

CITY OF GROTON, CONNECTICUT COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2011
DEPARTMENT OF FINANCE
CITY OF GROTON, CONNECTICUT

CITY OF GROTON, CONNECTICUT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

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, 2011

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Introductory Section



CITY OF GROTON

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Department of Finance

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December 27, 2011

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Groton for the year ended June 30, 2011. The report includes the independent auditors' report as required by City Charter and the Connecticut Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

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

McGladrey & Pullen, LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Groton, Connecticut, for the fiscal year ended June 30, 2011, 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, 2011, 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 43.4 percent of the general fund revenue, have provided a reliable revenue source, with collections consistently at or above 98 percent. Current tax collections were approximately 98.93% of the adjusted tax levy.

Long-Term Financial Planning

Groton Utilities

Fiscal year 2010-2011 marked another major milestone in the history of Groton Utilities as we continue a second century of being at the service of our customers and our community. Groton Utilities manages three types of services -water, electric and cable television. All continued to perform beyond expectations and worked to enhance its reputation.

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

Electric Division Upgrading its Infrastructure

During the past fiscal year, the Electric Division has been hard at work upgrading and improving the electric distribution system infrastructure. The various infrastructure improvement projects are designed to increase service reliability, increase capacity for future load growth and provide our customers with a level of service that is second to none. Costs associated with the Electric Division's infrastructure improvement projects have been approved by the Utility Commission, City Council and the 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.

Cash Management

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

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

Historically, the City has utilized minimum balance requirements with its banks to pay for banking services. As such, the City left collected funds uninvested in its account to which the bank applied an earnings rate to determine earnings to support the services it provides. However, the earnings rate applied by the bank was based on short-term Treasury bill rates and applied to collected funds only after a 10% Federal Reserve requirement was subtracted. After analyzing the spread between the earnings generated by this method and the earnings generated by an investment program over a period of time, the City decided to change to a fee-for-service basis of paying for bank services. The City implemented through the bank a treasury management system, which allows the Department of Finance to access the bank computer data on the City's account by using a dial-up modem with a personal computer. The system enhances "ready call-up" of cash balances at any given time, with user initiated internal fund transfers, and direct wire transfers without the bank intervening. The City earned interest revenue of \$1,629,783 on all idle cash investments for the year ended June 30, 2011.

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.

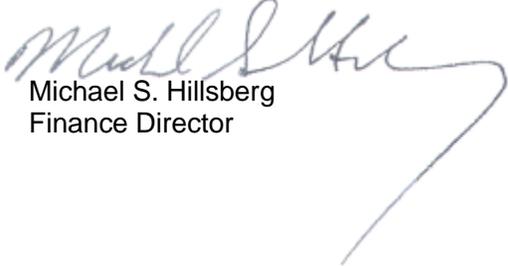
Significant cost savings from the City Self-Funding Health Program should affect future control of health cost to the City.

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, 2010. This was the twenty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

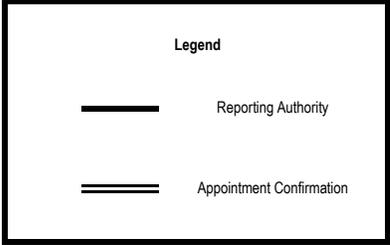
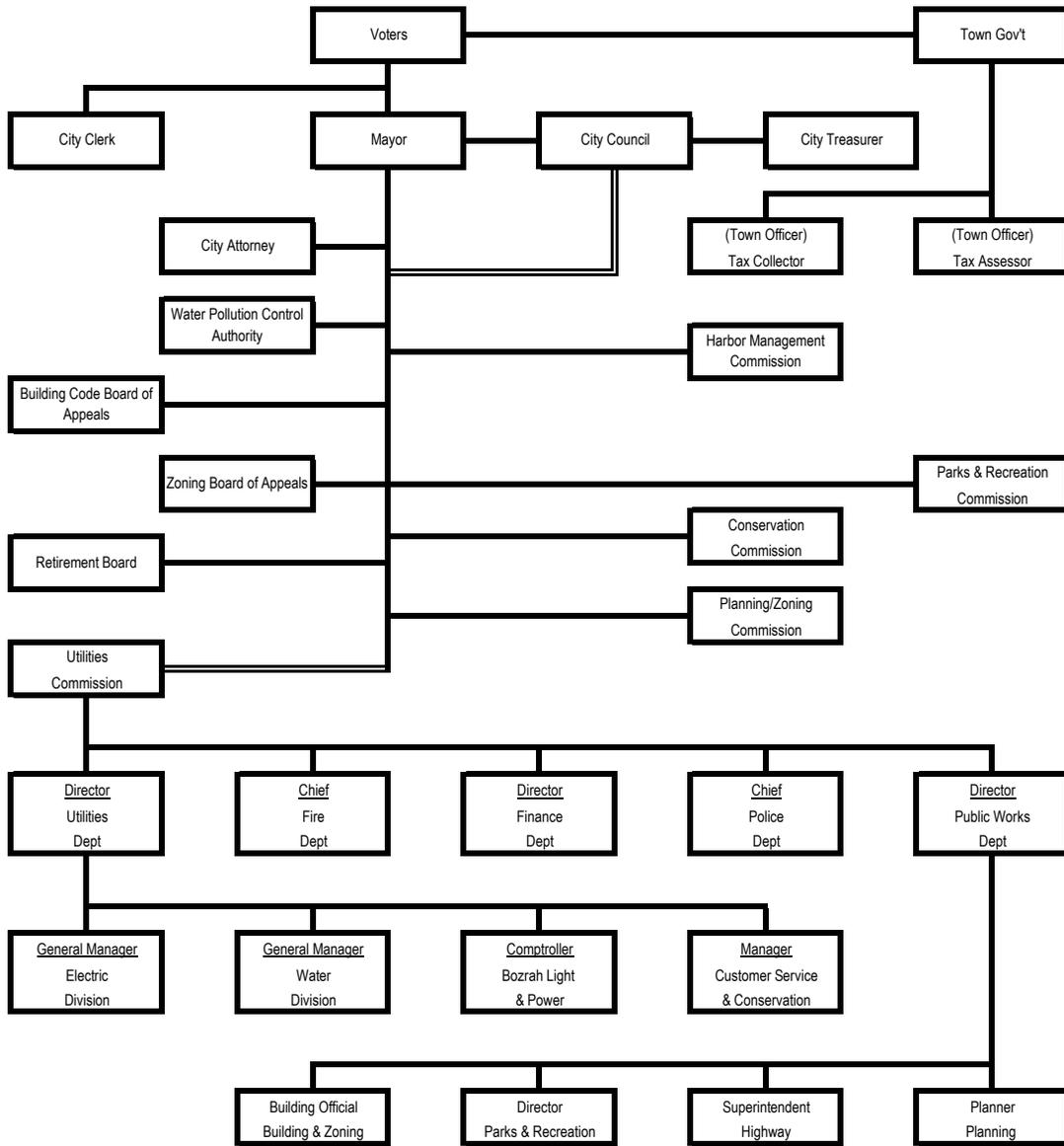
Respectfully submitted,



Michael S. Hillsberg
Finance Director

CITY OF GROTON

STRUCTURE OF GOVERNMENT



THE CITY OF GROTON PRINCIPAL MUNICIPAL OFFICIALS

Elected Officials Term of Office – May 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. Giulini
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, 2010

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.



Linda C. Danison

President

Jeffrey R. Enow

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, 2011, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit 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, 2011, 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.

In accordance with "Government Auditing Standards," we have also issued our report dated December 27, 2011, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

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

McGladrey & Pullen, LLP

New Haven, Connecticut
December 27, 2011



CITY OF GROTON

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Department of Finance

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MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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 \$66,486,167 (net assets). Of this amount, \$10,904,250 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- On the government-wide basis, the City's total net assets increased by \$1.4 million for the fiscal year, with a slight decrease in the government activities and an increase in the business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,128,291, a decrease of \$(628,967) in comparison with the prior year. Approximately \$2,760,000 of the total amount of \$6,128,291 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 \$3,070,485 or 18.92% of total general fund expenditures and other financing uses.
- The City of Groton's total long term obligations decreased by a net of approximately \$3,480,000 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 for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Page 15 through Page 17 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 18 through Page 22 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 23 and Page 24 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 25 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 \$66.5 million at the close of the most recent fiscal year.

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

	June 30, 2011			June 30, 2010		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-type Activities As Restated	Total
Current and other assets	\$ 11,185	\$ 50,391	\$ 61,576	\$ 12,515	\$ 57,976	\$ 70,491
Capital assets	24,365	58,718	83,083	23,762	57,900	81,662
Total Assets	35,550	109,109	144,659	36,277	115,876	152,153
Current liabilities	1,508	28,539	30,047	1,007	29,995	31,002
Long-term liabilities outstanding	5,991	42,136	48,127	7,093	49,008	56,101
Total Liabilities	7,499	70,675	78,174	8,100	79,003	87,103
Net assets:						
Invested in capital assets, net of related debt	20,205	34,725	54,930	18,698	31,680	50,378
Restricted	653	-	653	72	-	72
Unrestricted	7,194	3,709	10,903	9,407	5,193	14,600
Total Net Assets	\$ 28,052	\$ 38,434	\$ 66,486	\$ 28,177	\$ 36,873	\$ 65,050

By far the largest portion of the City's net assets (82.6%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A nominal portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$10.9 million (16.4%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's change in net assets increased by \$1.4 million during the current fiscal year. The increase was due to positive operating results of the electric department, which was offset by a planned use of general fund fund balance.

