>	<b>\$ 3,800,519</b>

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

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 7,281,679	\$ 572,635	\$ 7,854,314	\$ 438,201
Accrued payroll and compensated absences	376,801	221,078	597,879	-
Accrued taxes	330,419	38,349	368,768	-
Accrued interest payable	471,396	54,980	526,376	-
Due to other funds	1,454,855	147	1,455,002	625,000
Bond anticipation notes payable	16,150,000	-	16,150,000	-
General obligation bonds payable - current portion	2,153,000	767,000	2,920,000	-
Current liabilities payable from restricted assets:				
Customer deposits payable	2,788,969	28,935	2,817,904	-
<b>Total current liabilities</b>	<b>31,007,119</b>	<b>1,683,124</b>	<b>32,690,243</b>	<b>1,063,201</b>
Noncurrent liabilities:				
Rate stabilization	1,727,017	-	1,727,017	-
General obligation bonds and notes payable - net of premium and deferred amount on refunding	30,889,696	4,332,048	35,221,744	-
Net OPEB obligation	563,567	456,946	1,020,513	-
<b>Total noncurrent liabilities</b>	<b>33,180,280</b>	<b>4,788,994</b>	<b>37,969,274</b>	<b>-</b>
<b>Total liabilities</b>	<b>64,187,399</b>	<b>6,472,118</b>	<b>70,659,517</b>	<b>1,063,201</b>
<b>NET ASSETS</b>				
Capital assets, net of related debt	15,303,876	23,342,509	38,646,385	-
Unrestricted (deficit)	(28,462,327)	1,811,722	(26,650,605)	2,737,318
<b>Total net assets</b>	<b>\$ (13,158,451)</b>	<b>\$ 25,154,231</b>	<b>11,995,780</b>	<b>\$ 2,737,318</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			407,556	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 12,403,336</b>	

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, 2012

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
<b>OPERATING REVENUES</b>	\$ 60,553,199	\$ 9,708,205	\$ 70,261,404	\$ 4,323,788
<b>OPERATING EXPENSES</b>				
Direct Expenses:				
Purchased power	41,108,411	-	41,108,411	-
Other	2,569,728	3,380,252	5,949,980	-
Overhead Expenses:				
Customer account	1,663,951	399,443	2,063,394	-
Administrative and general	5,295,578	2,900,808	8,196,386	-
Claims and administration	-	-	-	4,925,828
Taxes	1,616,924	286,032	1,902,956	-
Depreciation	1,408,283	806,216	2,214,499	-
<b>Total operating expenses</b>	<b>53,662,875</b>	<b>7,772,751</b>	<b>61,435,626</b>	<b>4,925,828</b>
<b>Operating income (loss)</b>	<b>6,890,324</b>	<b>1,935,454</b>	<b>8,825,778</b>	<b>(602,040)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	1,192,714	24,291	1,217,005	4,708
Interest expense	(1,833,355)	(211,802)	(2,045,157)	-
Allowance for advance (Note 14)	(30,838,168)	-	(30,838,168)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(31,478,809)</b>	<b>(187,511)</b>	<b>(31,666,320)</b>	<b>4,708</b>
<b>Income (loss) before transfers</b>	<b>(24,588,485)</b>	<b>1,747,943</b>	<b>(22,840,542)</b>	<b>(597,332)</b>
Transfers out	(3,101,624)	-	(3,101,624)	-
<b>Changes in net assets</b>	<b>(27,690,109)</b>	<b>1,747,943</b>	<b>(25,942,166)</b>	<b>(597,332)</b>
<b>NET ASSETS</b> , beginning	<b>14,531,658</b>	<b>23,406,288</b>	<b>37,937,946</b>	<b>3,334,650</b>
<b>NET ASSETS (DEFICIT)</b> , ending	<b>\$ (13,158,451)</b>	<b>\$ 25,154,231</b>	<b>\$ 11,995,780</b>	<b>\$ 2,737,318</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Proprietary Funds			(88,936)	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$ (26,031,102)</b>	

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, 2012

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 60,715,607	\$ 9,682,606	\$ 70,398,213	\$ -
Cash payments to suppliers for goods and services	(40,556,956)	(4,459,750)	(45,016,706)	-
Cash payments to employees for services	(8,466,550)	(3,509,696)	(11,976,246)	-
Cash received from premiums	-	-	-	4,323,788
Cash paid for claims	-	-	-	(3,613,392)
Cash paid for administration	-	-	-	(728,939)
<b>Net cash provided by (used in) operating activities</b>	<b>11,692,101</b>	<b>1,713,160</b>	<b>13,405,261</b>	<b>(18,543)</b>
<b>Cash Flows From Investing Activities</b>				
Payments of note receivable	1,826,853	104,314	1,931,167	-
Interest and dividends on investments	1,192,714	24,291	1,217,005	4,708
<b>Net cash provided by investing activities</b>	<b>3,019,567</b>	<b>128,605</b>	<b>3,148,172</b>	<b>4,708</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Repayment of CMEEC loan	(100,400)	-	(100,400)	-
Proceeds from Bozrah Light and Power	100,400	-	100,400	-
Transfers to other funds	(3,101,624)	-	(3,101,624)	-
Advance to Thames Valley Communications, Inc.	(2,772,912)	-	(2,772,912)	-
Amount held at CMEEC	(249,420)	-	(249,420)	-
Proceeds from bond anticipation notes	16,150,000	-	16,150,000	-
Payment of bond anticipation notes	(17,075,000)	-	(17,075,000)	-
<b>Net cash used in noncapital and related financing activities</b>	<b>(7,048,956)</b>	<b>-</b>	<b>(7,048,956)</b>	<b>-</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(3,041,985)	(959,258)	(4,001,243)	-
Principal paid on general obligation bond maturities and equipment contracts	(2,159,280)	(769,720)	(2,929,000)	-
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(2,032,698)	(209,491)	(2,242,189)	-
<b>Net cash used in capital and related financing activities</b>	<b>(7,233,963)</b>	<b>(1,938,469)</b>	<b>(9,172,432)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>428,749</b>	<b>(96,704)</b>	<b>332,045</b>	<b>(13,835)</b>
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<b>4,815,875</b>	<b>852,859</b>	<b>5,668,734</b>	<b>3,814,354</b>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<b>\$ 5,244,624</b>	<b>\$ 756,155</b>	<b>\$ 6,000,779</b>	<b>\$ 3,800,519</b>
<b>Schedule of Non-Cash, Non-Capital and Related Financing Activities:</b>				
Allowance for Thames Valley Communications, Inc. receivable	\$ 30,838,168	\$ -	\$ 30,838,168	\$ -

(Continued)

CITY OF GROTON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued  
 For the Year Ended June 30, 2012

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Electric Department	Water Department	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating income (loss)	\$ 6,890,324	\$ 1,935,454	\$ 8,825,778	\$ (602,040)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,408,283	806,216	2,214,499	-
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	311,444	(25,598)	285,846	-
Accrued utility revenue	(149,036)	-	(149,036)	-
Inventory	139,944	(56,186)	83,758	-
Prepaid expenses	53,092	6,963	60,055	-
Due from other funds	983,696	(701,954)	281,742	-
Pension asset	75,383	54,297	129,680	-
Increase (decrease) in:				
Accounts payable	511,830	250,538	762,368	(41,503)
Accrued payroll and compensated absences	(8,024)	(10,141)	(18,165)	-
Accrued taxes	(2,338)	-	(2,338)	-
Due to other funds	1,432,621	(578,859)	853,762	625,000
Net OPEB obligation	44,882	32,430	77,312	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 11,692,101</b>	<b>\$ 1,713,160</b>	<b>\$ 13,405,261</b>	<b>\$ (18,543)</b>

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, 2012

	Pension Trust Funds
<b>ASSETS</b>	
Cash	\$ 3,448,113
Investments, at fair value	
U.S. government bonds	8,582,188
U.S. government securities	3,668,717
Collateralized mortgage obligations	2,700,567
Municipal obligations	219,661
Corporate bonds	5,520,953
Foreign stock	7,971,333
Mutual funds:	
Equities and related securities	29,696,061
Fixed income	2,112,126
<b>Total investments</b>	<u>60,471,606</u>
Accrued interest	114,386
Pending sales	395,711
Due from other funds	625,000
<b>Total assets</b>	<u>65,054,816</u>
<b>LIABILITIES</b>	
Pending purchases	<u>1,693,757</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST RETIREMENT BENEFITS</b>	<u><u>\$ 63,361,059</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, 2012

	Pension Trust Funds
<b>Additions</b>	
Contributions:	
Employer	\$ 2,960,214
Plan members	887,181
<b>Total contributions</b>	<u>3,847,395</u>
Investment Income:	
Change in fair value of investments	(1,075,874)
Interest and dividends	1,895,569
<b>Total investment income</b>	<u>819,695</u>
Less investment expenses	<u>129,893</u>
<b>Net investment income</b>	<u>689,802</u>
<b>Total additions</b>	<u>4,537,197</u>
<b>Deductions</b>	
Benefits	3,701,202
Administration	14,699
<b>Total deductions</b>	<u>3,715,901</u>
<b>Change in net assets</b>	821,296
<b>Net Assets</b>	
Beginning of year	<u>62,539,763</u>
End of year	<u>\$ 63,361,059</u>

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

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 1. Summary of Significant Accounting Policies**

##### ***Reporting Entity***

The City of Groton, Connecticut (the "City") 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, 2012.

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 providing 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, 2011.

##### ***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

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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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.

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for and reported in other funds.

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 other 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 and the Other Post-Employment Benefits (OPEB), which accumulates resources for pension and OPEB benefit payments to qualified employees.

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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

#### ***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.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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***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 receivables 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 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

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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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.

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, 2012, 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, 2012

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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.

#### **OPEB Accounting**

##### **OPEB Trust**

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.

##### **Governmental Funds/Activities**

The net OPEB obligation (asset), the cumulative difference between annual OPEB cost and the City's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. In the governmental funds financial statements, expenditures are recognized when they are paid or expected to be paid with current financial resources. An OPEB obligation/asset is recorded as a non-current asset (liability) in the government-wide financial statements and proprietary fund financial statements.

#### **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, 2012

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expenditure of resources are recorded to assign that portion of the applicable appropriation, is utilized in the budgeted governmental fund types. Encumbrances outstanding at year-end are reported as assigned fund balance.

#### ***Fund Equity and Net Assets***

In the Government-Wide Financial Statements, net assets are classified in the following categories:

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.
- Restricted Net Assets – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Unrestricted Net Assets (Deficits) – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, the City reported the following governmental fund balances:

- Nonspendable Fund Balance - These amounts cannot be spent because they are not in spendable form.
- Restricted Fund Balance - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed Fund Balance – This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Groton City Council is the highest level of decision making authority for the City and can commit fund balance through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until similar action is taken to remove or revise the limitation.
- Assigned Fund Balance - These amounts are approved and committed to by the City Council subsequent to June 30, 2012. The balance also includes encumbrances assigned for goods and services.
- Unassigned Fund Balance - includes residual positive fund balance within the General Fund which has not been classified within the other abovementioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted amounts are available for use, it is the City's practice to use restricted resources first. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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**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.

**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	\$ 3,493,000
Premium	101,294
Deferred charges	(107,766)
Compensated absences	1,081,002
OPEB obligations	502,640
Heart and hypertension	264,531
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 5,334,701</u>

**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	\$ 580,253
Depreciation expense	(880,749)
Loss on disposal of capital asset	(11,710)
	<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (312,206)</u>

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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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:	
Premium	\$ 16,682
Deferred items	(18,956)
Principal repayments:	
General obligation debt	<u>676,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 673,726</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	\$ 17,427
Accrued interest	1,719
OPEB obligations	(54,996)
Heart and hypertension	<u>19,752</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (16,098)</u>

#### **Note 3. Cash and Investments**

Deposits: The City and the Pension Trust funds do 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 Funds do not have a credit risk or a custodial credit risk policy for investments. The City and the Pension Trust Funds 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

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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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, including its Pension Trust Funds, do not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. 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 Funds, 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, 2012, \$5,357,888 of the entity's bank balance of \$6,975,651 was uninsured and uncollateralized.

*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.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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Cash, cash equivalents and investments of the City consist of the following at June 30, 2012:

<b>Cash and Cash Equivalents</b>	
Deposits with financial institutions	\$ 11,350,448
Cutwater Asset Management - Connecticut Class Plus	<u>8,039,868</u>
<b>Total cash and cash equivalents</b>	<u>19,390,316</u>
<b>Investments</b>	
Pension Trust Funds	
U.S. Government Bonds	8,582,188 *
Mortgage-Backed Securities	3,668,717 *
Collateralized Mortgage Obligations	2,700,567 *
Municipal Obligations	219,661 *
Corporate Bonds	5,520,953 *
Foreign Stock	7,971,333 *
Mutual Funds	
Equity	29,696,061
Fixed Income	<u>2,112,126</u>
	<u>60,471,606</u>
Other Governmental Funds	
U.S. Government Bonds	114,977 *
Equity Securities	234,180 *
Corporate Bonds	52,574 *
Equity Mutual Funds	<u>34,355</u>
	<u>436,086</u>
<b>Total investments</b>	<u>60,907,692</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 80,298,008</u>

\* These investments are uninsured and unregistered, with securities held by the counterparty in the City's or Pension Trust's name.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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

**Statement of Net Assets**

Cash and cash equivalents	\$ 15,942,203
Investments	436,086
<b>Total Statement of Net Assets</b>	<b>16,378,289</b>

**Fiduciary Funds:**

Cash and cash equivalents	3,448,113
Investments	60,471,606
	<b>63,919,719</b>

**Total cash, cash equivalents and investments** **\$ 80,298,008**

*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	8,697,165	\$ 105,303	\$ 5,609,010	\$ 2,183,128	\$ 799,724
Collateralized Mortgage Obligations	2,700,567	-	340,975	615,624	1,743,968
Mortgage-Backed Securities	3,668,717	-	-	-	3,668,717
Municipal Bonds	219,661	-	-	-	219,661
Corporate Bonds	5,573,527	120,000	1,268,873	2,025,049	2,159,605
Fixed income funds	2,112,126	-	2,112,126	-	-
<b>TOTAL</b>	<b>\$ 22,971,763</b>	<b>\$ 225,303</b>	<b>\$ 9,330,984</b>	<b>\$ 4,823,801</b>	<b>\$ 8,591,675</b>

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

*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 stocks as of June 30, 2012, is as follows:

Currency	Fair Value
British Pound	\$ 1,025,960
Euro Currency Unit	2,631,232
Canadian Dollar	1,145,191
Japanese Yen	618,722
Australian Dollar	352,696
Brazilian Real	249,844
Swiss Franc	1,303,969
Mexican Peso	166,773
Norwegian Krone	70,080
Bermuda Dollar	218,936
Argentina Peso	29,873
South Korean won	55,986
Israeli new sheqel	102,071

*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 as of June 30, 2012.