Governmental activities. Governmental activities decreased the City's net assets by \$(125,000), while business-type net assets increased net assets by \$1,561,000.

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

	Year Ended					
	June 30, 2011			June 30, 2010		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,438	\$ 73,028	\$ 74,466	\$ 1,484	\$ 74,908	\$ 76,392
Operating Grants and contributions	4,388	-	4,388	4,860	-	4,860
Capital Grants and contributions	1,713	-	1,713	1,095	-	1,095
General Revenues:						
Property Taxes	6,144	-	6,144	5,901	-	5,901
Grants and contributions not restricted to specific programs	78	-	78	409	-	409
Other	392	1,324	1,716	616	1,630	2,246
Total Revenues	14,153	74,352	88,505	14,365	76,538	90,903
Expenses:						
General Government	1,906	-	1,906	1,883	-	1,883
Public Safety	8,237	-	8,237	8,135	-	8,135
Public Works	5,869	-	5,869	4,949	-	4,949
Recreation	1,231	-	1,231	1,088	-	1,088
Interest on long-term debt	137	-	137	207	-	207
Water	-	8,140	8,140	-	8,179	8,179
Electric	-	61,549	61,549	-	66,673	66,673
Total Expenses	17,380	69,689	87,069	16,262	74,852	91,114
Change in net assets before transfers	(3,227)	4,663	1,436	(1,897)	1,686	(211)
Transfers	3,102	(3,102)	-	3,101	(3,101)	-
Change in net assets	(125)	1,561	1,436	1,204	(1,415)	(211)
Net assets - beginning	28,177	36,873	65,050	26,973	38,288	65,261
Net assets - ending	\$ 28,052	\$ 38,434	\$ 66,486	\$ 28,177	\$ 36,873	\$ 65,050

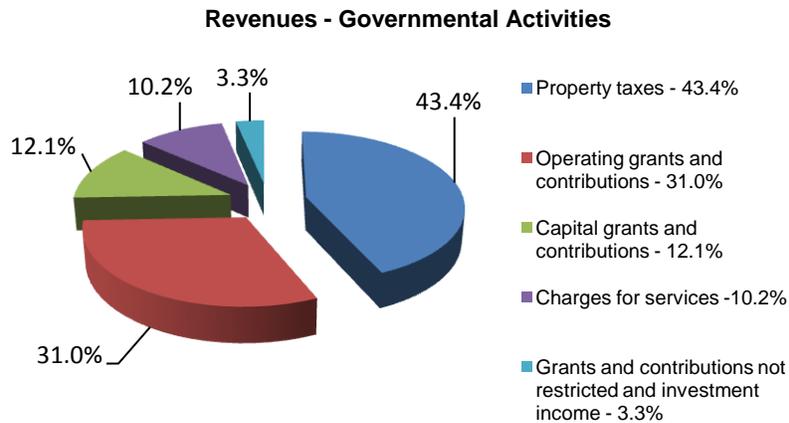
Expenses and Program Revenues – Governmental Activities

Revenues

Governmental activities' revenues totaled \$14.153 million for fiscal year 2011. Property taxes are the largest revenue source for the City and represent 43.4% of the governmental revenues. Current tax collections were 98.93% of the adjusted tax levy. Operating grants and contributions are the City's second largest revenue and represent 31.0% 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, the third largest revenue amount, represents 12.1% of the governmental revenues. Grants and contributions not restricted to specific programs represent 0.6% and include elderly tax relief and in lieu of tax contributions. Investment income and miscellaneous revenue represents 2.7% of governmental revenues.

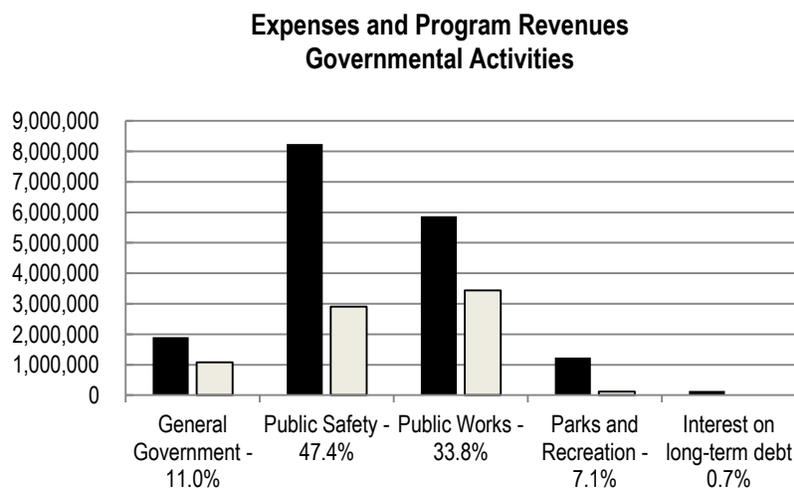
Operating grants and contributions decreased by \$276 thousand due to a decrease in grants from the Town of Groton. All other variances were not significant. \$250,000 is now part of the Capital Improvement Program and is held in the Carryover Fund for expenditures.



Expenses

Governmental expenses totaled \$17.4 million for the fiscal year. Of the expenditures, 47.4% or \$8.2 million is related to public safety. Public works expenses amounted to \$5.9 million, or 33.8%. Recreation expenses amounted to \$1.2 million or 7.1%. Interest expense was \$0.1 million or 0.7%. General government expenses were \$1.9 million or 11.0%.

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

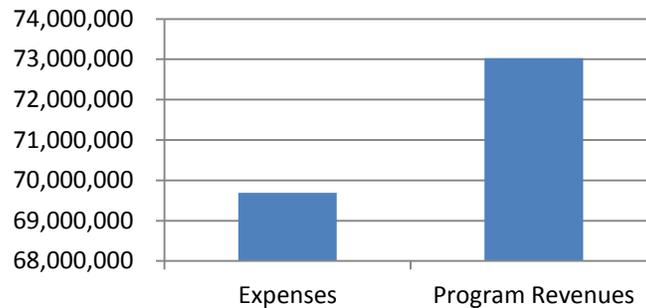


Business-type activities. Business-type activities represent 57.8% of the City's net assets and account for a large portion of the expenditures in the City. Key elements of this increase are as follows:

Charges for services for business-type activities decreased by \$1.9 million.

Investment income decreased by \$306 thousand for business-type activities due to funds loaned to the taxable company owned by the City, as well as a decrease in interest rates on investments held and market conditions.

**Expenses and Program Revenues -
Business-Type Activities**



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,128,291, a decrease of \$628,967 in comparison with the prior year. Approximately 45.1% of this total amount, \$2,760,277, 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 \$3,070,485, while total fund balance reached \$4,202,307. 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 18.9% of total general fund expenditures. Total fund balance represents 25.9% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$737,594 during the current fiscal year due to the planned use of fund balance and the purchase of three properties on Thames Street.

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

Unrestricted net assets of the Electric operation at the end of the year amounted to \$2,237,740 and those from the Water operation amounted to \$975,671. The change in net assets for Electric funds was \$(19,445) and the increase in net assets for Water funds was \$1,784,362 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 for a property purchase of \$349,000.

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, 2011, amounts to approximately \$83,082,869 (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 3.9% (2.5% increase for governmental activities and 1.4% 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 \$5,135,805.

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

	June 30, 2011			June 30, 2010		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and land rights	\$ 3,789	\$ 2,819	\$ 6,608	\$ 3,627	\$ 2,794	\$ 6,421
Construction in progress	500	4,636	5,136	416	9,529	9,945
Land improvements	349		349	378	-	378
Buildings and improvements	5,656	4,224	9,880	5,354	4,240	9,594
Distribution systems		45,774	45,774	-	39,766	39,766
Machinery and equipment	659	408	1,067	728	835	1,563
Vehicles	2,588	857	3,445	2,836	736	3,572
Infrastructure	10,824		10,824	10,423	-	10,423
Total	<u>\$ 24,365</u>	<u>\$ 58,718</u>	<u>\$ 83,083</u>	<u>\$ 23,762</u>	<u>\$ 57,900</u>	<u>\$ 81,662</u>

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 \$45,353,542. Of this amount, \$4,160,254 comprises debt backed by the full faith and credit of the City and \$41,193,288 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 2011**

	<u>Bonds and Note Payable (000's)</u>
Outstanding at June 30, 2010	\$ 48,834
Issuance of bonds	500
Bond principal payments	(3,980)
Outstanding at June 30, 2011	<u>\$ 45,354</u>

The City's total bonded debt decreased by a net of \$3,480,000 (7.1%) during the current fiscal year.