Average Rating	Corporate Bonds	Collateralized Mortgage Oblig.	U.S. Gov't Bonds	Mortgage-Backed Securities	Municipal Bonds	Pooled Fixed Income
AAAm	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,039,868
AAA	-	608,870	-	695,385	219,661	-
AA+	6,857	-	8,619,700	2,665,717	-	-
AA	6,332	-	-	-	-	-
A+	234,395	-	-	-	-	-
A	800,762	106,032	-	-	-	-
A-	1,648,507	-	-	-	-	-
BBB+	696,702	-	-	-	-	-
BBB	923,588	-	-	-	-	-
BBB-	469,522	-	-	-	-	-
BB+	315,376	56,886	-	-	-	-
Unrated	471,486	1,928,779	77,465	307,615	-	2,112,126
	<u>\$ 5,573,527</u>	<u>\$ 2,700,567</u>	<u>\$ 8,697,165</u>	<u>\$ 3,668,717</u>	<u>\$ 219,661</u>	<u>\$ 10,151,994</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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**Note 4. 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:

	Deferred Revenue	Unearned Revenue
<b>General Fund:</b>		
Taxes and accrued interest on delinquent property taxes	\$ 56,462	\$ -
<b>Other Nonmajor Governmental Funds:</b>		
Intergovernmental revenue	-	58,799
<b>Total</b>	<b>\$ 56,462</b>	<b>\$ 58,799</b>

**Note 5. Interfund Balances and Interfund Transfers**

Interfund Balances

A summary of interfund balances as of June 30, 2012 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,342,759	\$ 2,735,987
Non-Major Funds	2,443,825	1,349,687
Proprietary Funds	754,092	1,455,002
Fiduciary Funds	625,000	-
Internal Service Funds	-	625,000
<b>Total</b>	<b>\$ 6,165,676</b>	<b>\$ 6,165,676</b>

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, 2012

Interfund Transfers

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

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 3,101,624	\$ 175,832
Non-major funds	175,832	-
Proprietary Funds	-	3,101,624
<b>Total</b>	<b>\$ 3,277,456</b>	<b>\$ 3,277,456</b>

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

**Note 6. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,789,257	\$ -	\$ -	\$ 3,789,257
Construction in progress	500,000	-	500,000	-
Total capital assets, not being depreciated	<u>4,289,257</u>	<u>-</u>	<u>500,000</u>	<u>3,789,257</u>
Capital assets, being depreciated:				
Land improvements	747,479	-	-	747,479
Buildings and improvements	12,346,509	-	-	12,346,509
Machinery and equipment	3,772,521	44,979	-	3,817,500
Vehicles	5,025,696	535,274	24,714	5,536,256
Infrastructure	16,388,616	500,000	-	16,888,616
Total capital assets being depreciated	<u>38,280,821</u>	<u>1,080,253</u>	<u>24,714</u>	<u>39,336,360</u>
Less accumulated depreciation for:				
Land improvements	398,249	28,752	-	427,001
Buildings and improvements	6,690,619	173,126	-	6,863,745
Machinery and equipment	3,113,364	74,027	-	3,187,391
Vehicles	2,437,595	388,225	13,004	2,812,816
Infrastructure	5,565,205	216,619	-	5,781,824
Total accumulated depreciation	<u>18,205,032</u>	<u>880,749</u>	<u>13,004</u>	<u>19,072,777</u>
Total capital assets, being depreciated, net	<u>20,075,789</u>	<u>199,504</u>	<u>11,710</u>	<u>20,263,583</u>
Governmental activities capital assets, net	<u>\$ 24,365,046</u>	<u>\$ 199,504</u>	<u>\$ 511,710</u>	<u>\$ 24,052,840</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,819,553	\$ -	\$ -	\$ 2,819,553
Construction in progress	4,635,805	7,206,314	6,580,707	5,261,412
Total capital assets, not being depreciated	7,455,358	7,206,314	6,580,707	8,080,965
Capital assets, being depreciated:				
Buildings and improvements	7,647,750	78,926	-	7,726,676
Station equipment	19,842,985	118,645	347,724	19,613,906
Electric distribution system	33,353,328	2,181,219	88,541	35,446,006
Plant and pumping stations	10,264,256	167,508	-	10,431,764
Water distribution system	24,537,148	78,678	-	24,615,826
Machinery and equipment	5,487,527	531,919	-	6,019,446
Vehicles	3,656,161	401,693	464,027	3,593,827
Total capital assets, being depreciated	104,789,155	3,558,588	900,292	107,447,451
Less accumulated depreciation for:				
Buildings and improvements	3,424,090	176,507	-	3,600,597
Station equipment	12,159,720	191,530	227,292	12,123,958
Electric distribution system	16,988,730	900,915	69,716	17,819,929
Plant and pumping stations	5,633,060	311,583	-	5,944,643
Water distribution system	7,441,873	302,752	-	7,744,625
Machinery and equipment	5,079,682	143,739	-	5,223,421
Vehicles	2,799,535	187,473	420,332	2,566,676
Total accumulated depreciation	53,526,690	2,214,499	717,340	55,023,849
Total capital assets, being depreciated, net	51,262,465	1,344,089	182,952	52,423,601
Business-type activities capital assets, net	\$ 58,717,823	\$ 8,550,402	\$ 6,763,659	\$ 60,504,566

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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

<b>Governmental Activities:</b>	
General government	\$ 38,024
Public safety	269,294
Public works	537,077
Recreation	<u>36,354</u>
Total depreciation expense – governmental activities	<u>\$ 880,749</u>
<b>Business-Type Activities:</b>	
Electric Department	\$ 1,408,283
Water System	<u>806,216</u>
Total depreciation expense – business-type activities	<u>\$ 2,214,499</u>

**Discretely Presented Component Units**

Activity for Bozrah Light and Power Company for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land and land rights	\$ 67,706	\$ -	\$ -	\$ 67,706
Intangibles	4,711	-	-	4,711
Construction in progress	1,027,297	718,484	1,035,428	710,353
Total capital assets not being depreciated	<u>1,099,714</u>	<u>718,484</u>	<u>1,035,428</u>	<u>782,770</u>
Capital assets being depreciated:				
Buildings and improvements	375,718	-	-	375,718
Electric distribution system	13,368,379	1,063,123	15,801	14,415,701
Machinery and equipment	417,815	-	-	417,815
Vehicles	656,307	55,809	103,062	609,054
Total capital assets, being depreciated	<u>14,818,219</u>	<u>1,118,932</u>	<u>118,863</u>	<u>15,818,288</u>
Less accumulated depreciation for:				
Building and improvements	232,965	10,396	-	243,361
Electric distribution system	4,278,251	416,364	15,801	4,678,814
Machinery and equipment	412,177	5,255	-	417,432
Vehicles	452,448	53,884	102,585	403,747
Total accumulated depreciation	<u>5,375,841</u>	<u>485,899</u>	<u>118,386</u>	<u>5,743,354</u>
Total capital assets, being depreciated, net	<u>9,442,378</u>	<u>633,033</u>	<u>477</u>	<u>10,074,934</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,542,092</u>	<u>\$ 1,351,517</u>	<u>\$ 1,035,905</u>	<u>\$ 10,857,704</u>

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

Activity for Thames Valley Communications, Inc. for the year ended December 31, 2011:

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
Capital assets being depreciated:				
Head end and related equipment	\$ 4,620,113	\$ 357,376	\$ 306,288	\$ 4,671,201
Towers, poles and fixtures	2,098,305	-	-	2,098,305
Distribution systems	17,799,756	601,872	250,356	18,151,272
Furniture and fixtures	191,682	16,613	11,715	196,580
Transportation equipment	192,181	133,771	134,005	191,947
Other equipment	3,447,788	107,342	-	3,555,130
Total plant and equipment	<u>28,349,825</u>	<u>1,216,974</u>	<u>702,364</u>	<u>28,864,435</u>
Less: accumulated depreciation	<u>6,089,504</u>	<u>1,451,827</u>	<u>122,309</u>	<u>7,419,022</u>
Total capital assets, being depreciated, net	<u>\$ 22,260,321</u>	<u>\$ (234,853)</u>	<u>\$ 580,055</u>	<u>\$ 21,445,413</u>

**Note 7. Bond Anticipation Notes Payable**

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

Outstanding, July 1, 2011	\$ 17,075,000
Borrowings	16,150,000
Repayments	<u>(17,075,000)</u>
Outstanding, June 30, 2012	<u>\$ 16,150,000</u>

The bond anticipation notes issued for telecommunications are taxable notes issued by the Electric Department. The City has pledged its full faith and credit to pay the principal and interest on the notes when due. As described in Note 14, the City Council has approved the sale of Thames Valley Communications, Inc., and as a result, the bond anticipation notes will be paid from the Electric Department.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

**Note 8. Long-Term Obligations**

A summary of changes in outstanding long-term debt during the year ended June 30, 2012 is as follows:

**Governmental Activities:**

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Current Portion
<b>BONDS</b>									
General	\$ 1,610,000	07/15/02	07/15/17	3.00%-4.75%	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
General	880,000	10/01/07	10/01/17	4.00%-4.50%	610,000	-	90,000	520,000	90,000
General	849,000	10/08/09	07/15/22	1.75%-5.00%	778,000	-	56,000	722,000	155,000
General	1,725,000	10/01/09	10/01/29	1.75%-5.00%	1,610,000	-	115,000	1,495,000	115,000
Sewer	470,000	05/15/93	05/15/13	5.15%-5.50%	40,000	-	20,000	20,000	20,000
Sewer	1,140,000	02/15/06	02/15/16	3.60%-4.00%	560,000	-	115,000	445,000	115,000
Sewer	665,000	10/08/09	07/15/22	1.75%-5.00%	471,000	-	180,000	291,000	145,000
<b>Total bonds</b>					<b>4,169,000</b>	<b>-</b>	<b>676,000</b>	<b>3,493,000</b>	<b>640,000</b>
Premiums					117,976	-	16,682	101,294	-
Deferred charge on refunding issue					(126,722)	-	(18,956)	(107,766)	-
<b>Total bonds and related liabilities</b>					<b>4,160,254</b>	<b>-</b>	<b>673,726</b>	<b>3,486,528</b>	<b>640,000</b>
Compensated absences					1,098,429	968,201	985,628	1,081,002	985,000
Net OPEB Obligation					447,644	54,996	-	502,640	-
Heart and Hypertension					284,283	59,379	79,131	264,531	79,000
<b>Total Governmental Activities Long-Term Liabilities</b>					<b>\$ 5,990,610</b>	<b>\$ 1,082,576</b>	<b>\$ 1,738,485</b>	<b>\$ 5,334,701</b>	<b>\$ 1,704,000</b>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

**Business-Type Activities:**

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Current Portion
<b>BONDS</b>									
Electric Bonds	\$ 2,335,000	05/15/93	05/15/03	5.15%-5.50%	\$ 230,000	\$ -	\$ 115,000	\$ 115,000	\$ 115,000
Electric Bonds	9,190,000	07/15/02	07/15/22	3.00%-4.75%	459,280	-	459,280	-	-
Electric Bonds	400,000	02/15/03	02/15/15	3.00%-3.10%	125,000	-	25,000	100,000	25,000
Electric Bonds	1,293,000	02/15/06	02/15/26	3.60%-4.00%	3,229,650	-	212,670	3,016,980	213,000
Electric Bonds	3,500,000	10/01/07	10/01/27	4.00%-4.50%	2,975,000	-	175,000	2,800,000	175,000
Electric Bonds	5,640,000	10/08/09	07/15/22	1.75%-5.00%	5,555,000	-	30,000	5,525,000	485,000
Electric Bonds	5,800,000	10/01/09	10/01/29	1.75%-5.00%	5,510,000	-	290,000	5,220,000	290,000
Telecommunication	6,555,000	02/15/06	02/15/24	5.15%-5.75%	4,800,000	-	350,000	4,450,000	350,000
Telecommunication	10,000,000	10/01/07	10/01/27	5.375%-6.50%	8,500,000	-	500,000	8,000,000	500,000
<b>Total bonds</b>					<b>31,383,930</b>	<b>-</b>	<b>2,156,950</b>	<b>29,226,980</b>	<b>2,153,000</b>
Premiums					463,955	-	90,868	373,087	
Deferred charge on refunding issue					(414,822)	-	(57,851)	(356,971)	
<b>Total electric bonds and refunding issue</b>					<b>31,433,063</b>	<b>-</b>	<b>2,189,967</b>	<b>29,243,096</b>	<b>2,153,000</b>
Note payable					3,900,000	-	100,400	3,799,600	-
Net OPEB Obligation					518,685	44,882	-	563,567	-
<b>Total electric long-term obligations</b>					<b>35,851,748</b>	<b>44,882</b>	<b>2,290,367</b>	<b>33,606,263</b>	<b>2,153,000</b>
Water Bonds	2,715,000	05/15/93	05/15/13	5.15%-5.50%	270,000	-	135,000	135,000	135,000
Water Bonds	1,315,000	07/15/02	07/15/22	3.00%-4.75%	65,720	-	65,720	-	-
Water Bonds	4,170,000	02/15/03	02/15/15	3.00%-3.10%	1,485,000	-	310,000	1,175,000	305,000
Water Bonds	1,662,000	02/15/06	02/15/26	3.00%-4.00%	1,250,350	-	82,327	1,168,023	82,000
Water Bonds	1,490,000	10/01/07	10/01/27	4.00%-4.50%	1,265,000	-	75,000	1,190,000	75,000
Water Bonds	1,656,000	10/08/09	07/15/22	1.75%-5.00%	1,531,000	-	104,000	1,427,000	170,000
<b>Total bonds</b>					<b>5,867,070</b>	<b>-</b>	<b>772,047</b>	<b>5,095,023</b>	<b>767,000</b>
Premiums					101,188	-	14,656	86,532	-
Deferred charge on refunding issue					(108,033)	-	(25,526)	(82,507)	-
<b>Total water bonds and refunding issue</b>					<b>5,860,225</b>	<b>-</b>	<b>761,177</b>	<b>5,099,048</b>	<b>767,000</b>
Net OPEB Obligation					424,516	32,430	-	456,946	-
<b>Total Water Long-Term Obligations</b>					<b>6,284,741</b>	<b>32,430</b>	<b>761,177</b>	<b>5,555,994</b>	<b>767,000</b>
<b>Total Business-Type Long-Term Liabilities</b>					<b>\$ 42,136,489</b>	<b>\$ 77,312</b>	<b>\$ 3,051,544</b>	<b>\$ 39,162,257</b>	<b>\$ 2,920,000</b>

The bonds issued for telecommunications are taxable bonds issued by the Electric Department for Thames Valley Communications, Inc., which is wholly-owned by the City of Groton and presented as a discrete component unit. As described in Note 14, the Groton City Council approved the sale of Thames Valley Communications, Inc., and as a result of the pending sale, the balance of the telecommunication bonds will be paid by the Electric Department.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

The annual requirements to amortize all bonded debt outstanding as of June 30, 2012, 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	
2013	\$ 360,000	\$ 80,073	\$ 280,000	\$ 25,035	\$ 2,153,000	\$ 1,274,070	\$ 767,000	\$ 177,563	\$ 5,116,741
2014	362,000	69,317	256,000	14,970	2,086,270	1,177,185	625,730	147,655	4,739,127
2015	305,000	59,231	115,000	8,380	2,102,670	1,084,612	612,330	124,866	4,412,089
2016	305,000	50,369	105,000	3,780	2,097,670	992,889	607,330	102,870	4,264,908
2017	300,000	42,075	-	-	2,071,270	906,018	318,730	87,728	3,725,821
2018-2022	760,000	118,741	-	-	10,254,350	3,204,077	1,315,650	293,148	15,945,966
Thereafter	345,000	18,400	-	-	8,461,750	3,522,228	848,253	88,625	13,284,256
	<u>\$ 2,737,000</u>	<u>\$ 438,206</u>	<u>\$ 756,000</u>	<u>\$ 52,165</u>	<u>\$ 29,226,980</u>	<u>\$ 12,161,079</u>	<u>\$ 5,095,023</u>	<u>\$ 1,022,455</u>	<u>\$ 51,488,908</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 which were used to fund upgrades to its Stockhouse Road Substation. BLP will pay back the loan directly to CMEEC with a 4.5% interest rate per annum. Payment of principal became required when construction was completed in October 2011. The loan's principal balance is \$3,799,600. The City's Electric Utility has a corresponding note receivable at 4.5% interest, which is included in "Due From Component Units".

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	\$ 12,654,459	\$ 7,265,500	\$ 5,388,959
Sewers	21,090,765	756,000	20,334,765

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$39,369,428.

The total 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.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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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, 2012, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$6,875,000.

Authorized/Unissued Bonds

The following is a summary of authorized/unissued bonds:

Description	Bonds Authorized	Cumulative Bonded, Rescinded Or Paid	Bonds Unissued
<b>Improvements:</b>			
Beach and parks	\$ 1,500,000	\$ 1,085,000	\$ 415,000
Land purchase	1,160,000	880,000	280,000
Fire department enhancement program	1,727,500	1,725,000	2,500
Public Improvements	3,831,000	-	3,831,000
<b>Systems:</b>			
Water	22,547,000	14,693,000	7,854,000
Electric	40,801,639	29,383,700	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	-
<b>Total</b>	<b>\$ 113,367,139</b>	<b>\$ 89,566,700</b>	<b>\$ 23,800,439</b>

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, 2012 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, 2012**

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 (see Note 14). As described in Note 14, the Groton City Council has approved the sale of Thames Valley Communications, Inc. As a result of the sale, Thames Valley Communications, Inc. will not be able to repay Groton Utilities Electric Department. The Electric Department has recorded an allowance of \$28,963,956 against the amounts due from Thames Valley Communications, Inc.

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011	Current Portion
Note payable	\$ 6,555,000	2/15/2006	02/15/2024	5.690%	\$ 4,913,727	\$ -	\$ 373,194	\$ 4,540,533	\$ 373,194
Note payable	10,000,000	9/25/2007	10/27/2027	5.410%	8,493,880	(1,248)	504,625	7,988,007	500,000
Note payable	18,500,000	10/8/2008	10/01/2028	0.750%	17,360,417	-	925,001	16,435,416	925,000
					<u>\$ 30,768,024</u>	<u>\$ (1,248)</u>	<u>\$ 1,802,820</u>	<u>\$ 28,963,956</u>	<u>\$ 1,798,194</u>

The annual requirement to amortize all long-term debt outstanding as of December 31, 2011 is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Notes</u> <u>Payable</u>
2012	\$ 1,798,194
2013	1,798,194
2014	1,798,194
2015	1,798,194
2016	1,798,194
2017-2021	8,990,970
2022-2026	8,306,787
2027-2028	2,675,229
Totals	<u>\$ 28,963,956</u>

Total interest expense for 2011 was \$892,641.

**Note 9. 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.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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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 based on historical data.

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
2011	\$ 291,808	\$ 4,000,189	\$ 3,812,293	\$ 479,704
2012	479,704	4,124,710	4,166,213	438,201

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.

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

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Note 10. 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, 2012 is \$41,108,411.

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, 2011 was \$2,734,075. Accounts payable, as of December 31, 2011, include payables due to Groton Utilities of \$8,553,733.

The Groton Utilities has recorded an aggregate allowance for advances to Thames Valley Communications, Inc. of \$9,815,711 as of June 30, 2012. The allowance increased \$2,772,912 for the year ended June 30, 2012.

In addition to the management agreement discussed above, the City of Groton, Groton Utilities, was the holder of the Companies' notes payable as described in Notes 7 and 8. The City has subsequently written off the notes receivable (see Note 14) based on the anticipated sale of Thames Valley Communications, Inc. The Electric Department will be responsible for the repayment of the notes.

*Major Taxpayers/Customers*

The City's two major taxpayers account for approximately 60% of the October 1, 2010 Grand List.

The two taxpayers and a third customer also account for approximately 50% of the Electric Department revenues and approximately 30% of the Water Department revenues.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Note 11. 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 12. 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, 2012

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#### Classes of Employees Covered

Based upon the actuarial valuation dated July 1, 2011, membership consisted of:

	City	Police	Fire	Utilities	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	35	19	12	56	122
Active employees	54	29	17	124	224
<b>Total</b>	<b>89</b>	<b>48</b>	<b>29</b>	<b>180</b>	<b>346</b>

#### 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 Utility AFSCME – 007 & Utility AFSCME - 818
- 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, 2012**

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Employee contributions are required as follows:

- 5.2% of pay for City and Utility Non-union employees
- 5.5 of pay for Other City and Utility Union employees
- 5.8% of pay for Utility AFSCME007 employees
- 6.0% of pay for Steelworkers and City Sewer
- 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, 2010 actuarial valuation. Actuarial assumptions are summarized later in this note.

Schedule of Annual Required Contribution and Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Actual Contribution
2010	\$ 1,423,100	125.6%	\$ 1,787,483
2011	1,818,700	98.0%	1,779,312
2012	2,016,200	89.0%	1,790,134

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation, was as follows:

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, 2011	\$ 54,649,695	\$ 61,742,310	\$ (7,092,615)	88.5%	\$ 15,891,574	44.6%

\* 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 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.

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount open
Asset valuation method	4 year smoothing of capital appreciation
Remaining amortization period	10

Actuarial assumptions:	
Investment rate of return	7.50%
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	Years of	City and	Police and
	Service	Utilities Employees	Firefighters
	0	12.0%	11.5%
	1	10.0%	9.5%
	2	8.0%	7.5%
	3	7.0%	6.6%
	4	6.0%	5.5%
	5	5.0%	4.5%
	6+	4.0%	3.5%

Cost of Living: Adjustment	N/A
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Mortality	RP 2000 Projected to year of decrement with separate male and female tables.
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**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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	Net Pension Asset Beginning of Year	Net Pension Asset End of Year
2010	\$ 1,423,100	\$ (76,153)	\$ 166,856	\$ 1,513,803	\$ 1,787,483	\$ (273,680)	\$ (1,044,640)	\$ (1,318,320)
2011	1,818,700	(98,874)	178,634	1,898,460	1,779,312	119,148	(1,318,320)	(1,199,172)
2012	2,016,200	(89,938)	162,489	2,088,751	1,790,134	298,617	(1,199,172)	(900,555)

Three-Year Trend Information

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2010	\$ 1,513,803	118.19%	\$ (1,318,320)
2011	1,898,460	93.7%	(1,199,172)
2012	2,088,751	85.7%	(900,555)

**Other Post-Employment Benefits**

Plan Description

The City administers one single-employer, defined benefit 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.

Participant Counts

Based upon the actuarial valuation dated July 1, 2011, participants consisted of:

	City	Police	Fire	Utilities	Total
Retirees and beneficiaries	11	5	5	27	48
Active participants	54	29	17	124	224
<b>Total</b>	<b>65</b>	<b>34</b>	<b>22</b>	<b>151</b>	<b>272</b>

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### 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 \$1,210,290, which was approximately 90% of covered payroll.

#### 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, 2011 was as follows:

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, 2011	\$ 656,070	\$ 11,958,268	\$ (11,302,198)	5.0%	\$ 15,079,773	(75.0%)

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, 2012**

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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, 2011
Actuarial cost method	Projected unit credit
Amortization method	30 years, level dollar, open
Asset valuation method	market value
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 net OPEB obligation were as follows:

Annual required contribution	\$ 1,347,800
Interest on net pension obligation	104,313
Adjustment to ARC	(109,515)
Annual OPEB cost	<u>1,342,598</u>
Contributions made	<u>1,210,290</u>
Increase in net OPEB liability	132,308
Net OPEB obligation, beginning of year	<u>1,390,845</u>
Net OPEB obligation, end of year	<u><u>\$ 1,523,153</u></u>

Trend Information

Year Ending June 30,	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
2010	\$ 1,060,635	\$ 455,933	43.0%	\$ 1,263,802
2011	1,304,973	1,177,930	90.3%	1,390,845
2012	1,342,598	1,210,290	90.1%	1,523,153

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

Separate Plan Financial Information

Schedule of Plan Net Assets - Trust Funds			
As of June 30, 2012			
	Pension	OPEB	Total Trust Funds
<b>Assets:</b>			
Cash	\$ 3,411,199	\$ 36,914	\$ 3,448,113
Investments, at fair value:			
U.S. government bonds	8,582,188	-	8,582,188
U.S. government securities	3,668,717	-	3,668,717
Collateralized mortgage obligations	2,700,567	-	2,700,567
Municipal obligations	219,661	-	219,661
Corporate bonds	5,520,953	-	5,520,953
Foreign stock	7,971,333	-	7,971,333
Mutual funds:			
Equities and related securities	29,299,376	396,685	29,696,061
Fixed income	1,887,871	224,255	2,112,126
<b>Total investments</b>	<b>59,850,666</b>	<b>620,940</b>	<b>60,471,606</b>
Accrued interest	114,386	-	114,386
Pending sales	395,711	-	395,711
Due from other funds	-	625,000	625,000
<b>Total assets</b>	<b>63,771,962</b>	<b>1,282,854</b>	<b>65,054,816</b>
<b>Liabilities:</b>			
Pending purchases	1,693,757	-	1,693,757
<b>Total liabilities</b>	<b>1,693,757</b>	<b>-</b>	<b>1,693,757</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 62,078,205</b>	<b>\$ 1,282,854</b>	<b>\$ 63,361,059</b>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

Schedule of Changes in Plan Net Assets - Trust Funds  
For the Year Ended June 30, 2012

	Pension	OPEB	Total Trust Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 1,790,134	\$ 1,170,080	\$ 2,960,214
Plan members	846,971	40,210	887,181
<b>Total contributions</b>	<b>2,637,105</b>	<b>1,210,290</b>	<b>3,847,395</b>
Investment income:			
Change in fair value of investments	(1,075,874)		(1,075,874)
Interest and dividends	1,889,883	5,686	1,895,569
<b>Total investment income</b>	<b>814,009</b>	<b>5,686</b>	<b>819,695</b>
Less investment expenses	129,893	-	129,893
<b>Net investment income</b>	<b>684,116</b>	<b>5,686</b>	<b>689,802</b>
<b>Total additions</b>	<b>3,321,221</b>	<b>1,215,976</b>	<b>4,537,197</b>
<b>Deductions</b>			
Benefits	3,115,912	585,290	3,701,202
Administration	10,797	3,902	14,699
<b>Total deductions</b>	<b>3,126,709</b>	<b>589,192</b>	<b>3,715,901</b>
<b>Change in net assets</b>	<b>194,512</b>	<b>626,784</b>	<b>821,296</b>
<b>Net Assets</b>			
Beginning of year	61,883,693	656,070	62,539,763
End of year	\$ 62,078,205	\$ 1,282,854	\$ 63,361,059

**CITY OF GROTON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**Note 13. Fund Balances**

The details for the City's fund balances are the following:

	General Fund	Nonmajor Governmental Funds
<b>Fund balances:</b>		
<b>Non-spendable:</b>		
Inventory	\$ 17,138	\$ -
<b>Total non-spendable</b>	<u>17,138</u>	<u>-</u>
<b>Restricted:</b>		
Parks and recreation	-	384,698
Public works	-	353,113
<b>Total restricted</b>	<u>-</u>	<u>737,811</u>
<b>Committed:</b>		
General government	676,227	246
Capital outlay	-	1,505,045
<b>Total committed</b>	<u>676,227</u>	<u>1,505,291</u>
<b>Assigned:</b>		
General government	28,571	-
<b>Total assigned</b>	<u>28,571</u>	<u>-</u>
<b>Unassigned:</b>		
General government	3,484,919	-
Public works	-	(421,806)
Public Safety	-	(45,551)
<b>Total unassigned</b>	<u>3,484,919</u>	<u>(467,357)</u>
<b>Total fund balance</b>	<u>\$ 4,206,855</u>	<u>\$ 1,775,745</u>

**Note 14. Subsequent Event**

The City Council voted in December 2012 to transfer ownership and the operation of its Thames Valley Communications, Inc. to an unrelated third-party. As a result of the vote of the City Council, the Electric Department of the City wrote-off all receivables and advances due from Thames Valley Communications, Inc. The related bonds and bond anticipation notes in the amount of \$28,600,000 will not be repaid by Thames Valley Communications, Inc. as a result of the pending sale. The repayment on the outstanding debt will be paid by the Electric Department for the following BANs and Bonds outstanding:

Bond Anticipation Notes Payable (Note 7)	\$ 16,150,000
Telecommunication Bonds Payable (Note 8)	4,450,000
Telecommunication Bonds Payable (Note 8)	8,000,000
	<u>\$ 28,600,000</u>

**Note 15. 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.

## CITY OF GROTON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of this Statement are effective for periods beginning with year ending June 30, 2014, and would be applied on a prospective basis. Early adoption is encouraged
- **GASB Statement No. 66, *Technical Corrections - 2012***, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for periods beginning with year ending June 30, 2014, and would be applied on a prospective basis. Early adoption is encouraged.
- **GASB Statement 67, *Financial Reporting for Pension Plans***. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the City beginning with year ending June 30, 2014.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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- **GASB Statement 68, *Accounting and Financial Reporting for Pensions*.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the City beginning with year ending June 30, 2015.