The City maintains an "AA-2" from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the City is \$42,819,602.

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 8.9%, which is the same rate of a year ago. This compares favorably to the state's average unemployment rate of 9.1% and the national average rate of 9.1%.
- Inflationary trends in the region compare favorably to national indices.

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

During the current fiscal year, fund balance in the general fund decreased by \$737,594. The City has appropriated \$1,048,000 of the 2011 fiscal year fund balance for spending in the 2012 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2012 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.

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Basic Financial Statements

CITY OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS (DEFICIT)
June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total*	Bozrah Light and Power Company	Thames Valley Communications, Inc.
Assets					
Cash and cash equivalents	\$ 9,854,524	\$ 6,236,649	\$ 16,091,173	\$ 1,588,701	\$ 262,197
Investments	571,066	-	571,066	-	-
Restricted cash	60,000	-	60,000	-	-
Receivables, net of allowances for collection losses:					
Property taxes	76,656	-	76,656	-	-
Use charges	-	5,711,011	5,711,011	1,373,548	483,208
Accrued utility revenue	-	1,041,978	1,041,978	-	-
Intergovernmental	31,973	-	31,973	-	-
Inventory and other	26,656	1,920,146	1,946,802	172,217	90,434
Internal balances	(113,986)	113,986	-	-	-
Due from component units	-	34,012,322	34,012,322	-	-
Amount held at CMEEC	-	363,039	363,039	250,109	-
Pension asset	678,406	520,766	1,199,172	-	-
Other noncurrent assets	-	471,048	471,048	-	-
Capital assets, net of accumulated depreciation	24,365,046	58,717,823	83,082,869	10,542,092	22,260,321
Total assets	35,550,341	109,108,768	144,659,109	13,926,667	23,096,160
Liabilities					
Accounts payable and accrued liabilities	1,470,784	10,861,977	12,332,761	2,977,986	7,085,562
Accrued interest payable	37,218	600,864	638,082	-	-
Bond anticipation notes	-	17,075,000	17,075,000	-	-
Due to primary government	-	-	-	3,900,000	30,768,024
Noncurrent liabilities:					
Due within one year	1,656,000	2,929,000	4,585,000	-	-
Due in more than one year	4,334,610	39,207,489	43,542,099	307,440	-
Total liabilities	7,498,612	70,674,330	78,172,942	7,185,426	37,853,586
Net Assets (Deficit)					
Investment in capital assets, net of related debt	20,204,792	34,724,535	54,929,327	6,642,092	-
Restricted for:					
Endowments - expendable	60,000	-	60,000	-	-
Permanent funds - expendable	12,398	-	12,398	-	-
Special revenue funds	580,192	-	580,192	-	-
Unrestricted (deficit)	7,194,347	3,709,903	10,904,250	99,149	(14,757,426)
Total net assets (deficit)	\$ 28,051,729	\$ 38,434,438	\$ 66,486,167	\$ 6,741,241	\$ (14,757,426)

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Bozrah Light and Power Company	Thames Valley Communications, Inc.
Primary government:									
Governmental activities:									
General government	\$ (1,905,884)	\$ 1,009,264	\$ 73,965	\$ -	\$ (822,655)	\$ -	\$ (822,655)	\$ -	\$ -
Public safety	(8,236,685)	259,705	2,230,000	410,857	(5,336,123)	-	(5,336,123)	-	-
Public works	(5,869,143)	55,799	2,084,331	1,301,511	(2,427,502)	-	(2,427,502)	-	-
Parks and recreation	(1,230,512)	113,709	-	-	(1,116,803)	-	(1,116,803)	-	-
Interest expense	(137,112)	-	-	-	(137,112)	-	(137,112)	-	-
Total governmental activities	(17,379,336)	1,438,477	4,388,296	1,712,368	(9,840,195)	-	(9,840,195)	-	-
Business-type activities:									
Electric Department	(61,548,644)	63,134,404	-	-	-	1,585,760	1,585,760	-	-
Water Department	(8,140,017)	9,893,954	-	-	-	1,753,937	1,753,937	-	-
Total business-type activities	(69,688,661)	73,028,358	-	-	-	3,339,697	3,339,697	-	-
Total primary government	\$ (87,067,997)	\$ 74,466,835	\$ 4,388,296	\$ 1,712,368	(9,840,195)	3,339,697	(6,500,498)	-	-
Component Units:									
Bozrah Light and Power Company	\$ 16,029,622	\$ 16,678,170	\$ -	\$ -	-	-	-	648,548	-
Thames Valley Communications, Inc.	11,533,933	9,338,650	-	-	-	-	-	-	(2,195,283)
Total component units	27,563,555	26,016,820	-	-	-	-	-	648,548	(2,195,283)
General revenues:									
Property taxes					6,144,038	-	6,144,038	-	-
Grants and contributions not restricted to specific programs					77,264	-	77,264	-	-
Investment income					305,794	1,323,989	1,629,783	3,081	3,508
Miscellaneous					85,892	-	85,892	(342,136)	-
Transfers					3,101,624	(3,101,624)	-	-	-
Total general revenues and transfers					9,714,612	(1,777,635)	7,936,977	(339,055)	3,508
Change in net assets					(125,583)	1,562,062	1,436,479	309,493	(2,191,775)
Net assets (deficit) - beginning					28,177,312	36,872,376	65,049,688	6,431,748	(12,565,651)
Net assets (deficit) - ending					\$ 28,051,729	\$ 38,434,438	\$ 66,486,167	\$ 6,741,241	\$ (14,757,426)

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

CITY OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	Major Fund General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 5,854,177	\$ 753,908	\$ 6,608,085
Investments	-	571,066	571,066
Restricted cash	-	60,000	60,000
Receivables:			
Property taxes	76,656	-	76,656
Intergovernmental	31,973	-	31,973
Other	9,888	-	9,888
Due from other funds	1,272,873	1,987,116	3,259,989
Inventory of supplies, at cost	16,768	-	16,768
Total assets	\$ 7,262,335	\$ 3,372,090	\$ 10,634,425
Liabilities			
Cash overdraft	\$ -	\$ 526,149	\$ 526,149
Accounts payable	298,525	17,976	316,501
Accrued liabilities	219,853	-	219,853
Due to other funds	2,471,994	901,981	3,373,975
Deferred revenue	69,656	-	69,656
Total liabilities	3,060,028	1,446,106	4,506,134
Fund Balances			
Nonspendable	16,768	-	16,768
Restricted	-	640,192	640,192
Committed	1,048,110	1,596,000	2,644,110
Assigned	66,944	-	66,944
Unassigned	3,070,485	(310,208)	2,760,277
Total fund balances	4,202,307	1,925,984	6,128,291
Total liabilities and fund balances	\$ 7,262,335	\$ 3,372,090	

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.	24,365,046
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.	69,656
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.	2,838,158
Pension asset	678,406
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,990,610)
Accrued interest payable	(37,218)
Net assets of governmental activities	\$ 28,051,729

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, 2011

	Major Fund		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
REVENUES			
Property taxes	\$ 6,137,303	\$ -	\$ 6,137,303
Intergovernmental	4,499,932	1,677,996	6,177,928
Charges for services	1,438,477	-	1,438,477
Income from investments	232,788	59,070	291,858
Other	77,657	8,235	85,892
Total revenues	12,386,157	1,745,301	14,131,458
EXPENDITURES			
Current:			
General government	1,706,352	-	1,706,352
Public safety	7,223,575	6,320	7,229,895
Public works	4,614,672	549,032	5,163,704
Parks and recreation	1,123,010	-	1,123,010
Non-departmental	76,602	-	76,602
Capital outlay	351,439	1,081,322	1,432,761
Other	71,609	-	71,609
Debt service:			
Bond principal	905,500	-	905,500
Bond and note interest	152,616	-	152,616
Total expenditures	16,225,375	1,636,674	17,862,049
Revenues over (under) expenditures	(3,839,218)	108,627	(3,730,591)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,101,624	-	3,101,624
Total other financing sources (uses)	3,101,624	-	3,101,624
Net change in fund balances	(737,594)	108,627	(628,967)
FUND BALANCES, beginning	4,939,901	1,817,357	6,757,258
FUND BALANCES, ending	\$ 4,202,307	\$ 1,925,984	\$ 6,128,291

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, 2011**

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

Net change in fund balances – total governmental funds \$ (628,967)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 603,350

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,735

Change in net pension assets (67,405)

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. 903,226

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. 217,305

The net revenue of certain activities of internal service funds is reported with governmental activities. (1,159,827)

Change in net assets of governmental activities \$ (125,583)