**Required Supplementary  
Information**



**CITY OF GROTON, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION – GROTON RETIREMENT SYSTEM  
June 30, 2012**

**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
<u>July 1,</u>						
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)%
2010	52,258,301	59,399,385	(7,141,084)	88.0%	15,551,655	(45.9)%
2011	54,649,695	61,742,310	(7,092,615)	88.5%	15,891,574	(44.6)%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
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%
2011	1,818,700	1,779,312	98.0%
2012	2,016,200	1,790,134	89.0%

CITY OF GROTON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
June 30, 2012

**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)%
2011	656,070	11,958,268	(11,302,198)	5.0%	15,079,773	(75.0)%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual		Percentage Contributed
	Required Contributions	Actual Contributions	
2009	\$ 1,033,500	\$ 374,400	36.2%
2010	1,063,100	455,933	42.9%
2011	1,309,700	1,117,930	90.3%
2012	1,347,800	1,210,290	89.8%

CITY OF GROTON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
 BUDGETARY BASIS - GENERAL FUND  
 For the Year Ended June 30, 2012

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis	
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,457,953	\$ 5,457,953	\$ 5,628,575	\$ 170,622
Intergovernmental	4,361,214	4,361,214	4,571,359	210,145
Charges for services	1,473,938	1,473,938	1,740,471	266,533
Miscellaneous revenues	85,500	85,500	92,777	7,277
Investment income and other sources	200,000	200,000	348,203	148,203
<b>Total revenues</b>	<b>11,578,605</b>	<b>11,578,605</b>	<b>12,381,385</b>	<b>802,780</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	1,751,919	1,751,919	1,743,844	8,075
Public safety	7,194,334	7,194,334	7,118,299	76,035
Public works	4,628,978	4,628,978	4,450,747	178,231
Parks and recreation	1,120,274	1,120,274	1,085,185	35,089
Non-departmental	111,000	111,000	64,922	46,078
Contingency	115,000	115,000	-	115,000
<b>Debt service:</b>				
Bond principal	676,500	676,500	676,000	500
Bond and note interest	148,200	148,200	125,259	22,941
<b>Total expenditures</b>	<b>15,746,205</b>	<b>15,746,205</b>	<b>15,264,256</b>	<b>481,949</b>
<b>Revenues over (under) expenditures</b>	<b>(4,167,600)</b>	<b>(4,167,600)</b>	<b>(2,882,871)</b>	<b>1,284,729</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,119,490	3,119,490	3,101,624	(17,866)
Appropriation of fund balance	1,048,110	1,048,110	-	(1,048,110)
Transfer out	-	(175,832)	(175,832)	-
<b>Total other financing sources (uses)</b>	<b>4,167,600</b>	<b>3,991,768</b>	<b>2,925,792</b>	<b>(1,065,976)</b>
<b>Revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<b>\$ -</b>	<b>\$ (175,832)</b>	<b>42,921</b>	<b>\$ 218,753</b>
<b>BUDGETARY FUND BALANCE, beginning</b>			<b>4,135,360</b>	
Change in GAAP expenditures not recognized for budget purposes, reserves for advances, inventories and prepaids			<b>(17,135)</b>	
<b>BUDGETARY FUND BALANCE, ending</b>			<b>\$ 4,161,146</b>	

See note to required supplementary information.

CITY OF GROTON, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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**Note 1. 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.

**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:

	Revenue and Other Financing Sources	Expenditures, Encumbrances, and Other Financing Uses
Balance, budgetary basis, June 30, 2012	\$ 15,483,009	\$ 15,440,088
Changes in reserves for encumbrances, continued appropriations and liquidation of encumbrances	-	38,373
Balance, GAAP Basis, June 30, 2012	<u>\$ 15,483,009</u>	<u>\$ 15,478,461</u>

## **CITY OF GROTON, CONNECTICUT**

### **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued June 30, 2012**

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#### **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.

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**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, 2012

	2012	2011
<b>ASSETS</b>		
Cash	\$ 5,098,744	\$ 5,854,177
Receivables:		
Property taxes	66,488	76,656
Intergovernmental and other	51,359	41,861
Due from other funds	2,342,759	1,272,873
Inventory of supplies, at cost	17,138	16,768
<b>Total assets</b>	<b>\$ 7,576,488</b>	<b>\$ 7,262,335</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 577,184	\$ 518,378
Due to other funds	2,735,987	2,471,994
Deferred revenue	56,462	69,656
<b>Total liabilities</b>	<b>3,369,633</b>	<b>3,060,028</b>
<b>FUND BALANCE</b>		
Nonspendable	17,138	16,768
Committed	676,227	1,048,110
Assigned	28,571	66,944
Unassigned	3,484,919	3,070,485
<b>Total fund balance</b>	<b>4,206,855</b>	<b>4,202,307</b>
<b>Total liabilities and fund balance</b>	<b>\$ 7,576,488</b>	<b>\$ 7,262,335</b>

CITY OF GROTON, CONNECTICUT

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>TAXES:</b>				
Current levy	\$ 5,435,953	\$ 5,435,953	\$ 5,532,068	\$ 96,115
Interest on taxes	20,000	20,000	95,427	75,427
Lien fees on taxes	2,000	2,000	1,080	(920)
<b>Total taxes</b>	<b>5,457,953</b>	<b>5,457,953</b>	<b>5,628,575</b>	<b>170,622</b>
<b>INTERGOVERNMENTAL:</b>				
Town of Groton:				
Highway grant	1,935,881	1,935,881	2,120,568	184,687
Police grant	2,221,752	2,221,752	2,036,606	(185,146)
Health District	63,900	63,900	-	(63,900)
PILOT program	18,243	18,243	86,627	68,384
State of Connecticut:				
Veterans exemptions	-	-	710	710
FEMA grant	-	-	72,021	72,021
Boating grant	3,390	3,390	-	(3,390)
Civil preparedness	3,500	3,500	19,763	16,263
Town aid pass thru (PILOT)	19,464	19,464	-	(19,464)
Total disabled	125	125	122	(3)
Elderly property	5,845	5,845	2,103	(3,742)
Enterprise zone	49,181	49,181	90,359	41,178
Manufacturers - machinery and equipment (PILOT)	9,933	9,933	-	(9,933)
Telephone access line	19,000	19,000	13,197	(5,803)
Miscellaneous grants	11,000	11,000	127,474	116,474
State Nitrogen Credits	-	-	1,809	1,809
<b>Total intergovernmental revenue</b>	<b>4,361,214</b>	<b>4,361,214</b>	<b>4,571,359</b>	<b>210,145</b>
<b>CHARGES FOR SERVICES AND FACILITIES:</b>				
Municipal Building Rental:				
Electric department	111,495	111,495	128,219	16,724
Water department	23,555	23,555	23,555	-
Finance Department Services:				
Electric department	179,700	179,700	206,650	26,950
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	23,376	9,089
Sewer use	21,800	21,800	27,531	5,731
Public beach receipts	78,000	78,000	100,491	22,491
Recreation receipts	18,000	18,000	19,436	1,436
Parks receipts	10,300	10,300	5,745	(4,555)
Recycling	10,000	10,000	4,963	(5,037)

(Continued)

CITY OF GROTON, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS - BUDGET AND ACTUAL -  
 GENERAL FUND, Continued  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>CHARGES FOR SERVICES AND FACILITIES, Continued:</b>				
Fire protection:				
West Pleasant Valley Fire District	303,658	303,658	427,175	123,517
Outside services - police	15,218	15,218	32,209	16,991
Rent	10,000	10,000	10,000	-
Fines and forfeits	50,000	50,000	39,100	(10,900)
Licenses and permits	384,000	384,000	448,096	64,096
<b>Total</b>	<b>1,473,938</b>	<b>1,473,938</b>	<b>1,740,471</b>	<b>266,533</b>
<b>MISCELLANEOUS REVENUES:</b>				
Investment income	200,000	200,000	348,203	148,203
Other revenue	85,500	85,500	92,777	7,277
<b>Total miscellaneous revenues</b>	<b>285,500</b>	<b>285,500</b>	<b>440,980</b>	<b>155,480</b>
<b>Total revenues</b>	<b>11,578,605</b>	<b>11,578,605</b>	<b>12,381,385</b>	<b>802,780</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	3,119,490	3,119,490	3,101,624	(17,866)
Appropriation of fund balance	1,048,110	1,048,110	-	(1,048,110)
<b>Total other financing sources</b>	<b>4,167,600</b>	<b>4,167,600</b>	<b>3,101,624</b>	<b>(1,065,976)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 15,746,205</b>	<b>\$ 15,746,205</b>	<b>\$ 15,483,009</b>	<b>\$ (263,196)</b>

(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, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT:</b>				
Mayor's office	\$ 88,838	\$ 88,838	\$ 90,412	\$ (1,574)
City clerk's office	195,961	195,961	198,757	(2,796)
Human resources	164,973	164,973	156,798	8,175
Finance department	572,115	572,115	569,616	2,499
Planning and zoning	333,869	333,869	323,212	10,657
Health services	63,900	63,900	63,814	86
Municipal building operation	251,577	251,577	248,170	3,407
Civil preparedness	26,786	26,786	33,158	(6,372)
Unallocated	53,900	53,900	59,907	(6,007)
<b>Total general government</b>	<b>1,751,919</b>	<b>1,751,919</b>	<b>1,743,844</b>	<b>8,075</b>
<b>PUBLIC SAFETY:</b>				
Police Department:				
Supervision	93,198	93,198	94,402	(1,204)
Youth and community services	78,953	78,953	80,195	(1,242)
Criminal investigation	445,480	445,480	445,359	121
Uniformed patrol	3,683,007	3,683,007	3,641,695	41,312
Harbor patrol	21,700	21,700	19,927	1,773
Traffic control	35,073	35,073	24,645	10,428
Crossing guards	-	-	875	(875)
Police training	92,250	92,250	82,224	10,026
DWI project	27,420	27,420	29,141	(1,721)
Outside charges	15,218	15,218	29,373	(14,155)
Unallocated	248,088	248,088	225,767	22,321
<b>Total police department</b>	<b>4,740,387</b>	<b>4,740,387</b>	<b>4,673,603</b>	<b>66,784</b>
Fire Department	2,453,947	2,453,947	2,444,696	9,251
<b>Total public safety</b>	<b>7,194,334</b>	<b>7,194,334</b>	<b>7,118,299</b>	<b>76,035</b>
<b>PUBLIC WORKS:</b>				
Highway Department:				
Highway maintenance	1,844,205	1,844,205	1,937,265	(93,060)
Sanitation	962,585	962,585	832,317	130,268
Snow removal	153,457	153,457	50,087	103,370
Inter-departmental services	19,545	19,545	3,226	16,319
<b>Total highway department</b>	<b>2,979,792</b>	<b>2,979,792</b>	<b>2,822,895</b>	<b>156,897</b>
Pollution Abatement Facility	1,649,186	1,649,186	1,627,852	21,334
<b>Total public works</b>	<b>4,628,978</b>	<b>4,628,978</b>	<b>4,450,747</b>	<b>178,231</b>

(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, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>PARKS AND RECREATION:</b>				
Supervision and general expenditures	446,167	446,167	396,824	49,343
Summer recreation	152,847	152,847	145,125	7,722
Beach activities	108,824	108,824	112,277	(3,453)
Winter recreation	31,800	31,800	23,774	8,026
Beach and park maintenance	380,636	380,636	407,185	(26,549)
<b>Total parks and recreation</b>	<b>1,120,274</b>	<b>1,120,274</b>	<b>1,085,185</b>	<b>35,089</b>
<b>NON-DEPARTMENTAL:</b>				
General insurance	61,000	61,000	64,922	(3,922)
Pay adjustment	50,000	50,000	-	50,000
<b>Total non-departmental</b>	<b>111,000</b>	<b>111,000</b>	<b>64,922</b>	<b>46,078</b>
<b>CONTINGENCY</b>	<b>115,000</b>	<b>115,000</b>	<b>-</b>	<b>115,000</b>
<b>DEBT SERVICE:</b>				
Bonded principal:				
Public improvements	361,500	361,500	361,000	500
Sewer authority	315,000	315,000	315,000	-
<b>Total bonded principal</b>	<b>676,500</b>	<b>676,500</b>	<b>676,000</b>	<b>500</b>
Bond and Note Interest:				
Public improvements	113,000	113,000	90,724	22,276
Sewer authority	35,200	35,200	34,535	665
<b>Total bond and note interest</b>	<b>148,200</b>	<b>148,200</b>	<b>125,259</b>	<b>22,941</b>
<b>Total debt service</b>	<b>824,700</b>	<b>824,700</b>	<b>801,259</b>	<b>23,441</b>
<b>OTHER FINANCING SOURCES</b>				
Supplement appropriation - transfer out	-	175,832	175,832	-
<b>Total expenditures and other financing uses</b>	<b>\$ 15,746,205</b>	<b>\$ 15,922,037</b>	<b>\$ 15,440,088</b>	<b>\$ 481,949</b>

CITY OF GROTON, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND  
OUTSTANDING - GENERAL FUND  
For the Year Ended June 30, 2012

Grand List Year	Uncollected Taxes	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2012	
	July 1, 2011		Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2010	\$ -	\$ 5,512,254	\$ 793	\$ 8,653	\$ 6,796	\$ 5,497,598	\$ 5,443,915	\$ 77,672	\$ 39	\$ 5,521,626	\$ 53,683
2009	60,981	-	33,009	882	5,457	87,651	71,779	11,962	823	84,564	15,872
2008	13,686	-	-	106	2,888	10,692	7,484	3,798	954	12,236	3,208
2007	1,818	-	7	-	800	1,025	397	784	713	1,894	628
2006	123	-	-	-	23	100	51	383	437	871	49
2005	38	-	-	-	-	38	-	268	272	540	38
2004	5	-	-	-	-	5	-	175	122	297	5
2003	5	-	-	-	-	5	-	111	74	185	5
2002	-	-	-	-	-	-	-	165	108	273	-
2001	-	-	-	-	-	-	-	149	86	235	-
2000	-	-	-	-	-	-	-	252	133	385	-
1999	-	-	-	-	-	-	-	259	130	389	-
1998	-	-	-	-	-	-	-	89	41	130	-
1997	-	-	-	-	-	-	-	248	87	335	-
1996	-	-	-	-	-	-	-	179	64	243	-
<b>Subtotal</b>	<b>\$ 76,656</b>	<b>\$ 5,512,254</b>	<b>\$ 33,809</b>	<b>\$ 9,641</b>	<b>\$ 15,964</b>	<b>\$ 5,597,114</b>	<b>\$ 5,523,626</b>	<b>\$ 96,494</b>	<b>\$ 4,083</b>	<b>\$ 5,624,203</b>	<b>\$ 73,488</b>

## **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 State grants to maintain roads.

#### **Bridge Street**

This fund is used to account for Federal grants to maintain roads.

#### **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 grants and donations principally for drug awareness and drunk driving.