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, 2011

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash	\$ 4,815,875	852,859	\$ 5,668,734	\$ 3,814,354
Receivables:				
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	4,804,721	906,290	5,711,011	-
Accrued utility revenue	1,041,978	-	1,041,978	-
Due from component unit	320,608	-	320,608	-
Due from other funds	663,088	52,138	715,226	-
Prepaid expenses	83,824	16,104	99,928	-
Inventory	1,782,149	38,069	1,820,218	-
Total current assets	13,512,243	1,865,460	15,377,703	3,814,354
Noncurrent assets:				
Amount held at CMEEC	363,039	-	363,039	-
Total non current assets	363,039	-	363,039	-
Other Noncurrent Assets:				
Due from component units	33,691,714	-	33,691,714	-
Notes receivable	-	471,048	471,048	-
Net pension asset	302,721	218,045	520,766	-
Total other noncurrent assets	33,994,435	689,093	34,683,528	-
Capital Assets (net of accumulated depreciation):				
Land and land rights	707,176	2,112,377	2,819,553	-
Construction in progress	4,287,909	347,896	4,635,805	-
Buildings and improvements	377,746	3,845,914	4,223,660	-
Plant and pumping stations	-	4,631,196	4,631,196	-
Station equipment	7,683,265	-	7,683,265	-
Electric distribution system	16,364,598	-	16,364,598	-
Water distribution system	-	17,095,275	17,095,275	-
Machinery and equipment	149,661	258,184	407,845	-
Vehicles	856,626	-	856,626	-
Total capital assets (net of accumulated depreciation)	30,426,981	28,290,842	58,717,823	-
Total noncurrent assets	64,784,455	28,979,935	93,764,390	-
Total assets	\$ 78,296,698	\$ 30,845,395	\$ 109,142,093	\$ 3,814,354

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

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric	Water		Internal
	Department	Department	Total	Service Fund
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 8,031,390	\$ 216,145	\$ 8,247,535	\$ 479,704
Accrued payroll and compensated absences	384,825	231,219	616,044	-
Accrued taxes	332,757	38,349	371,106	-
Accrued interest payable	539,652	61,212	600,864	-
Due to other funds	22,234	579,006	601,240	-
Bond anticipation notes	17,075,000	-	17,075,000	-
General obligation bonds payable - current portion	2,156,950	772,050	2,929,000	-
Current liabilities payable from restricted assets:				
Customer deposits payable	1,527,434	28,435	1,555,869	-
Total current liabilities	30,070,242	1,926,416	31,996,658	479,704
Noncurrent liabilities:				
General obligation bonds and notes payable - net of premium and deferred amount on refunding	33,176,113	5,088,175	38,264,288	-
Net OPEB obligation	518,685	424,516	943,201	-
Total noncurrent liabilities	33,694,798	5,512,691	39,207,489	-
Total liabilities	63,765,040	7,439,107	71,204,147	479,704
NET ASSETS				
Capital assets, net of related debt	12,293,918	22,430,617	34,724,535	-
Unrestricted	2,237,740	975,671	3,213,411	3,334,650
Total net assets	\$ 14,531,658	\$ 23,406,288	37,937,946	\$ 3,334,650
Adjustment to Reflect the Consolidation of Internal Service Fund				
Activities Related to Enterprise Funds			496,492	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ 38,434,438	

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, 2011

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Electric Department	Water Department	Total	
OPERATING REVENUES	\$ 63,134,404	\$ 9,893,954	\$ 73,028,358	\$ 4,116,942
OPERATING EXPENSES				
Direct Expenses:				
Purchased power	44,542,053	-	44,542,053	-
Other	2,619,773	3,365,615	5,985,388	-
Overhead Expenses:				
Customer account	1,492,708	359,108	1,851,816	-
Administrative and general	4,739,313	3,061,542	7,800,855	-
Claims and administration	-	-	-	5,493,560
Taxes	1,614,113	275,509	1,889,622	-
Depreciation	1,674,909	805,246	2,480,155	-
Total operating expenses	56,682,869	7,867,020	64,549,889	5,493,560
Operating income (loss)	6,451,535	2,026,934	8,478,469	(1,376,618)
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,293,564	30,425	1,323,989	13,936
Interest expense	(1,702,296)	(272,997)	(1,975,293)	-
Allowance for advance	(2,960,624)	-	(2,960,624)	-
Total nonoperating revenues (expenses)	(3,369,356)	(242,572)	(3,611,928)	13,936
Income (loss) before transfers	3,082,179	1,784,362	4,866,541	(1,362,682)
Transfers out	(3,101,624)	-	(3,101,624)	-
Changes in net assets	(19,445)	1,784,362	1,764,917	(1,362,682)
NET ASSETS, beginning	14,551,103	21,621,926	36,173,029	4,697,332
NET ASSETS, ending	\$ 14,531,658	\$ 23,406,288	37,937,946	\$ 3,334,650
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Proprietary Funds			(202,855)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ 1,562,062	

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, 2011

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Cash Flows From Operating Activities				
Cash received from customers	\$ 59,211,955	\$ 9,801,752	\$ 69,013,707	\$ -
Cash payments to suppliers for goods and services	(46,460,893)	(5,032,738)	(51,493,631)	-
Cash payments to employees for services	(7,711,450)	(3,503,658)	(11,215,108)	-
Cash received from premiums	-	-	-	4,116,942
Cash paid to claimants	-	-	-	(4,526,648)
Cash paid for administration	-	-	-	(779,016)
Net cash provided by (used in) operating activities	5,039,612	1,265,356	6,304,968	(1,188,722)
Cash Flows From Investing Activities				
Payments of note receivable	1,248,195	99,223	1,347,418	-
Interest and dividends on investments	1,293,564	30,425	1,323,989	13,936
Net cash provided by investing activities	2,541,759	129,648	2,671,407	13,936
Cash Flows From Noncapital and Related Financing Activities				
Transfers to other funds	(3,101,624)	-	(3,101,624)	-
Allowance for advance	(2,960,624)	-	(2,960,624)	-
Amount held at CMEEC	4,338,435	-	4,338,435	-
Proceeds from bond anticipation notes	17,075,000	-	17,075,000	-
Payment of bond anticipation notes	(18,000,000)	-	(18,000,000)	-
Net cash used in noncapital and related financing activities	(2,648,813)	-	(2,648,813)	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(3,015,810)	(282,593)	(3,298,403)	-
Proceeds from CMEEC loan	500,000	-	500,000	-
Loan to Bozrah Light and Power	(500,000)	-	(500,000)	-
Principal paid on general obligation bond maturities and equipment contracts	(2,179,955)	(984,545)	(3,164,500)	-
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(1,106,973)	(277,309)	(1,384,282)	-
Net cash used in capital and related financing activities	(6,302,738)	(1,544,447)	(7,847,185)	-
Net decrease in cash and cash equivalents	(1,370,180)	(149,443)	(1,519,623)	(1,174,786)
CASH AND CASH EQUIVALENTS, beginning	6,186,055	1,002,302	7,188,357	4,989,140
CASH AND CASH EQUIVALENTS, ending	\$ 4,815,875	\$ 852,859	\$ 5,668,734	\$ 3,814,354

(Continued)

CITY OF GROTON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued
 For the Year Ended June 30, 2011

	Business-Type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	Electric Department	Water Department	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 6,451,535	\$ 2,026,934	\$ 8,478,469	\$ (1,376,618)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,674,909	805,246	2,480,155	-
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	637,159	(92,202)	544,957	-
Accrued utility revenue	35,527	-	35,527	-
Inventory	(18,286)	(14,584)	(32,870)	-
Prepaid expenses	(29,480)	11,742	(17,738)	-
Due from other funds	1,559,954	(50,361)	1,509,593	-
Bond issue costs	2,487	51,034	53,521	-
Pension asset	30,078	21,665	51,743	-
Increase (decrease) in:				
Accounts payable	(864,869)	(25,545)	(890,414)	187,896
Accrued payroll and compensated absences	559	22,801	23,360	-
Accrued taxes	(17,060)	-	(17,060)	-
Due to other funds	22,234	(1,641,374)	(1,619,140)	-
Rate stabilization	(4,595,135)	-	(4,595,135)	-
Net OPEB obligation	150,000	150,000	300,000	-
Net cash provided by (used in) operating activities	\$ 5,039,612	\$ 1,265,356	\$ 6,304,968	\$ (1,188,722)

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, 2011

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 2,643,550
Investments, at fair value	
U.S. government bonds	9,038,473
U.S. government securities	4,780,015
Collateralized mortgage obligations	3,574,064
Municipal obligations	283,468
Corporate bonds	3,323,269
Foreign bonds, notes and debentures	414,549
Foreign stock	8,576,663
Mutual funds:	
Equities and related securities	28,018,302
Fixed income	1,868,019
Total investments	<u>59,876,822</u>
Accrued interest	153,153
Pending sales	<u>1,077,926</u>
Total assets	<u>63,751,451</u>
LIABILITIES	
Pending purchases	<u>1,211,688</u>
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST RETIREMENT BENEFITS	<u><u>\$ 62,539,763</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, 2011

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 2,429,312
Plan members	856,889
Total contributions	<u>3,286,201</u>
Investment Income:	
Change in fair value of investments	9,169,111
Interest and dividends	1,671,967
Total investment income	<u>10,841,078</u>
Less investment expenses	<u>112,052</u>
Net investment income	<u>10,729,026</u>
Total additions	<u>14,015,227</u>
Deductions	
Benefits	2,849,556
Administration	197,692
Total deductions	<u>3,047,248</u>
Change in net assets	10,967,979
Net Assets	
Beginning of year	<u>51,571,784</u>
End of year	<u><u>\$ 62,539,763</u></u>

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011.