### **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.



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CITY OF GROTON, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue Funds			
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants
<b>ASSETS</b>				
Cash	\$ 323,635	\$ -	\$ -	\$ 332,133
Investments	-	-	-	-
Restricted cash	-	-	-	-
Due from other funds	88,277	1,062,498	-	100
<b>Total assets</b>	<b>\$ 411,912</b>	<b>\$ 1,062,498</b>	<b>\$ -</b>	<b>\$ 332,233</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
Liabilities:				
Cash overdraft	\$ -	\$ 565,606	\$ 45,551	\$ 5,535
Accounts payable	-	16,717	-	2,000
Unearned Revenue	58,799	-	-	-
Due to other funds	-	901,981	-	-
<b>Total liabilities</b>	<b>58,799</b>	<b>1,484,304</b>	<b>45,551</b>	<b>7,535</b>
Fund Balances (Deficits)				
Restricted	353,113	-	-	324,698
Committed	-	-	-	-
Unassigned	-	(421,806)	(45,551)	-
<b>Total fund balances (deficits)</b>	<b>353,113</b>	<b>(421,806)</b>	<b>(45,551)</b>	<b>324,698</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 411,912</b>	<b>\$ 1,062,498</b>	<b>\$ -</b>	<b>\$ 332,233</b>

Permanent Fund	Capital Projects Funds	
Submarine Memorial Fund	Equipment Replacement Account	Totals
\$ 246	\$ 326,147	\$ 982,161
-	436,086	436,086
60,000	-	60,000
-	1,292,950	2,443,825
<u>\$ 60,246</u>	<u>\$ 2,055,183</u>	<u>\$ 3,922,072</u>
\$ -	\$ 81,961	\$ 698,653
-	20,471	39,188
-	-	58,799
-	447,706	1,349,687
<u>-</u>	<u>550,138</u>	<u>2,146,327</u>
60,000	-	737,811
246	1,505,045	1,505,291
-	-	(467,357)
<u>60,246</u>	<u>1,505,045</u>	<u>1,775,745</u>
<u>\$ 60,246</u>	<u>\$ 2,055,183</u>	<u>\$ 3,922,072</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, 2012

	Special Revenue Funds			
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 3,144	\$ 26,786
Income from investments	-	-	-	-
Other	-	-	-	128,592
<b>Total revenues</b>	-	-	3,144	155,378
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	98,987	7,467
Capital Outlay	-	111,598	-	-
<b>Total expenditures</b>	-	111,598	98,987	7,467
<b>Revenues over (under) expenditures</b>	-	(111,598)	(95,843)	147,911
<b>OTHER FINANCING SOURCES</b>				
Transfer in	-	-	-	-
<b>Net change in fund balances</b>	-	(111,598)	(95,843)	147,911
<b>FUND BALANCES (DEFICITS), beginning</b>	353,113	(310,208)	50,292	176,787
<b>FUND BALANCES (DEFICITS), ending</b>	\$ 353,113	\$ (421,806)	\$ (45,551)	\$ 324,698

Permanent Fund	Capital Projects Funds	
Submarine Memorial Fund	Equipment Replacement Account	Totals
\$ -	\$ 229,268	\$ 259,198
19,153	2,000	21,153
-	9,305	137,897
<u>19,153</u>	<u>240,573</u>	<u>418,248</u>
31,305	-	31,305
-	-	106,454
-	494,962	606,560
<u>31,305</u>	<u>494,962</u>	<u>744,319</u>
<u>(12,152)</u>	<u>(254,389)</u>	<u>(326,071)</u>
-	175,832	175,832
(12,152)	(78,557)	(150,239)
<u>72,398</u>	<u>1,583,602</u>	<u>1,925,984</u>
<u>\$ 60,246</u>	<u>\$ 1,505,045</u>	<u>\$ 1,775,745</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 STATEMENTS OF NET ASSETS - ELECTRIC DEPARTMENT - ENTERPRISE FUNDS  
June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash	\$ 5,244,624	\$ 4,815,875
Receivables:		
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	4,493,277	4,804,721
Accrued utility revenue	1,191,014	1,041,978
Due from component unit-current portion	-	320,608
Due from other funds	-	663,088
Prepaid expenses	30,732	83,824
Inventory	1,642,205	1,782,149
<b>Total current assets</b>	<b>12,601,852</b>	<b>13,512,243</b>
Noncurrent assets:		
Amount held at CMEEC	2,339,476	363,039
<b>Total noncurrent assets</b>	<b>2,339,476</b>	<b>363,039</b>
Other Noncurrent Assets:		
Due from component unit	3,799,600	33,691,714
Net pension asset	227,338	302,721
<b>Total other noncurrent assets</b>	<b>4,026,938</b>	<b>33,994,435</b>
Capital Assets (net of accumulated depreciation):		
Land and land rights	707,176	707,176
Construction in progress	4,251,227	4,287,909
Buildings and improvements	358,827	377,746
Station equipment	7,489,949	7,683,265
Electric distribution system	17,626,077	16,364,598
Machinery and equipment	581,611	149,661
Vehicles	1,045,815	856,626
<b>Total capital assets (net of accumulated depreciation)</b>	<b>32,060,682</b>	<b>30,426,981</b>
<b>Total noncurrent assets</b>	<b>38,427,096</b>	<b>64,784,455</b>
<b>Total assets</b>	<b>51,028,948</b>	<b>78,296,698</b>

	2012	2011
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 7,281,679	\$ 8,031,390
Accrued payroll and compensated absences	376,801	384,825
Accrued taxes	330,419	332,757
Accrued interest payable	471,396	539,652
Bond anticipation notes	16,150,000	17,075,000
General obligation bonds payable - current portion	2,153,000	2,156,950
Current liabilities payable from restricted assets:		
Customer deposits payable	2,788,969	1,527,434
Due to other funds	1,454,855	22,234
<b>Total current liabilities</b>	<b>31,007,119</b>	<b>30,070,242</b>
Noncurrent liabilities:		
Rate stabilization	1,727,017	-
General obligation bonds and notes payable - net of premium and deferred amount on refunding	30,889,696	33,176,113
Net OPEB obligation	563,567	518,685
<b>Total non-current liabilities</b>	<b>33,180,280</b>	<b>33,694,798</b>
<b>Total liabilities</b>	<b>64,187,399</b>	<b>63,765,040</b>
<b>NET ASSETS</b>		
Capital assets, net of related debt	15,303,876	12,293,918
Unrestricted	(28,462,327)	2,237,740
<b>Total net assets</b>	<b>\$ (13,158,451)</b>	<b>\$ 14,531,658</b>

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, 2012 and 2011

	2012	2011
<b>OPERATING REVENUES</b>	<b>\$ 60,553,199</b>	<b>\$ 63,134,404</b>
<b>OPERATING EXPENSES</b>		
Direct Expenses:		
Purchased power	41,108,411	44,542,053
Other	2,569,728	2,619,773
Overhead Expenses:		
Customer account	1,663,951	1,492,708
Administrative and general	5,295,578	4,739,313
Taxes	1,616,924	1,614,113
Depreciation	1,408,283	1,674,909
<b>Total operating expenses</b>	<b>53,662,875</b>	<b>56,682,869</b>
<b>Operating income</b>	<b>6,890,324</b>	<b>6,451,535</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	1,192,714	1,293,564
Interest expense	(1,833,355)	(1,702,296)
Allowance for advance (Note 14)	(30,838,168)	(2,960,624)
<b>Total nonoperating revenues (expenses)</b>	<b>(31,478,809)</b>	<b>(3,369,356)</b>
<b>Loss before transfers out</b>	<b>(24,588,485)</b>	<b>3,082,179</b>
Transfers out	(3,101,624)	(3,101,624)
<b>Changes in net assets</b>	<b>(27,690,109)</b>	<b>(19,445)</b>
<b>NET ASSETS, beginning</b>	<b>14,531,658</b>	<b>14,551,103</b>
<b>NET ASSETS (DEFICIT), ending</b>	<b>\$ (13,158,451)</b>	<b>\$ 14,531,658</b>

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - ENTERPRISE FUND  
For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 60,715,607	\$ 59,211,955
Cash payments to suppliers for goods and services	(40,556,956)	(46,460,893)
Cash payments to employees for services	(8,466,550)	(7,711,450)
Proceeds from (loan to) Bozrah Light and Power	100,400	(500,000)
(Repayment) proceeds from CMEEC loan	(100,400)	500,000
<b>Net cash provided by operating activities</b>	<b>11,692,101</b>	<b>5,039,612</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Transfers to other funds	(3,101,624)	(3,101,624)
Advances to Thames Valley Communications, Inc.	(2,772,912)	(2,960,624)
Amount held at CMEEC	(249,420)	4,338,435
Proceeds from bond anticipation notes	16,150,000	17,075,000
Payment of bond anticipation notes	(17,075,000)	(18,000,000)
<b>Net cash used in noncapital and related financing activities</b>	<b>(7,048,956)</b>	<b>(2,648,813)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(3,041,985)	(3,015,810)
Principal paid on general obligation bond maturities and equipment contracts	(2,159,280)	(2,179,955)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(2,032,698)	(1,106,973)
<b>Net cash used in capital and related financing activities</b>	<b>(7,233,963)</b>	<b>(6,302,738)</b>
<b>Cash Flows From Investing Activities</b>		
Payments of note receivable	1,826,853	1,248,195
Interest and dividends on investments	1,192,714	1,293,564
<b>Net cash provided by investing activities</b>	<b>3,019,567</b>	<b>2,541,759</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>428,749</b>	<b>(1,370,180)</b>
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<b>4,815,875</b>	<b>6,186,055</b>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<b>\$ 5,244,624</b>	<b>\$ 4,815,875</b>
<b>Schedule of Non-Cash, Non-Capital and Related Financing Activities:</b>		
Allowance for advances to Thames Valley Communications, Inc.	\$ 28,065,256	\$ 2,960,624

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - ENTERPRISE FUND, Continued  
 For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 6,890,324	\$ 6,451,535
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,408,283	1,674,909
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	311,444	637,159
Accrued utility revenue	(149,036)	35,527
Inventory	139,944	(18,286)
Prepaid expenses	53,092	(29,480)
Due from other funds	983,696	1,559,954
Bond issue costs	-	2,487
Pension asset	75,383	30,078
Increase (decrease) in:		
Accounts payable	511,830	(864,869)
Accrued payroll and compensated absences	(8,024)	559
Accrued taxes	(2,338)	(17,060)
Due to other funds	1,432,621	22,234
Rate stabilization	-	(4,595,135)
Net OPEB obligation	44,882	150,000
<b>Net cash provided by operating activities</b>	<b>\$ 11,692,101</b>	<b>\$ 5,039,612</b>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF REVENUES  
ELECTRIC DEPARTMENT  
For the Years Ended June 30, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
<b>Electric Service Revenues</b>		
Residential	\$ 16,370,633	\$ 17,332,877
Commercial	15,869,021	16,135,402
Industrial	27,226,254	28,861,724
Private street lighting	211,539	212,206
Public street lighting	335,588	332,183
Water department	149,036	(35,527)
<b>Total Electric Service Revenues</b>	<u>60,162,071</u>	<u>62,838,865</u>
<b>Other Electric Revenue</b>		
Miscellaneous - rents, scrap, jobbing sales, etc.	<u>391,128</u>	<u>295,539</u>
<b>Total operating revenues</b>	<u>\$ 60,553,199</u>	<u>\$ 63,134,404</u>

## CITY OF GROTON, CONNECTICUT

**COMPARATIVE SCHEDULES OF EXPENSES -  
ELECTRIC DEPARTMENT**  
For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Direct expenses</b>		
Purchased power	<u>\$ 41,108,411</u>	<u>\$ 44,542,053</u>
<b>Other Expenses</b>		
Transmission Expenses:		
Station expenses	\$ 5,387	\$ 2,093
Maintenance:		
Station equipment	75,250	59,718
Overhead conductors and devices	6,125	13,295
<b>Total Transmission Expenses</b>	<u>86,762</u>	<u>75,106</u>
<b>Distribution Expenses:</b>		
Supervision and engineering	593,478	683,440
Station expenses	8,799	30,200
Line expenses	145,373	187,766
Street lighting and signal system expenses	39,806	31,316
Meter expenses	133,263	147,998
Customer installation expenses	61,863	78,436
Miscellaneous	76,983	99,331
Maintenance:		
Supervision and engineering	55,821	50,732
Station expenses	402,435	253,975
Overhead lines	824,387	857,064
Services	36,094	43,854
Underground lines	1,492	1,995
Line transformers	11,239	23,020
Signal lights and fire alarms	48,708	6,448
Meters	43,225	49,092
<b>Total distribution expenses</b>	<u>2,482,966</u>	<u>2,544,667</u>
<b>Total other expenses</b>	<u>\$ 2,569,728</u>	<u>\$ 2,619,773</u>
<b>Customer Account Expenses:</b>		
Meter reading	\$ 147,585	\$ 149,717
Customer records and collection	371,640	358,283
Uncollectible accounts	60,615	38,725
Miscellaneous	1,084,111	945,983
<b>Total customer account expenses</b>	<u>\$ 1,663,951</u>	<u>\$ 1,492,708</u>
<b>Administrative and General Expenses:</b>		
Administrative and general salaries	\$ 1,371,481	\$ 1,285,161
General office supplies and expenses	350,809	474,286
Outside services employed	1,336,256	898,162
Insurance	66,446	60,156
Injuries and damages	388,109	379,318
Employee welfare and benefits	1,776,762	1,723,900
Regulatory authority expense	8,437	9,231
Miscellaneous general expenses	8,705	107,759
Rent	131,799	133,830
Maintenance:		
General plant	730,916	650,864
Miscellaneous	209,027	192,059
	<u>6,378,747</u>	<u>5,914,726</u>
Deduct: Expenses transferred for transportation and administrative	<u>(1,083,169)</u>	<u>(1,175,413)</u>
<b>Total administrative and general expenses</b>	<u>\$ 5,295,578</u>	<u>\$ 4,739,313</u>

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CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF NET ASSETS - WATER DEPARTMENT - ENTERPRISE FUNDS  
 June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash	\$ 756,155	\$ 852,859
Receivables (net of allowance for uncollectibles of \$ 2,453 and \$2,622, respectively)	931,888	906,290
Due from other funds	754,092	52,138
Prepaid expenses	9,141	16,104
Inventory	200,707	38,069
<b>Total current assets</b>	<b>2,651,983</b>	<b>1,865,460</b>
Other Noncurrent Assets:		
Notes receivable	366,734	471,048
Net pension asset	163,748	218,045
<b>Total other noncurrent assets</b>	<b>530,482</b>	<b>689,093</b>
Capital Assets (net of accumulated depreciation):		
Land and land rights	2,112,377	2,112,377
Construction in progress	1,006,732	347,896
Buildings and improvements	3,767,251	3,845,914
Plant and pumping stations	4,487,121	4,631,196
Water distribution system	16,871,201	17,095,275
Machinery and equipment	199,202	258,184
<b>Total capital assets (net of accumulated depreciation)</b>	<b>28,443,884</b>	<b>28,290,842</b>
<b>Total noncurrent assets</b>	<b>28,974,366</b>	<b>28,979,935</b>
<b>Total assets</b>	<b>31,626,349</b>	<b>30,845,395</b>