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, 2010.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary funds and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual (i.e., measurable and available) and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 fund types:

- The *Internal Service Funds* account for risk financing activities for medical insurance benefits.
- The *Pension Trust Funds* account for the activities of the City of Groton Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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, 2011

Receivables and Payables

Interfunds

Activity between funds that are representative of lending borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes and Other Receivables

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

In the fund financial statements, property tax receivables are recorded as of levy date and property tax revenue is recognized when it becomes available. Available means then due or past due and receivable 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, 2011

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, 2011, 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, 2011

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

Employer contributions are recognized in the period in which the contributions are due, and the City has made a formal commitment to provide the contributions.

Governmental Funds/Activities

In governmental funds, expenditures are recognized when they are paid or expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation (asset), the cumulative difference between annual OPEB cost and the City's contributions to the plan since 7/1/08, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation/asset (OPEB) is recorded as a noncurrent liability/asset in the government-wide 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 expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the budgeted governmental fund types. Encumbrances outstanding at year-end are reported as assigned fund balance.

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Fund Equity and Net Assets

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

Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes is excluded.

Restricted Net Assets

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

Unrestricted Net Assets

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

In the fund financial statements, 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 - These amounts can only be used for specific purposes pursuant to constraints imposed by the City Council. The constraints cannot be removed unless the Commission removes it in the same manner it was implemented.
- Assigned Fund Balance - These amounts are approved and committed to by the City Council subsequent to June 30, 2011. 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, 2011

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. A significant estimate that is susceptible to change in the near term is the collectibility of the due from component unit.

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	\$ 4,169,000
Premium	117,976
Deferred charges	(126,722)
Compensated absences	1,098,429
OPEB obligations	447,644
Heart and hypertension	<u>284,283</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 5,990,610</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

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	\$ 1,432,761
Depreciation expense	(799,327)
Loss on disposal of capital asset	<u>(30,084)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 603,350</u>

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>905,500</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 903,226</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

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	\$ (50,320)
Accrued interest	17,778
OPEB obligations	172,957
Heart and hypertension	76,890
	<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 217,305
	<hr/> <hr/>

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

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

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, 2011, \$4,839,007 of the entity's bank balance of \$6,399,066 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.

Cash and investments of the City consist of the following at June 30, 2011:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 9,443,097
Cutwater Asset Management - Connecticut Class Plus	9,351,626
Total cash and cash equivalents	<u>18,794,723</u>
Investments	
Pension Trust Fund	
U.S. Government Bonds	9,038,473 *
Mortgage-Backed Securities	4,780,015 *
Collateralized Mortgage Obligations	3,574,064 *
Municipal Obligations	283,468 *
Corporate Bonds	3,323,269 *
Foreign Bonds	414,549 *
Foreign Stock	8,576,663 *
Mutual Funds	
Equity	28,018,302 *
Fixed Income	1,868,019 *
	<u>59,876,822</u>
Other Governmental Funds	
U.S. Government Bonds	206,168 *
Equity Securities	244,935 *
Corporate Bonds	59,747 *
Equity Mutual Funds	60,216 *
	<u>571,066</u>
Total Investments	<u>60,447,888</u>
Total cash, cash equivalents and investments	<u>\$ 79,242,611</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, 2011

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

Statement of Net Assets

Cash and cash equivalents	\$ 16,151,173
Investments	571,066
Total Statement of Net Assets	16,722,239

Fiduciary Funds:

Cash and cash equivalents	2,643,550
Investments	59,876,822
	62,520,372

Total cash and investments **\$ 79,242,611**

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	\$ 9,244,641	\$ 436,096	\$ 5,218,059	\$ 2,082,608	\$ 1,507,878
Collateralized Mortgage Obligations	3,574,064	-	508,389	956,700	2,108,975
Foreign Bonds	414,549	5,009	10,498	174,663	224,379
Mortgage-Backed Securities	4,780,015	-	-	101,996	4,678,019
Municipal Bonds	283,468	-	-	-	283,468
Corporate Bonds	3,383,016	250,593	1,846,305	817,231	468,887
Fixed Income Funds	1,868,019	-	1,868,019	-	-
TOTAL	\$ 23,547,772	\$ 691,698	\$ 9,451,270	\$ 4,133,198	\$ 9,271,606

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Foreign currency risk: The City and the Pension Trust Fund do not have a policy for foreign currency risk. The City's and the Pension Trust Fund's exposure to foreign currency related to bonds and stocks as of June 30, 2011, is as follows:

Bonds:	Euro Currency Unit	\$	145,073
	Canadian Dollar		174,822
	British Pound		94,655
Stocks:	British Pound		1,346,631
	Euro Currency Unit		1,978,110
	Canadian Dollar		1,301,786
	Japanese Yen		588,351
	Australian Dollar		444,212
	Brazilian Real		267,315
	Swiss Franc		1,377,347
	Mexican Peso		140,860
	Norwegian Krone		109,052
	Bermuda Dollar		302,972
	China Renminbi		189,855
Argentina Peso		294,676	

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, 2011.

Average Rating	Foreign Bonds	Corporate Bonds	Collateralized Mortgage Oblig.	U.S. Gov't Bonds	Mortgage-Backed Securities	Municipal Bonds	Pooled Fixed Income
AAAm	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,351,626
AAA	-	-	1,608,235	9,102,811	2,150,881	283,468	-
AA+	-	110,759	-	-	-	-	-
AA	-	221,700	397,377	-	531,459	-	-
AA-	-	-	-	-	-	-	-
A+	-	100,425	-	-	-	-	-
A	-	629,947	561,424	-	750,858	-	-
A-	28,501	759,362	153,576	-	205,396	-	-
BBB+	-	-	69,743	-	93,273	-	-
BBB	-	-	402,265	-	537,996	-	-
BBB-	70,885	402,295	310,776	-	415,638	-	-
BB+	42,555	1,158,528	70,668	-	94,514	-	-
BB	272,608	-	-	-	-	-	-
Unrated	-	-	-	141,830	-	-	1,868,019
	<u>\$ 414,549</u>	<u>\$ 3,383,016</u>	<u>\$ 3,574,064</u>	<u>\$ 9,244,641</u>	<u>\$ 4,780,015</u>	<u>\$ 283,468</u>	<u>\$ 11,219,645</u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

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:

	<u>Deferred Revenue</u>
General Fund:	
Taxes and accrued interest on delinquent property taxes	<u>\$ 69,656</u>

Note 5. Interfund and Intra Entity Balances and Interfund Transfers

Interfund Balances

A summary of interfund balances as of June 30, 2011 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,272,873	\$ 2,471,994
Non-Major Funds	1,987,116	901,981
Proprietary Funds	715,226	601,240
Total	<u>\$ 3,975,215</u>	<u>\$ 3,975,215</u>

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

Intra Entity Balances

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Electric Department and Business-Type Activities	Thames Valley Communications, Inc. - for repayment of notes occurring after the fiscal year end of this component unit.	\$ 976,310

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Interfund Transfers

A summary of interfund transfers for the year ended June 30, 2011 is as follows:

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

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

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,627,257	\$ 162,000	\$ -	\$ 3,789,257
Construction in progress	415,605	84,395	-	500,000
Total capital assets, not being depreciated	4,042,862	246,395	-	4,289,257
Capital assets, being depreciated:				
Land improvements	747,479	-	-	747,479
Buildings and improvements	11,860,992	485,517	-	12,346,509
Machinery and equipment	3,772,521	-	-	3,772,521
Vehicles	4,995,707	100,849	70,860	5,025,696
Infrastructure	15,788,616	600,000	-	16,388,616
Total capital assets being depreciated	37,165,315	1,186,366	70,860	38,280,821
Less accumulated depreciation for:				
Land improvements	369,497	28,752	-	398,249
Buildings and improvements	6,506,917	183,702	-	6,690,619
Machinery and equipment	3,044,540	68,824	-	3,113,364
Vehicles	2,159,412	318,959	40,776	2,437,595
Infrastructure	5,366,115	199,090	-	5,565,205
Total accumulated depreciation	17,446,481	799,327	40,776	18,205,032
Total capital assets, being depreciated, net	19,718,834	387,039	30,084	20,075,789
Governmental activities capital assets, net	\$ 23,761,696	\$ 633,434	\$ 30,084	\$ 24,365,046

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,794,553	\$ 25,000	\$ -	\$ 2,819,553
Construction in progress	9,528,798	7,655,430	12,548,423	4,635,805
Total capital assets, not being depreciated	12,323,351	7,680,430	12,548,423	7,455,358
Capital assets, being depreciated:				
Buildings and improvements	7,492,005	155,745	-	7,647,750
Station equipment	19,613,324	274,085	44,424	19,842,985
Electric distribution system	26,800,964	6,903,907	351,543	33,353,328
Plant and pumping stations	10,020,706	243,550	-	10,264,256
Water distribution system	24,222,424	317,927	3,203	24,537,148
Machinery and equipment	5,483,083	13,866	9,422	5,487,527
Vehicles	3,360,349	307,511	11,699	3,656,161
Total capital assets, being depreciated	96,992,855	8,216,591	420,291	104,789,155
Less accumulated depreciation for:				
Buildings and improvements	3,252,290	171,800	-	3,424,090
Station equipment	11,883,057	321,087	44,424	12,159,720
Electric distribution system	16,509,858	780,232	301,360	16,988,730
Plant and pumping stations	5,351,880	293,793	12,613	5,633,060
Water distribution system	7,146,671	295,202	-	7,441,873
Machinery and equipment	4,648,043	431,639	-	5,079,682
Vehicles	2,624,832	186,402	11,699	2,799,535
Total accumulated depreciation	51,416,631	2,480,155	370,096	53,526,690
Total capital assets, being depreciated, net	45,576,224	5,736,436	50,195	51,262,465
Business-type activities capital assets, net	\$ 57,899,575	\$ 13,416,866	\$ 12,598,618	\$ 58,717,823

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

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

Governmental Activities:

General government	\$ 43,604
Public safety	234,211
Public works	484,652
Recreation	<u>36,860</u>

Total depreciation expense – governmental activities	<u><u>\$ 799,327</u></u>
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Business-Type Activities:

Electric Department	\$ 1,674,909
Water System	<u>805,246</u>

Total depreciation expense – business-type activities	<u><u>\$ 2,480,155</u></u>
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Discretely Presented Component Units

Activity for Bozrah Light and Power Company for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated				
Land and land rights	\$ 67,706	\$ -	\$ -	\$ 67,706
Intangibles	4,711	-	-	4,711
Construction in progress	524,242	1,248,014	744,959	1,027,297
Total capital assets not being depreciated	<u>596,659</u>	<u>1,248,014</u>	<u>744,959</u>	<u>1,099,714</u>
Capital assets being depreciated:				
Buildings and improvements	375,718	-	-	375,718
Electric distribution system	13,067,808	795,463	494,892	13,368,379
Machinery and equipment	417,815	-	-	417,815
Vehicles	481,723	174,584	-	656,307
Total capital assets, being depreciated	<u>14,343,064</u>	<u>970,047</u>	<u>494,892</u>	<u>14,818,219</u>
Less accumulated depreciation for:				
Building and improvements	222,573	10,392	-	232,965
Electric distribution system	4,263,888	397,236	382,873	4,278,251
Machinery and equipment	408,517	3,660	-	412,177
Vehicles	419,271	33,177	-	452,448
Total accumulated depreciation	<u>5,314,249</u>	<u>444,465</u>	<u>382,873</u>	<u>5,375,841</u>
Total capital assets, being depreciated, net	<u>9,028,815</u>	<u>525,582</u>	<u>112,019</u>	<u>9,442,378</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 9,625,474</u></u>	<u><u>\$ 1,773,596</u></u>	<u><u>\$ 856,978</u></u>	<u><u>\$ 10,542,092</u></u>

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Activity for Thames Valley Communications, Inc. for the year ended December 31, 2010:

	Balance			Balance	
	January 1, 2010	Increases	Decreases	December 31, 2010	
Capital assets being depreciated:					
Head end and related equipment	\$ 4,556,344	\$ 63,769	\$ -	\$ 4,620,113	
Towers, poles and fixtures	2,107,527	-	9,222	2,098,305	
Distribution systems	17,298,701	506,446	5,391	17,799,756	
Furniture and fixtures	191,682	-	-	191,682	
Transportation equipment	84,117	108,064	-	192,181	
Other equipment	3,276,162	171,626	-	3,447,788	
Total plant and equipment	27,514,533	849,905	14,613	28,349,825	
Less: accumulated depreciation	4,692,311	1,397,193	-	6,089,504	
Total capital assets, being depreciated, net	\$ 22,822,222	\$ (547,288)	\$ 14,613	\$ 22,260,321	

Note 7. Bond Anticipation Notes Payable

Bond anticipation note transactions for the year ended June 30, 2011 were as follows:

Outstanding, July 1, 2010	\$ 18,000,000
Borrowings	17,075,000
Repayments	(18,000,000)
Outstanding, June 30, 2011	<u>\$ 17,075,000</u>

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

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Note 8. Long-Term Obligations

A summary of changes in outstanding long-term debt during the year ended June 30, 2011 is as follows:

Governmental Activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Current Portion
BONDS									
General	\$ 550,000	06/01/91	06/01/11	6.60%-6.75%	\$ 27,000	\$ -	\$ 27,000	\$ -	\$ -
General	1,610,000	07/15/02	07/15/17	3.00%-4.75%	215,000	-	115,000	100,000	100,000
General	880,000	10/01/07	10/01/17	4.00%-4.50%	700,000	-	90,000	610,000	90,000
General	849,000	10/08/09	07/15/22	1.75%-5.00%	834,000	-	56,000	778,000	56,000
General	1,725,000	10/01/09	10/01/29	1.75%-5.00%	1,725,000	-	115,000	1,610,000	115,000
Sewer	360,000	06/01/91	06/01/11	6.60%-6.75%	17,500	-	17,500	-	-
Sewer	470,000	05/15/93	05/15/13	5.15%-5.50%	60,000	-	20,000	40,000	20,000
Sewer	1,385,000	02/15/03	02/15/10	3.00%-3.10%	170,000	-	170,000	-	-
Sewer	1,140,000	02/15/06	02/15/16	3.60%-4.00%	675,000	-	115,000	560,000	115,000
Sewer	665,000	10/08/09	07/15/22	1.75%-5.00%	651,000	-	180,000	471,000	180,000
Total bonds					5,074,500	-	905,500	4,169,000	676,000
Premiums					134,658	-	16,682	117,976	-
Deferred charge on refunding issue					(145,678)	-	(18,956)	(126,722)	-
Total bonds and related liabilities					5,063,480	-	903,226	4,160,254	676,000
Compensated absences					1,048,109	899,636	849,316	1,098,429	850,000
Net OPEB Obligation					620,601	-	172,957	447,644	-
Heart and Hypertension					361,173	59,379	136,269	284,283	130,000
Total Governmental Activities Long-Term Liabilities					\$ 7,093,363	\$ 959,015	\$ 2,061,768	\$ 5,990,610	\$ 1,656,000

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Business-Type Activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Current Portion
BONDS									
Electric Bonds	\$ 725,000	06/01/91	06/01/11	6.60%-6.75%	\$ 35,500	\$ -	\$ 35,500	\$ -	\$ -
Electric Bonds	2,335,000	05/15/93	05/15/03	5.15%-5.50%	345,000	-	115,000	230,000	115,000
Electric Bonds	9,190,000	07/15/02	07/15/22	3.00%-4.75%	901,065	-	441,785	459,280	459,280
Electric Bonds	400,000	02/15/03	02/15/15	3.00%-3.10%	155,000	-	30,000	125,000	30,000
Electric Bonds	1,293,000	02/15/06	02/15/26	3.60%-4.00%	3,442,320	-	212,670	3,229,650	212,670
Electric Bonds	3,500,000	10/01/07	10/01/27	4.00%-4.50%	3,150,000	-	175,000	2,975,000	175,000
Electric Bonds	5,640,000	10/08/09	07/15/22	1.75%-5.00%	5,585,000	-	30,000	5,555,000	25,000
Electric Bonds	5,800,000	10/01/09	10/01/29	1.75%-5.00%	5,800,000	-	290,000	5,510,000	290,000
Telecommunication	6,555,000	02/15/06	02/15/24	5.15%-5.75%	5,150,000	-	350,000	4,800,000	350,000
Telecommunication	10,000,000	10/01/07	10/01/27	5.375%-6.50%	9,000,000	-	500,000	8,500,000	500,000
Total bonds					<u>33,563,885</u>	<u>-</u>	<u>2,179,955</u>	<u>31,383,930</u>	<u>2,156,950</u>
Premiums					444,956	71,914	52,915	463,955	-
Deferred charge on refunding issue					(472,676)	-	(57,854)	(414,822)	-
Total electric bonds and refunding issue					<u>33,536,165</u>	<u>71,914</u>	<u>2,175,016</u>	<u>31,433,063</u>	<u>2,156,950</u>
Note payable					3,400,000	500,000	-	3,900,000	
Net OPEB Obligation					368,685	150,000	-	518,685	
Total electric long-term obligations					<u>37,304,850</u>	<u>721,914</u>	<u>2,175,016</u>	<u>35,851,748</u>	<u>2,156,950</u>
Water Bonds	4,265,000	06/01/91	06/01/11	6.60%-6.75%	210,000	-	210,000	-	
Water Bonds	2,715,000	05/15/93	05/15/13	5.15%-5.50%	405,000	-	135,000	270,000	135,000
Water Bonds	1,315,000	07/15/02	07/15/22	3.00%-4.75%	128,935	-	63,215	65,720	65,720
Water Bonds	4,170,000	02/15/03	02/15/15	3.00%-3.10%	1,795,000	-	310,000	1,485,000	310,000
Water Bonds	1,662,000	02/15/06	02/15/26	3.00%-4.00%	1,332,680	-	82,330	1,250,350	82,330
Water Bonds	1,490,000	10/01/07	10/01/27	4.00%-4.50%	1,340,000	-	75,000	1,265,000	75,000
Water Bonds	1,656,000	10/08/09	07/15/22	1.75%-5.00%	1,640,000	-	109,000	1,531,000	104,000
Total bonds					<u>6,851,615</u>	<u>-</u>	<u>984,545</u>	<u>5,867,070</u>	<u>772,050</u>
Premiums					115,846	-	14,658	101,188	
Deferred charge on refunding issue					(133,559)	-	(25,526)	(108,033)	
Total water bonds and refunding issue					<u>6,833,902</u>	<u>-</u>	<u>973,677</u>	<u>5,860,225</u>	<u>772,050</u>
Net OPEB Obligation					274,516	150,000	-	424,516	
Total Water Long-Term Obligations					<u>7,108,418</u>	<u>150,000</u>	<u>973,677</u>	<u>6,284,741</u>	<u>772,050</u>
Total Business-Type Long-Term Liabilities					<u>\$ 44,413,268</u>	<u>\$ 871,914</u>	<u>\$ 3,148,693</u>	<u>\$ 42,136,489</u>	<u>\$ 2,929,000</u>