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 572,635	\$ 216,145
Accrued payroll and compensated absences	221,078	231,219
Accrued taxes	38,349	38,349
Accrued interest payable	54,980	61,212
Due to other funds	147	579,006
General obligation bonds payable - current portion	767,000	772,050
Customer deposits payable	28,935	28,435
<b>Total current liabilities</b>	<b>1,683,124</b>	<b>1,926,416</b>
Noncurrent liabilities:		
General obligation bonds and notes payable - net of premium and deferred amount on refunding	4,332,048	5,088,175
Net OPEB obligation	456,946	424,516
<b>Total non-current liabilities</b>	<b>4,788,994</b>	<b>5,512,691</b>
<b>Total liabilities</b>	<b>6,472,118</b>	<b>7,439,107</b>
<b>NET ASSETS</b>		
Capital assets, net of related debt	23,342,509	22,430,617
Unrestricted	1,811,722	975,671
<b>Total net assets</b>	<b>\$ 25,154,231</b>	<b>\$ 23,406,288</b>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>	<b>\$ 9,708,205</b>	<b>\$ 9,893,954</b>
<b>OPERATING EXPENSES</b>		
Direct Expenses:		
Other	3,380,252	3,365,615
Overhead Expenses:		
Customer account	399,443	359,108
Administrative and general	2,900,808	3,061,542
Taxes	286,032	275,509
Depreciation	806,216	805,246
<b>Total operating expenses</b>	<b>7,772,751</b>	<b>7,867,020</b>
<b>Operating income</b>	<b>1,935,454</b>	<b>2,026,934</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	24,291	30,425
Interest expense	(211,802)	(272,997)
<b>Net nonoperating expenses</b>	<b>(187,511)</b>	<b>(242,572)</b>
<b>Changes in net assets</b>	<b>1,747,943</b>	<b>1,784,362</b>
<b>NET ASSETS, beginning</b>	<b>23,406,288</b>	<b>21,621,926</b>
<b>NET ASSETS, ending</b>	<b>\$ 25,154,231</b>	<b>\$ 23,406,288</b>

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DEPARTMENT - ENTERPRISE FUND  
For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 9,682,606	\$ 9,801,752
Cash payments to suppliers for goods and services	(4,459,750)	(5,032,738)
Cash payments to employees for services	(3,509,696)	(3,503,658)
<b>Net cash provided by operating activities</b>	<b>1,713,160</b>	<b>1,265,356</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(959,258)	(282,593)
Principal paid on general obligation bond maturities and equipment contracts	(769,720)	(984,545)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(209,491)	(277,309)
<b>Net cash used in capital and related financing activities</b>	<b>(1,938,469)</b>	<b>(1,544,447)</b>
<b>Cash Flows From Investing Activities</b>		
Payments on note receivable	104,314	99,223
Interest and dividends	24,291	30,425
<b>Net cash provided by investing activities</b>	<b>128,605</b>	<b>129,648</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(96,704)</b>	<b>(149,443)</b>
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<b>852,859</b>	<b>1,002,302</b>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<b>\$ 756,155</b>	<b>\$ 852,859</b>

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DEPARTMENT - ENTERPRISE FUND, Continued  
 For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income (loss)	\$ 1,935,454	\$ 2,026,934
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	806,216	805,246
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(25,598)	(92,202)
Inventory	(56,186)	(14,584)
Prepaid expenses	6,963	11,742
Due from other funds	(701,954)	(50,361)
Other	-	51,034
Pension asset	54,297	21,665
Increase (decrease) in:		
Accounts payable	250,538	(25,545)
Accrued payroll and compensated absences	(10,141)	22,801
Due to other funds	(578,859)	(1,641,374)
Net OPEB obligation	32,430	150,000
<b>Net cash provided by operating activities</b>	<b>\$ 1,713,160</b>	<b>\$ 1,265,356</b>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF REVENUES  
WATER SYSTEM

For the Years Ended June 30, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
<b>Water Service Revenues</b>		
Residential	\$ 2,650,586	\$ 2,646,748
Commercial	1,536,204	1,547,919
Industrial	2,877,888	3,103,778
Private fire protection	106,728	105,778
Public fire protection	284,742	284,277
Other sales to public authorities	1,667,377	1,567,507
<b>Total water service revenues</b>	<u>9,123,525</u>	<u>9,256,007</u>
<b>Other Water Revenue</b>		
Miscellaneous - rents, lien fees, scrap sales, etc.	<u>584,680</u>	<u>637,947</u>
<b>Total operating revenues</b>	<u>\$ 9,708,205</u>	<u>\$ 9,893,954</u>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF EXPENSES -  
WATER SYSTEM

For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Direct Expenses</b>		
Source of Water Supply Expenses:		
Operation labor	\$ 96,575	\$ 97,022
Supplies and expenses	82,355	85,785
Rent	10,000	1,500
Maintenance - structure and improvement	177,739	130,281
<b>Total source of water supply expenses</b>	<b>366,669</b>	<b>314,588</b>
Pumping Expenses:		
Fuel for power production	2,169	6,654
Power purchased	602,139	644,104
Operation labor	199,109	181,619
Maintenance - structure and equipment	112,336	120,044
<b>Total pumping expenses</b>	<b>915,753</b>	<b>952,421</b>
Water Treatment Expenses		
Chemicals	212,909	237,364
Operation labor	941,620	862,513
Supplies and expenses	79,779	86,996
Maintenance - structure and equipment	199,219	157,220
<b>Total water treatment expenses</b>	<b>1,433,527</b>	<b>1,344,093</b>
Transmission and Distribution Expenses		
Supervision and engineering	93,430	90,560
Storage facilities	23,438	23,540
Operation of lines		-
Supplies and expenses	139,193	158,542
Maintenance:	12,329	6,392
Structures and improvements	113,682	185,152
Mains	126,240	123,144
Services	146,316	140,037
Meters	9,675	27,146
Hydrants		-
<b>Total transmission and distribution expenses</b>	<b>664,303</b>	<b>754,513</b>
<b>Total other expenses</b>	<b>\$ 3,380,252</b>	<b>\$ 3,365,615</b>
<b>Customer Account Expenses:</b>		
Meter reading	\$ 66,514	\$ 65,443
Customer records and collection	197,218	168,768
Uncollectible accounts	7,305	4,947
Miscellaneous	128,406	119,950
<b>Total customer account expenses</b>	<b>\$ 399,443</b>	<b>\$ 359,108</b>
<b>Administrative and General Expenses:</b>		
Administrative and general salaries	\$ 683,078	\$ 792,481
General office supplies and expenses	174,888	176,444
Outside services employed	123,557	163,619
Insurance	77,164	69,860
Injuries and damages	243,003	248,519
Employee welfare and benefits	1,224,320	1,276,486
Miscellaneous general expenses	33,769	22,124
Rent	25,483	26,576
Maintenance:		
Office furniture and equipment	9,089	6,954
Communication equipment	790	1,185
Miscellaneous general property	305,667	277,294
<b>Total administrative and general expenses</b>	<b>\$ 2,900,808</b>	<b>\$ 3,061,542</b>

## **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, 2012 (With Comparative Totals at June 30, 2011)

	Self-Insurance	Health Plan	2012	2011
<b>ASSETS</b>				
Cash	\$ 741,011	\$ 3,059,508	\$ 3,800,519	\$ 3,814,354
<b>Total current assets</b>	<b>741,011</b>	<b>3,059,508</b>	<b>3,800,519</b>	<b>3,814,354</b>
<b>LIABILITIES</b>				
Liabilities:				
Due to other funds	-	625,000	625,000	-
Accounts/claims payable	-	438,201	438,201	479,704
<b>Total liabilities</b>	<b>-</b>	<b>1,063,201</b>	<b>1,063,201</b>	<b>479,704</b>
<b>NET ASSETS</b>				
Unrestricted	\$ 741,011	\$ 1,996,307	\$ 2,737,318	\$ 3,334,650

## CITY OF GROTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2012 (With Comparative Totals for the Year Ended June 30, 2011)**

	Self-Insurance	Health Plan	2012	2011
<b>OPERATING REVENUES</b>				
Premiums	\$ 99,798	\$ 4,223,990	\$ 4,323,788	\$ 4,116,942
<b>OPERATING EXPENSES</b>				
Claims Paid:				
Public Safety	12,992	-	12,992	23,508
Public Works	34,646	-	34,646	11,895
General Government	5,774	-	5,774	7,688
Electric Department	18,767	-	18,767	21,264
Health Plan	-	4,124,710	4,124,710	4,650,189
Administration:				
Health Plan	12,384	716,555	728,939	779,016
<b>Total operating expenses</b>	<b>84,563</b>	<b>4,841,265</b>	<b>4,925,828</b>	<b>5,493,560</b>
<b>Operating income (loss)</b>	<b>15,235</b>	<b>(617,275)</b>	<b>(602,040)</b>	<b>(1,376,618)</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest income	-	4,708	4,708	13,936
<b>Total nonoperating revenue (expense)</b>	<b>-</b>	<b>4,708</b>	<b>4,708</b>	<b>13,936</b>
<b>Change in net assets</b>	<b>15,235</b>	<b>(612,567)</b>	<b>(597,332)</b>	<b>(1,362,682)</b>
<b>NET ASSETS, beginning</b>	<b>725,776</b>	<b>2,608,874</b>	<b>3,334,650</b>	<b>4,697,332</b>
<b>NET ASSETS, ending</b>	<b>\$ 741,011</b>	<b>\$ 1,996,307</b>	<b>\$ 2,737,318</b>	<b>\$ 3,334,650</b>

CITY OF GROTON, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2012 (With Comparative Totals for the Year Ended June 30, 2011)

	Self-Insurance	Health Plan	2012	2011
<b>Cash Flows From Operating Activities</b>				
Cash received for premiums	\$ 99,798	\$ 4,223,990	\$ 4,323,788	\$ 4,116,942
Cash paid to claimants	(72,179)	(3,541,213)	(3,613,392)	(4,526,648)
Cash paid for administration	(12,384)	(716,555)	(728,939)	(779,016)
<b>Net cash provided by (used in) operating activities</b>	<b>15,235</b>	<b>(33,778)</b>	<b>(18,543)</b>	<b>(1,188,722)</b>
<b>Cash Flows Provided by Investing Activities</b>				
Interest income	-	4,708	4,708	13,936
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,235</b>	<b>(29,070)</b>	<b>(13,835)</b>	<b>(1,174,786)</b>
<b>Cash and Cash Equivalents, beginning</b>	<b>725,776</b>	<b>3,088,578</b>	<b>3,814,354</b>	<b>4,989,140</b>
<b>Cash and Cash Equivalents, ending</b>	<b>\$ 741,011</b>	<b>\$ 3,059,508</b>	<b>\$ 3,800,519</b>	<b>\$ 3,814,354</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating income (loss)	\$ 15,235	\$ (617,275)	\$ (602,040)	\$ (1,376,618)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Change in assets and liabilities:				
Decrease in accrued liabilities	-	(41,503)	(41,503)	187,896
Increase in due to other funds	-	625,000	625,000	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 15,235</b>	<b>\$ (33,778)</b>	<b>\$ (18,543)</b>	<b>\$ (1,188,722)</b>

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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 TEN YEARS  
(Unaudited)**

	FISCAL YEAR ENDED									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>GOVERNMENTAL ACTIVITIES</b>										
Invested in capital assets, net of related debt	\$ 20,566,312	\$ 20,204,792	\$ 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-expendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Permanent funds - expendable	246	12,398	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
Special revenue funds	677,811	580,192	-	-	-	-	-	-	-	-
Unrestricted	6,256,564	7,194,347	9,406,900	8,961,352	8,604,464	7,997,580	9,217,898	7,641,596	7,426,960	7,883,645
<b>Total governmental activities</b>	<b>27,560,933</b>	<b>28,051,729</b>	<b>28,177,312</b>	<b>26,972,892</b>	<b>26,319,507</b>	<b>25,324,029</b>	<b>24,456,901</b>	<b>23,174,589</b>	<b>22,768,845</b>	<b>22,199,481</b>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Invested in capital assets, net of related debt	38,646,385	34,724,535	31,679,508	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	(26,243,049)	3,709,903	5,192,868	6,350,066	3,301,448	14,324,794	12,837,386	16,589,580	8,205,668	15,531,794
<b>Total business-type activities</b>	<b>12,403,336</b>	<b>38,434,438</b>	<b>36,872,376</b>	<b>48,623,341</b>	<b>46,337,667</b>	<b>45,981,202</b>	<b>45,707,161</b>	<b>43,906,954</b>	<b>42,287,953</b>	<b>41,003,045</b>
<b>CITY NET ASSETS</b>										
Invested in capital assets, net of related debt	59,212,697	54,929,327	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-expendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Permanent funds-expendable	246	12,398	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
Public works	677,811	580,192	-	-	-	-	-	-	-	-
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	(19,986,485)	10,904,250	17,999,768	15,311,418	11,905,912	21,541,878	22,055,284	24,231,176	15,632,628	23,415,439
<b>Total City net assets</b>	<b>\$ 39,964,269</b>	<b>\$ 66,486,167</b>	<b>\$ 65,049,688</b>	<b>\$ 75,596,233</b>	<b>\$ 72,657,174</b>	<b>\$ 71,305,231</b>	<b>\$ 70,164,062</b>	<b>\$ 69,826,083</b>	<b>\$ 65,056,798</b>	<b>\$ 63,202,526</b>