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

The annual requirements to amortize all bonded debt outstanding as of June 30, 2011, 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	
2012	\$ 361,000	\$ 90,713	\$ 315,000	\$ 34,485	\$ 2,156,950	\$ 1,371,266	\$ 772,050	\$ 206,823	\$ 5,308,287
2013	360,000	80,073	280,000	25,035	2,152,670	1,274,070	767,330	177,563	5,116,741
2014	362,000	69,317	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
2017-2021 Thereafter	945,000 460,000	146,728 32,487	- -	- -	10,283,350 10,504,350	3,658,708 1,588,424	1,406,650 1,075,650	340,985 128,516	16,781,421 13,789,427
	<u>\$ 3,098,000</u>	<u>\$ 528,918</u>	<u>\$ 1,071,000</u>	<u>\$ 86,650</u>	<u>\$ 31,383,930</u>	<u>\$ 11,147,154</u>	<u>\$ 5,867,070</u>	<u>\$ 1,229,278</u>	<u>\$ 54,412,000</u>

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

Note Payable

The City has a note payable to the Connecticut Municipal Electric Energy Cooperative's (CMEEC) Rate Stabilization Fund Trust. The proceeds were loaned to Bozrah Light and Power Company (BLP), a discretely presented component unit. BLP will pay back the loan directly to CMEEC with a 4.5% interest rate per annum. Payment of principal is not required by BLP until the construction is completed which is not expected until after June 30, 2011. The current draw down is \$3,900,000. 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	\$ 13,763,444	\$ 3,098,000	\$ 10,665,444
Sewers	22,939,073	1,071,000	21,868,073

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$42,819,602.

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, 2011

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, 2011, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$8,625,000.

Authorized/Unissued Bonds

The following is a summary of authorized/unissued bonds:

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

Accrued Liabilities, Primarily Compensated Absences

In accordance with GASB No. 16, Accounting for Compensated Absences, the Town accrues compensated absences as they are earned by employees if the leave is attributable to past service and it is probable that the employer will compensate the employee by cash payments at termination or retirement. The amount of this estimated obligation at June 30, 2011 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, 2011

Thames Valley Communications, Inc.

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010	Current Portion
Note payable	\$ 6,555,000	2/15/2006	02/15/2024	5.690%	\$ 5,286,922	\$ -	\$ 373,195	\$ 4,913,727	\$ 373,194
Note payable	10,000,000	9/25/2007	10/27/2027	5.410%	8,999,921	-	506,041	8,493,880	500,000
Note payable	18,500,000	10/8/2008	10/01/2028	0.750%	18,041,667	-	681,250	17,360,417	925,000
					<u>\$ 32,328,510</u>	<u>\$ -</u>	<u>\$ 1,560,486</u>	<u>\$ 30,768,024</u>	<u>\$ 1,798,194</u>

The annual requirement to amortize all long-term debt outstanding as of December 31, 2010 is as follows:

Year Ending December 31,	Notes Payable
2011	\$ 1,798,194
2012	1,798,194
2013	1,798,194
2014	1,798,194
2015	1,798,194
2016-2020	8,990,970
2021-2025	8,306,787
2026-2028	4,479,297
Totals	<u>\$ 30,768,024</u>

Total interest expense for 2010 was \$911,692.

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, 2011

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
2010	\$ 255,070	\$ 3,257,104	\$ 3,220,366	\$ 291,808
2011	291,808	4,000,189	3,812,293	479,704

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, 2011

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, 2011 is \$44,542,053.

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, 2010 was \$2,954,484. Accounts payable, as of December 31, 2010, include payables due to Groton Utilities of \$5,819,658.

The Groton Utilities has recorded an aggregate allowance for advances to Thames Valley Communications, Inc. of \$7,042,799 as of June 30, 2011. The allowance increased \$2,800,624 for the year ended June 30, 2011.

In addition to the management agreement discussed above, the City of Groton, Groton Utilities, also is the holder of the Companies' notes payable as described in Notes 7 and 8.

Major Taxpayers/Customers

The City's two major taxpayers account for approximately 61% of the October 1, 2009 Grand List.

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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, 2011

Classes of Employees Covered

Based upon the actuarial valuation dated July 1, 2010, 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	32	19	12	57	120
Active employees	54	30	17	123	224
Total	86	49	29	180	344

Benefit Provisions

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

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

- 2.00% City and Utility Non Union
- 2.10% for 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, 2011

Employee contributions are required as follows:

- 5.2% of pay for City and Utility Non-union employees
- 5.5 of pay for City and Utility 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
2009	\$ 1,704,300	105.5%	\$ 1,798,260
2010	1,423,100	125.6%	1,787,483
2011	1,818,700	98.0%	1,779,312

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation, was as follows:

A	B	(A-B)	(A/B)	C	[(B-A)/C]	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL As A Percentage of Covered Payroll
July 1, 2010	\$ 52,258,301	\$ 59,399,385	\$ (7,141,084)	88.0%	\$ 15,551,655	45.9%

* 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, 2011

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, 2010
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, 2011

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
2009	\$ 1,704,300	\$ (75,893)	\$ 137,114	\$ 1,765,521	\$ 1,798,260	\$ (32,739)	\$ (1,011,901)	\$ (1,044,640)
2010	1,423,100	(76,153)	166,856	1,513,803	1,787,483	(273,680)	(1,044,640)	(1,318,320)
2011	1,818,700	(98,874)	178,634	1,898,460	1,779,312	119,148	(1,318,320)	(1,199,172)

Three-Year Trend Information

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2009	\$ 1,765,521	101.90%	\$ (1,044,640)
2010	1,513,803	118.19%	(1,318,320)
2011	1,898,460	93.7%	(1,199,172)

Other Post-Employment Benefits

Plan Description

The City administers one single-employer, post retirement healthcare plan, for the City of Groton's Other Post Employment Benefits (OPEB). The plan provides medical benefits and life insurance to eligible retirees and their spouses. The Plan does not issue a separate financial report. Prior to prefunding a Trust established in 2011, the Plan was funded on a pay-as-you-go basis.

Participant Counts

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

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

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 \$1,177,930, which was approximately 3% of covered payroll. The City established a Trust during fiscal 2011 with a contribution from the internal service fund.

Employee Contributions

There are no employee contributions to the plan.