**CHANGES IN NET ASSETS**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,103,355	\$ 1,905,884	\$ 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	7,921,386	8,236,685	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	5,084,289	5,869,143	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	1,148,723	1,230,512	1,087,662	1,069,777	831,869	898,307	805,702	843,815	828,257	736,786
Interest expense	125,814	137,112	207,406	188,952	233,053	223,433	231,050	253,842	267,593	359,277
<b>Total governmental expenses</b>	<b>16,383,567</b>	<b>17,379,336</b>	<b>16,262,584</b>	<b>15,399,296</b>	<b>14,539,375</b>	<b>13,954,272</b>	<b>12,962,906</b>	<b>12,595,635</b>	<b>12,278,842</b>	<b>11,101,346</b>
Business-type activities:										
Electric Department	86,423,334	61,548,644	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	7,984,553	8,140,017	8,178,970	8,516,675	7,626,088	7,282,315	6,480,608	6,032,857	5,996,207	5,552,070
<b>Total business-type expenses</b>	<b>94,407,887</b>	<b>69,688,661</b>	<b>74,851,863</b>	<b>77,356,808</b>	<b>77,897,271</b>	<b>77,632,075</b>	<b>69,746,270</b>	<b>55,393,405</b>	<b>49,938,119</b>	<b>48,073,955</b>
<b>Total expenses</b>	<b>110,791,454</b>	<b>87,067,997</b>	<b>91,114,447</b>	<b>92,756,104</b>	<b>92,436,646</b>	<b>91,586,347</b>	<b>82,709,176</b>	<b>67,989,040</b>	<b>62,216,961</b>	<b>59,175,301</b>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	1,179,037	1,009,264	924,262	1,033,369	1,325,812	821,134	734,574	711,765	627,863	878,345
Public safety	508,484	259,705	384,644	310,747	277,838	272,215	321,844	460,724	491,240	-
Public works	60,212	55,799	43,234	79,352	54,898	76,876	181,106	57,698	136,137	124,169
Recreation	130,635	113,709	131,648	104,780	95,672	104,293	105,408	110,497	76,823	94,108
Operating grants and contributions	4,273,734	4,388,296	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	519,122	1,712,368	1,094,709	-	-	-	-	5,000	51,616	40,416
<b>Total governmental activities</b>	<b>6,671,224</b>	<b>7,539,141</b>	<b>7,438,631</b>	<b>6,664,119</b>	<b>6,656,034</b>	<b>6,243,153</b>	<b>6,586,876</b>	<b>6,005,192</b>	<b>5,296,615</b>	<b>5,204,953</b>
Business-type activities:										
Electric Department	60,553,199	63,134,404	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	9,708,205	9,893,954	8,233,088	7,946,755	7,582,363	6,679,385	6,570,471	6,651,483	6,286,607	6,024,389
<b>Total business-type activities</b>	<b>70,261,404</b>	<b>73,028,358</b>	<b>74,908,326</b>	<b>80,444,138</b>	<b>79,329,636</b>	<b>78,157,925</b>	<b>72,435,356</b>	<b>57,689,518</b>	<b>52,054,612</b>	<b>50,035,637</b>
<b>Total program revenues</b>	<b>76,932,628</b>	<b>80,567,499</b>	<b>82,346,957</b>	<b>87,108,257</b>	<b>85,985,670</b>	<b>84,401,078</b>	<b>79,022,232</b>	<b>63,694,710</b>	<b>57,351,227</b>	<b>55,240,590</b>
Net (expense)/revenue										
Governmental activities	(9,712,343)	(9,840,195)	(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	(24,146,483)	3,339,697	56,463	3,087,330	1,432,365	525,850	2,689,086	2,296,113	2,116,493	1,961,682
<b>Total net expenses</b>	<b>(33,858,826)</b>	<b>(6,500,498)</b>	<b>(8,767,490)</b>	<b>(5,647,847)</b>	<b>(6,450,976)</b>	<b>(7,185,269)</b>	<b>(3,686,944)</b>	<b>(4,294,330)</b>	<b>(4,865,734)</b>	<b>(3,934,711)</b>

(Continued)

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Revenues and Other Changes in Net Assets:</b>										
Governmental activities:										
Property taxes	5,615,381	6,144,038	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	19,088	77,264	408,771	111,351	168,660	122,268	213,730	316,847	1,140,038	1,123,118
Investment income	383,372	305,794	294,327	240,744	518,553	685,033	405,262	202,439	80,565	155,993
Miscellaneous	102,082	85,892	322,512	113,176	126,452	52,215	148,666	121,809	99,773	54,002
Transfers	3,101,624	3,101,624	3,101,624	3,119,490	2,835,900	2,465,034	2,143,508	1,863,920	1,620,819	1,409,400
<b>Total governmental activities</b>	<b>9,221,547</b>	<b>9,714,612</b>	<b>10,028,373</b>	<b>9,388,562</b>	<b>8,878,819</b>	<b>8,578,247</b>	<b>7,658,342</b>	<b>6,996,187</b>	<b>7,551,591</b>	<b>7,166,994</b>
Business-type activities:										
Investment income	1,217,005	1,323,989	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)	(3,101,624)	(3,101,624)	(3,119,490)	(2,835,900)	(2,465,034)	(2,143,508)	(1,863,920)	(1,620,819)	(1,409,400)
<b>Total business-type activities</b>	<b>(1,884,619)</b>	<b>(1,777,635)</b>	<b>(1,472,133)</b>	<b>(801,656)</b>	<b>(439,101)</b>	<b>(326,928)</b>	<b>(888,879)</b>	<b>(727,398)</b>	<b>(831,585)</b>	<b>(670,273)</b>
<b>Total general revenues</b>	<b>7,336,928</b>	<b>7,936,977</b>	<b>8,556,240</b>	<b>8,586,906</b>	<b>8,439,718</b>	<b>8,251,319</b>	<b>6,769,463</b>	<b>6,268,789</b>	<b>6,720,006</b>	<b>6,496,721</b>
<b>Change in Net Assets:</b>										
Governmental activities	(490,796)	(125,583)	1,204,420	653,385	995,478	867,128	1,282,312	405,744	569,364	1,270,601
Business-type activities	(26,031,102)	1,562,062	(1,415,670)	2,285,674	993,264	198,922	1,800,207	1,568,715	1,284,908	1,291,409
<b>Change in net assets</b>	<b>\$ (26,521,898)</b>	<b>\$ 1,436,479</b>	<b>\$ (211,250)</b>	<b>\$ 2,939,059</b>	<b>\$ 1,988,742</b>	<b>\$ 1,066,050</b>	<b>\$ 3,082,519</b>	<b>\$ 1,974,459</b>	<b>\$ 1,854,272</b>	<b>\$ 2,562,010</b>

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>REVENUES</b>										
Property taxes	\$ 5,628,575	\$ 6,137,303	\$ 5,913,531	\$ 5,812,388	\$ 5,220,845	\$ 5,253,193	\$ 4,762,481	\$ 4,487,668	\$ 4,673,090	\$ 4,396,254
Intergovernmental	4,830,557	6,177,928	6,363,614	5,245,422	5,067,286	5,088,128	5,455,684	4,964,086	5,090,080	5,070,443
Charges for services	1,740,471	1,438,477	1,483,788	1,528,248	1,754,220	1,274,518	1,342,932	1,340,509	1,254,094	1,596,609
Income from investments	369,356	291,858	276,820	191,014	348,587	493,709	280,371	147,449	47,943	123,606
Contributions	-	-	-	1,800	3,188	2,775	1,990	17,269	13,110	85,638
Other	230,674	85,892	322,512	118,439	126,452	52,215	148,666	121,809	99,773	54,002
<b>Total revenues</b>	<b>12,799,633</b>	<b>14,131,458</b>	<b>14,360,265</b>	<b>12,897,311</b>	<b>12,520,578</b>	<b>12,164,538</b>	<b>11,992,124</b>	<b>11,078,790</b>	<b>11,178,090</b>	<b>11,326,552</b>
<b>EXPENDITURES</b>										
Current:										
General government	1,813,522	1,706,352	1,605,410	1,789,364	1,433,598	1,448,768	1,258,889	1,158,978	1,063,159	1,048,796
Public safety	7,224,753	7,229,895	7,306,685	6,987,176	6,820,956	6,948,625	6,231,187	5,909,434	5,522,178	5,379,101
Public works	4,450,747	5,163,704	4,256,569	4,266,753	3,880,959	3,936,897	3,770,474	3,676,363	3,480,926	3,497,176
Parks and recreation	1,085,185	1,123,010	1,029,072	1,029,690	861,109	826,327	777,313	759,916	734,607	690,859
Non-departmental and other	64,922	148,211	148,473	36,386	54,665	64,105	38,697	46,675	58,142	48,139
Capital outlay	606,560	1,432,761	3,092,237	407,667	981,788	2,899,161	1,051,058	395,425	856,430	730,585
Debt service:										
Bond principal	676,000	905,500	953,585	930,500	841,017	860,738	740,500	766,896	771,600	646,600
Bond and note interest	125,259	152,616	188,286	195,161	233,355	229,668	227,268	243,669	274,007	287,778
<b>Total expenditures</b>	<b>16,046,948</b>	<b>17,862,049</b>	<b>18,580,317</b>	<b>15,642,697</b>	<b>15,107,447</b>	<b>17,214,289</b>	<b>14,095,386</b>	<b>12,957,356</b>	<b>12,761,049</b>	<b>12,329,034</b>
<b>Deficiency of revenues over expenditures</b>	<b>(3,247,315)</b>	<b>(3,730,591)</b>	<b>(4,220,052)</b>	<b>(2,745,386)</b>	<b>(2,586,869)</b>	<b>(5,049,751)</b>	<b>(2,103,262)</b>	<b>(1,878,566)</b>	<b>(1,582,959)</b>	<b>(1,002,482)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
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	-	-	-	-	-	-	-	-	-	-
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	-	-
Transfers in	3,277,456	3,101,624	3,101,624	3,421,852	3,450,400	2,621,720	2,620,580	2,078,410	1,980,482	1,993,076
Transfers out	(175,832)	-	-	(302,362)	(614,500)	(156,686)	(477,072)	(214,490)	(359,663)	(583,676)
<b>Net other financing sources (uses)</b>	<b>3,101,624</b>	<b>3,101,624</b>	<b>4,851,588</b>	<b>3,119,490</b>	<b>3,722,948</b>	<b>2,465,034</b>	<b>3,291,470</b>	<b>1,864,420</b>	<b>1,620,819</b>	<b>1,694,802</b>
<b>Net changes in fund balances</b>	<b>\$ (145,691)</b>	<b>\$ (628,967)</b>	<b>\$ 631,536</b>	<b>\$ 374,104</b>	<b>\$ 1,136,079</b>	<b>\$ (2,584,717)</b>	<b>\$ 1,188,208</b>	<b>\$ (14,146)</b>	<b>\$ 37,860</b>	<b>\$ 692,320</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>5.47%</b>	<b>6.44%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>7.00%</b>	<b>8.00%</b>	<b>9.00%</b>	<b>8.00%</b>

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>GENERAL FUND</b>										
Nonspendable	\$ 17,138	\$ 16,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	676,227	1,048,110	-	-	-	-	-	-	-	-
Assigned	28,571	66,944	-	-	-	-	-	-	-	-
Unassigned	3,484,919	3,070,485	-	-	-	-	-	-	-	-
Reserved	-	-	91,645	75,056	122,172	33,609	52,003	26,793	93,850	107,605
Unreserved:										
Designated	-	-	973,606	808,410	690,208	659,538	574,897	779,094	470,026	223,585
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
<b>Total unreserved</b>	-	-	4,848,256	4,361,811	3,840,362	3,428,820	3,383,043	2,936,950	2,640,570	2,205,523
<b>Total general fund</b>	4,206,855	4,202,307	4,939,901	4,436,867	3,962,534	3,462,429	3,435,046	2,963,743	2,734,420	2,313,128
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	737,811	640,192	-	-	-	-	-	-	-	-
Committed	1,505,291	1,596,000	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(467,357)	(310,208)	-	-	-	-	-	-	-	-
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
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
Permanent funds	-	-	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
<b>Total all other governmental funds</b>	1,775,745	1,925,984	1,817,357	1,688,855	1,789,084	1,153,110	3,765,210	3,048,305	3,291,774	3,675,206
<b>Total all governmental funds</b>	<b>\$ 5,982,600</b>	<b>\$ 6,128,291</b>	<b>\$ 6,757,258</b>	<b>\$ 6,125,722</b>	<b>\$ 5,751,618</b>	<b>\$ 4,615,539</b>	<b>\$ 7,200,256</b>	<b>\$ 6,012,048</b>	<b>\$ 6,026,194</b>	<b>\$ 5,988,334</b>

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY <sup>(1)</sup>**  
**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		
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%	4.14
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
2011	2009	1,049,648,005	1,499,497,150	264,971,922	378,531,317	1,314,619,927	1,878,028,467	70.00%	4.14
2012	2010	1,016,705,163	1,452,435,947	316,240,195	451,771,707	1,332,945,358	1,904,207,654	70.00%	4.60

<sup>(1)</sup> 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
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total Town Millage	
2003	2001	4.64	0.31	4.95	19.73	0.84	20.57	25.52
2004	2002	4.59	0.31	4.90	21.69	0.93	22.62	27.52
2005	2003	4.59	0.31	4.90	22.01	0.94	22.95	27.85
2006	2004	4.59	0.31	4.90	22.01	0.94	22.95	27.85
2007	2005	4.59	0.31	4.90	23.06	0.99	24.05	28.95
2008	2006	4.12	0.28	4.40	20.34	0.87	21.21	25.61
2009	2007	3.88	0.26	4.14	18.48	0.79	19.27	23.41
2010	2008	3.88	0.26	4.14	17.22	0.73	17.95	22.09
2011	2009	3.88	0.26	4.14	18.12	0.77	18.89	23.03
2012	2010	4.36	0.24	4.60	19.51	0.71	20.22	24.82

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	\$ 573,988,360	1	43.06%	\$ 363,519,249	1	40.55%
General Dynamics Corporation	Submarine	215,037,690	2	16.13%	158,841,191	2	17.72%
Colonial Manor, Inc.	Apartments	12,232,050	3	0.92%	8,313,170	5	0.93%
CSC Dynamics	Equipment Leasing	10,512,850	5	0.79%	9,586,630	3	1.07%
Branford Manor, Inc.	Apartments	10,932,390	4	0.82%	9,115,680	4	1.02%
The North/South Harbor Ltd.	Apartments	5,968,340	6	0.45%	5,106,920	6	0.57%
Ansonia Acquisitions, LLC	Apartments	5,561,240	7	0.42%	3,142,440	8	0.35%
Groton Townhouse Apts., LLC	Apartments	4,823,070	8	0.36%	2,290,162	7	0.31%
Avery Heights Limited STSHP	Apartments	4,627,560	9	0.35%	3,347,230	9	0.38%
Shennecossett Yacht Club	Marina	4,449,790	10	0.33%	N/A	10	N/A
Total		<u>\$ 848,133,340</u>		<u>63.63%</u> %	<u>\$ 563,262,672</u>		<u>62.90%</u>

Source: Town of Groton Assessor's Department

The total net assessment of the top ten taxpayers for the City of Groton constitutes 59% of the total 10/1/2010 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
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%	31,133	5,608,587	99.54%	46,819	0.83%
2011	4.14	2009	5,719,007	5,658,026	98.93%	423,274	5,658,026	98.93%	76,656	1.34%
2012	4.14	2010	5,512,254	5,443,915	98.76%	79,711	5,523,626	100.20%	73,488	1.33%

Source: Town of Groton Tax Collector's Department.

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

	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
Taxes Collectible at Levy Date																				
General Fund:																				
Property tax revenue <sup>(1)</sup>																				
General Dynamics Corporation	15%	\$ 803	15%	\$ 817	15%	\$ 809	15%	\$ 845	15%	\$ 794	17%	\$ 867	18%	\$ 846	18%	\$ 808	17%	\$ 797	18%	\$ 765
Chas. Pfizer Company, Inc.	43%	2,333	46%	2,929	41%	2,237	46%	2,680	46%	2,401	49%	2,575	43%	2,026	41%	1,815	43%	2,003	38%	1,640
Operating Revenues																				
Enterprise Funds																				
Electric Department:																				
General Dynamics Corporation	13%	7,886	15%	9,489	18%	11,416	14%	9,986	13%	9,013	12%	8,806	12%	8,120	16%	7,108	14%	6,417	13%	5,536
Chas. Pfizer Company, Inc.	8%	5,089	9%	5,898	12%	7,861	23%	16,636	26%	18,473	27%	19,192	26%	16,935	28%	12,620	21%	9,778	21%	9,125
U.S. Naval Submarine Base	18%	11,135	17%	10,712	17%	10,949	15%	10,483	15%	10,797	15%	10,867	14%	9,096	15%	6,891	14%	6,329	15%	6,417
Water Department:																				
General Dynamics Corporation	3%	320	4%	336	5%	350	4%	335	4%	278	4%	292	8%	509	8%	481	6%	334	4%	242
Chas. Pfizer Company, Inc.	13%	1,163	14%	1,299	15%	1,177	16%	1,213	18%	1,385	21%	1,375	19%	1,235	25%	1,489	23%	1,352	23%	1,388
U.S. Naval Submarine Base	12%	1,105	10%	945	10%	758	11%	837	13%	957	13%	866	10%	685	14%	855	19%	1,125	17%	1,008
Usage																				
Enterprise Funds:																				
Electric Department (Kilowatt Hrs):																				
General Dynamics Corporation	17%	80,085	19%	94,077	22%	101,662	15%	90,205	15%	90,069	15%	90,486	16%	98,872	17%	103,823	17%	104,045	15%	91,754
Chas. Pfizer Company, Inc.	12%	59,743	12%	59,168	10%	46,447	22%	132,090	26%	156,718	26%	157,507	26%	156,822	26%	154,403	26%	156,299	25%	151,277
U.S. Naval Submarine Base	18%	87,295	18%	87,304	19%	88,834	15%	90,734	17%	101,726	17%	105,200	17%	100,353	15%	91,683	15%	89,501	16%	96,464
Water Department (Cubic Feet):																				
General Dynamics Corporation	4%	9,227	4%	9,856	5%	11,606	4%	11,471	4%	10,762	5%	13,724	9%	27,543	9%	26,472	7%	19,036	4%	12,355
Chas. Pfizer Company, Inc.	16%	38,933	18%	45,451	14%	44,807	19%	49,505	25%	64,757	24%	72,811	22%	67,062	30%	86,809	29%	82,165	28%	83,879
U.S. Naval Submarine Base	16%	39,441	14%	34,423	13%	31,458	14%	36,096	18%	46,147	16%	47,057	13%	38,924	18%	51,087	25%	70,350	25%	72,933

<sup>(1)</sup> 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 <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	General Obligations Bonds			General Obligation Bonds					
	City	Sewer	Total	Electric <sup>(2)</sup>	Water	Total			
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
2011	3,098,000	1,071,000	4,169,000	31,383,930	5,867,070	37,251,000	41,420,000	18.50%	4,138
2012	2,737,000	756,000	3,493,000	29,226,980	5,095,020	34,322,000	37,815,000	16.30%	3,733

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

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

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND  
NET GENERAL BONDED DEBT PER CAPITA  
Last Ten Fiscal Years  
(Unaudited)**

<b>Year Ended June 30,</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Bonded Debt</b>	<b>Percentage of Net Long-Term Debt to Assessed Value</b>	<b>Net Long-Term Debt Per Capita</b>	
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	5,074,500	0.38%	507
2011	**	10,389	1,314,619,927	4,169,000	0.32%	401
2012	**	10,389	1,332,945,358	3,493,000	0.26%	366

\*\*\* Based on 2000 Bureau of Census figure.

\*\* Based on 2010 Bureau of Census figure.

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2012**  
**(Unaudited)**

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Jurisdiction	Net Bonded Debt Outstanding	Percentage Application to City	Amount Applicable to City
Direct:			
City of Groton	\$ 3,493,000	100.00%	\$ 3,493,000
Overlapping:			
Town of Groton	<u>47,990,000</u>	33.70%	<u>16,172,630</u>
Total	<u>\$ 51,483,000</u>		<u>\$ 19,665,630</u>

Note: The percentage of overlapping debt is provided by the Town of Groton.

**SCHEDULE OF STATUTORY DEBT LIMITATION**  
**For the Year Ended June 30, 2012**  
**(Unaudited)**

Total Tax Collections (including interest and lien fees)		\$ 5,624,204
Reimbursement for revenue loss on:		
Tax relief for elderly freeze		-
Total Base		<u>\$ 5,624,204</u>
	<b>General Purpose</b>	<b>Sewer</b>
Debt Limitation		
2-1/4 times	\$ 12,654,459	\$ -
3-3/4 times	-	21,090,765
Total debt	<u>12,654,459</u>	<u>21,090,765</u>
Indebtedness:		
Bonds payable	2,737,000	756,000
Authorized, but unissued debt	4,528,500	-
Total Indebtedness	<u>7,265,500</u>	<u>756,000</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 5,388,959</u>	<u>\$ 20,334,765</u>
Notes: (A) The above total indebtedness amounts to:		<u>\$ 25,723,724</u>
(B) In no case shall total indebtedness exceed seven times annual receipts from taxation		<u>\$ 39,369,428</u>
(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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total tax collections, including interest and lien fees	\$ 5,624,204	\$ 6,117,086	\$ 5,879,707	\$ 5,789,797	\$ 5,201,200	\$ 5,214,744	\$ 4,756,093	\$ 4,446,560	\$ 4,646,264	\$ 4,359,360
Reimbursement for revenue loss on: Tax relief for elderly freeze	-	-	2,902	-	306	599	598	936	936	713
<b>TOTAL BASE</b>	<b>\$ 5,624,204</b>	<b>\$ 6,117,086</b>	<b>\$ 5,882,609</b>	<b>\$ 5,789,797</b>	<b>\$ 5,201,506</b>	<b>\$ 5,215,343</b>	<b>\$ 4,756,691</b>	<b>\$ 4,447,496</b>	<b>\$ 4,647,200</b>	<b>\$ 4,360,073</b>
<b>DEBT LIMIT</b>										
General purpose 2 1/4 times base	\$ 12,654,459	\$ 13,763,444	\$ 13,235,870	\$ 13,027,043	\$ 11,703,389	\$ 11,734,522	\$ 10,702,555	\$ 10,006,866	\$ 10,456,200	\$ 9,810,164
Sewer 3 3/4 times base	21,090,765	22,939,073	22,059,784	21,711,739	19,505,648	19,557,536	17,837,591	16,678,110	17,427,000	16,350,274
<b>TOTAL DEBT LIMIT</b>	<b>33,745,224</b>	<b>36,702,517</b>	<b>35,295,654</b>	<b>34,738,782</b>	<b>31,209,036</b>	<b>31,292,058</b>	<b>28,540,146</b>	<b>26,684,976</b>	<b>27,883,200</b>	<b>26,160,438</b>
Net debt applicable to limit:										
General purpose:										
Bonds payable	2,737,000	3,098,000	3,501,000	2,054,000	2,366,500	1,709,000	1,936,500	2,164,000	2,399,610	2,630,220
Bond anticipation notes	-	-	-	-	-	-	-	6,900,000	6,900,000	3,000,000
Sewer:										
Bonds payable	756,000	1,071,000	1,573,500	2,185,000	2,803,000	3,421,000	4,054,000	3,432,000	3,962,990	4,503,980
Bond anticipation notes	-	-	-	-	-	-	-	-	-	-
<b>Total net debt applicable to limit</b>	<b>3,493,000</b>	<b>4,169,000</b>	<b>5,074,500</b>	<b>4,239,000</b>	<b>5,169,500</b>	<b>5,130,000</b>	<b>5,990,500</b>	<b>12,496,000</b>	<b>13,262,600</b>	<b>10,134,200</b>
<b>LEGAL DEBT LIMIT</b>	<b>\$ 30,252,224</b>	<b>\$ 32,533,517</b>	<b>\$ 30,221,154</b>	<b>\$ 30,499,782</b>	<b>\$ 26,039,536</b>	<b>\$ 26,162,058</b>	<b>\$ 22,549,646</b>	<b>\$ 14,188,976</b>	<b>\$ 14,620,600</b>	<b>\$ 16,026,238</b>
In no case shall total indebtedness exceed seven times annual receipts from taxation	\$ 39,369,428	\$ 42,819,602	\$ 41,178,263	\$ 40,528,579	\$ 36,410,542	\$ 36,507,401	\$ 33,296,837	\$ 31,132,472	\$ 32,530,400	\$ 30,520,511
Total net debt applicable to the limit as a percentage of debt limit	10.35%	11.36%	14.38%	12.20%	16.56%	16.39%	20.99%	46.83%	47.56%	38.74%

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 <sup>1</sup>	Personal Income (Amounts Expressed in Thousands)	Per Capital Income <sup>2</sup>	Median Age <sup>3</sup>	Education Level in Years of Schooling <sup>4</sup>	Unemployment Rate <sup>1</sup>
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	*** 10,010	222,612	22,239	*** 31.6	N/A	9.10%
2011	** 10,389	304,408	29,301	*** 28.7	N/A	9.10%
2012	** 10,389	299,835	28,872	*** 28.7	N/A	8.10%

\*\*\* Based on 2000 Bureau of Census figure.

\*\* Based on 2010 Bureau of Census figure.

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

(2) Based on 2000 U.S. Department of Commerce, Bureau of Census data.

(3) Based on 2000 Bureau of Census data.

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

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
General Dynamics, Electric Boat Division	8,033	1	60.7%	N/A	1	N/A
Pfizers	4,071	2	30.7%	N/A	2	N/A
City of Groton	234	3	1.8%	N/A	3	N/A
University of Connecticut	230	4	1.8%	N/A	4	N/A
Superintendent of Ships	220	5	1.7%	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	0.8%	N/A	8	N/A
Project Oceanology	35	9	0.3%	N/A	9	N/A
Sacred Heart School	33	10	0.3%	N/A	10	N/A
<b>Total</b>	<b>13,229</b>		<b>100.0%</b> %	<b>N/A</b>		<b>N/A</b>

SOURCE: State Department of Labor.

N/A - Data for 2003 not available separately for the City of Groton.

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

Function/Program	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
<b>General Government:</b>							
Mayor	1	1	1	1	1	1	1
Finance	5	5	5	5	5	5	5
Planning	1	1	1	1	1	1	1
Parks and Recreation	5	5	5	5	5	5	5
City Clerk	1	1	1	1	1	1	1
Building and Zoning	3	3	3	3	3	3	3
Other	3	3	3	3	1	1	1
<b>Police:</b>							
Officers	32	32	32	32	32	32	32
Civilians	13	13	13	13	13	7	5
<b>Fire:</b>							
Firefighters and officers	17	17	17	17	17	17	17
<b>Public Works:</b>							
Engineering	2	2	2	2	2	2	1
Highway	20	20	20	20	18	18	18
<b>Water Department</b>	34	34	34	34	31	33	35
<b>Sewer Department</b>	6	6	6	6	6	6	5
<b>Electric Department</b>	95	95	95	95	99	92	61
<b>Total</b>	<b>238</b>	<b>238</b>	<b>238</b>	<b>238</b>	<b>235</b>	<b>224</b>	<b>191</b>

Source: Various City Departments.

Note: Data for the previous ten years is unavailable.

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

Function/Program	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
<b>GENERAL GOVERNMENT</b>								
Public Safety:								
Physical arrests	514	616	732	721	721	719	775	735
Parking violations	1,896	2,274	3,488	3,242	3,242	3,790	2,604	3,469
Traffic violations	2,234	2,584	3,290	2,576	2,576	2,096	1,126	1,765
Fire:								
Emergency responses	1,270	1,058	745	776	776	804	693	737
Fires extinguished	64	34	44	55	55	50	50	44
<b>Public Works</b>								
Highways and Streets:								
Street resurfacing (miles)	-	-	1	-	-	3	1	-
Sidewalk repaired (feet)	430	580	687	1,128	1,128	2,596	1,217	1,017
Sanitation:								
Refuse collected (tons/day)	12	12	12	12	12	14	15	15
Recyclables collected (tons/day)	3	3	2	4	4	3	3	3
Water Pollution Authority:								
Average daily sewage treatment (millions of gallons)	2	2	2	2	2	2	2	2
<b>Parks and Recreation</b>								
Beach passes issued	1,952	1,864	1,671	1,718	1,718	1,687	2,477	1,606
Recreation:								
Summer program	282	270	275	189	189	167	110	149
Fall program	194	90	187	29	29	27	34	42
Winter program	159	73	205	53	53	98	148	158
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Water Fund</b>								
New connections	10	10	11	33	33	116	41	29
Water main breaks	11	11	11	16	16	16	20	12
Average daily consumption (millions of gallons)	5,800MGD	5,800MGD	5,600MGD	5,900MGD	5,900MGD	6,163MGD	6,663MGD	6,723MGD
Peak daily consumption (millions of gallons) (millions of gallons)	9,597MGD	9,597MGD	9,120MGD	8,857MGC	8,857MGD	11,800MGD	9,376MGD	9,521MGD

Source: Various City Departments.

Note: Data for the previous ten years is unavailable.

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Eight Fiscal Years**  
**(Unaudited)**

Function/Program	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
<b>GENERAL GOVERNMENT</b>								
Parks and Recreation:								
Acreage	40	40	40	40	40	40	40	40
Playgrounds	6	6	6	6	6	6	6	6
Baseball/softball diamonds	5	5	5	5	5	5	5	5
Basketball courts	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	6	6	6	6	6
Public Safety:								
Fire Department	2	2	2	2	2	2	2	2
Police Department:								
Stations	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	24	24	25
Public Works:								
Highway Department:								
Streets (miles)	29	29	29	29	29	29	29	29
Sidewalks (miles)	23	23	23	23	23	22	22	22
Water Fund								
Water mains (miles)	105	105	105	105	105	105	105	105
Fire hydrants	708	708	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	2,789,000	2,789,000
Sewer Fund								
Sewer mains (miles)	35	35	35	35	35	35	35	35
Storm drainage (miles)	16	16	16	16	16	16	16	16
Treatment capacity (millions of gallons)	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1

Source: Various City Departments.

Note: Data for the previous ten years is unavailable.