Funded Status and Funding Progress

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

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarially Accrued Liability (AAL) Projected Unit Credit	(A-B) Over/(Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Over (Under) Funded AAL As a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 9,467,511	\$ (9,467,511)	0.0%	\$ 14,871,492	(64.0)%

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

Actuarial Methods and Assumptions

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

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

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

Valuation Date	July 1, 2009
Actuarial cost method	Projected unit credit
Amortization method	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 NOO were as follows:

Annual required contribution	\$ 1,309,700
Interest on net pension obligation	94,783
Adjustment to ARC	<u>(99,510)</u>
Annual OPEB cost	1,304,973
Contributions made	<u>1,177,930</u>
Increase in net OPEB liability	127,043
Net OPEB obligation, beginning of year	<u>1,263,802</u>
Net OPEB obligation, end of year	<u><u>\$ 1,390,845</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	42.9%	\$ 1,263,802
2011	1,304,973	1,177,930	90.3%	1,390,845

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Separate Plan Financial Information

Schedule of Plan Net Assets - Trust Funds			
As of June 30, 2011			
	Pension	OPEB	Total Trust Funds
Assets:			
Cash	\$ 2,618,642	\$ 24,908	\$ 2,643,550
Investments, at fair value:			
U.S. government bonds	9,038,473	-	9,038,473
U.S. government securities	4,780,015	-	4,780,015
Collateralized mortgage obligations	3,574,064	-	3,574,064
Municipal obligations	283,468	-	283,468
Corporate bonds	3,323,269	-	3,323,269
Foreign bonds, notes and debentures	414,549	-	414,549
Foreign stock	8,576,663	-	8,576,663
Mutual funds:			
Equities and related securities	27,419,770	598,532	28,018,302
Fixed income	1,835,389	32,630	1,868,019
Total investments	59,245,660	631,162	59,876,822
Accrued interest	153,153	-	153,153
Pending sales	1,077,926	-	1,077,926
Total assets	63,095,381	656,070	63,751,451
Liabilities:			
Pending purchases	1,211,688	-	1,211,688
Total liabilities	1,211,688	-	1,211,688
Net Assets Held in Trust for Pension Benefits	\$ 61,883,693	\$ 656,070	\$ 62,539,763

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Schedule of Changes in Plan Net Assets - Trust Funds As of June 30, 2011			
	Pension	OPEB	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 1,779,312	\$ 650,000	\$ 2,429,312
Plan members	856,889	-	856,889
Total contributions	2,636,201	650,000	3,286,201
Investment income:			
Change in fair value of investments	9,169,833	(787)	9,169,046
Interest and dividends	1,665,175	6,857	1,672,032
Total investment income	10,835,008	6,070	10,841,078
Less investment expenses	112,052	-	112,052
Net investment income	10,722,956	6,070	10,729,026
Total additions	13,359,157	656,070	14,015,227
Deductions			
Benefits	2,849,556	-	2,849,556
Administration	197,692	-	197,692
Total deductions	3,047,248	-	3,047,248
Change in net assets	10,311,909	656,070	10,967,979
Net Assets			
Beginning of year	51,571,784	-	51,571,784
End of year	\$ 61,883,693	\$ 656,070	\$ 62,539,763

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011

Note 13. Fund Balances

In fiscal year 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the City's fund balance are the following:

	General Fund	Nonmajor Governmental Funds
Fund balances:		
Non-spendable:		
Inventory	\$ 16,768	\$ -
Total non-spendable	<u>16,768</u>	<u>-</u>
Restricted:		
Parks and recreation	-	236,787
Public works	-	353,113
Public safety	-	50,292
Total restricted	<u>-</u>	<u>640,192</u>
Committed:		
General government	1,048,110	12,398
Capital outlay	-	1,583,602
Total committed	<u>1,048,110</u>	<u>1,596,000</u>
Assigned:		
General government	66,944	-
Total assigned	<u>66,944</u>	<u>-</u>
Unassigned:		
General government	3,070,485	-
Public works	-	(310,208)
Total unassigned	<u>3,070,485</u>	<u>(310,208)</u>
Total fund balance	<u>\$ 4,202,307</u>	<u>\$ 1,925,984</u>

Note 14. Pronouncements Issued, Not Yet Effective

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

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

- **GASB Statement 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans**, was issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit certain OPEB plans to use an alternative measurement method. Consistent

CITY OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2012.

- **GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements***, was issued in November 2010. The objective of this Statement is to provide accounting and financial reporting guidance by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013.
- **GASB Statement 61, *Financial Reporting Entity: Omnibus***, was issued in November 2010. This Statement amends Statement 14, The Financial Reporting Entity, as well as Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The primary purpose of this Statement is to improve financial reporting for governmental entities. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013.
- **GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, was issued in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain additional accounting and financial reporting guidance that was issued before November 30, 1989. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013.
- **GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013. Earlier application is encouraged.

**Required Supplementary
Information**

CITY OF GROTON, CONNECTICUT

**REQUIRED SUPPLEMENTARY INFORMATION – GROTON RETIREMENT SYSTEM
June 30, 2011**

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>						
2005	\$ 33,927,678	\$ 43,786,010	\$ (9,858,332)	77.5%	\$ 11,938,106	(82.6)%
2006	37,724,093	45,933,426	(8,209,333)	82.1%	13,640,651	(60.2)%
2007	44,268,484	49,792,927	(5,524,443)	88.9%	14,828,095	(37.3)%
2008	48,653,308	52,342,332	(3,689,024)	93.0%	14,218,244	(25.9)%
2009	50,381,140	56,046,214	(5,665,074)	89.9%	15,672,642	(36.1)%
2010	52,258,301	59,399,385	(7,141,084)	88.0%	15,551,655	(45.9)%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006	\$ 2,016,900	\$ 2,182,796	108.2%
2007	2,240,700	2,492,043	111.2%
2008	1,977,600	2,212,436	111.9%
2009	1,704,300	1,798,260	105.5%
2010	1,423,100	1,787,483	125.6%
2011	1,818,700	1,779,312	98.0%

CITY OF GROTON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION – OPEB
June 30, 2011

SCHEDULE OF FUNDING PROGRESS - OPEB

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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, 2011

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,555,824	\$ 5,555,824	\$ 6,137,303	\$ 581,479
Intergovernmental	5,141,078	5,141,078	4,499,932	(641,146)
Charges for services	1,417,405	1,417,405	1,438,477	21,072
Miscellaneous revenues	85,500	85,500	77,657	(7,843)
Investment income and other sources	150,000	150,000	232,788	82,788
Total revenues	12,349,807	12,349,807	12,386,157	36,350
EXPENDITURES				
Current:				
General government	1,768,348	1,768,348	1,695,131	73,217
Public safety	7,158,645	7,158,645	7,223,575	(64,930)
Public works	5,095,037	5,095,037	4,614,672	480,365
Parks and recreation	1,120,792	1,120,792	1,123,068	(2,276)
Non-departmental	106,305	106,305	76,602	29,703
Contingency	115,000	115,000	71,609	43,391
Debt service:				
Bond principal	906,000	906,000	905,500	500
Bond and note interest	172,776	172,776	152,616	20,160
Capital outlay	-	349,000	351,439	(2,439)
Total expenditures	16,442,903	16,791,903	16,214,212	577,691
Revenues over (under) expenditures	(4,093,096)	(4,442,096)	(3,828,055)	614,041
OTHER FINANCING SOURCES (USES)				
Transfers in	3,119,490	3,119,490	3,101,624	(17,866)
Appropriation of fund balance	973,606	973,606	-	(973,606)
Total other financing sources (uses)	4,093,096	4,093,096	3,101,624	(991,472)
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ (349,000)	(726,431)	\$ (377,431)
BUDGETARY FUND BALANCE, beginning			4,861,791	
BUDGETARY FUND BALANCE, ending			\$ 4,135,360	

See note to required supplementary information.

CITY OF GROTON, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011

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.

CITY OF GROTON, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued
June 30, 2011

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, 2011	\$ 15,487,781	\$ 16,214,212
Changes in reserves for encumbrances, continued appropriations and liquidation of encumbrances	-	11,163
Balance, GAAP Basis, June 30, 2011	<u>\$ 15,487,781</u>	<u>\$ 16,225,375</u>

Donor Restricted Endowments

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

Special revenue funds

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

Capital project funds

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

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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, 2011

	2011	2010
ASSETS		
Cash	\$ 5,854,177	\$ 5,715,445
Receivables:		
Property taxes	76,656	62,921
Intergovernmental	31,973	31,973
Other	9,888	270
Due from other funds	1,272,873	-
Inventory of supplies, at cost	16,768	13,538
Total assets	\$ 7,262,335	\$ 5,824,147
LIABILITIES		
Accounts payable	\$ 298,525	\$ 220,338
Accrued liabilities	219,853	219,139
Due to other funds	2,471,994	381,848
Deferred revenue	69,656	62,921
Total liabilities	3,060,028	884,246
FUND BALANCE		
Nonspendable	16,768	-
Committed	1,048,110	-
Assigned	66,944	-
Unassigned	3,070,485	-
Reserved for:		
Encumbrances	-	78,107
Inventory	-	13,538
Unreserved:		
Designated for subsequent year's budget	-	973,606
Unreserved and undesignated	-	3,874,650
Total fund balance	4,202,307	4,939,901
Total liabilities and fund balance	\$ 7,262,335	\$ 5,824,147

CITY OF GROTON, CONNECTICUT

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
TAXES:				
Current levy	\$ 5,533,824	\$ 5,533,824	\$ 6,103,642	\$ 569,818
Interest on taxes	20,000	20,000	32,341	12,341
Lien fees on taxes	2,000	2,000	1,320	(680)
Total taxes	5,555,824	5,555,824	6,137,303	581,479
INTERGOVERNMENTAL:				
Town of Groton:				
Highway grant	2,250,000	2,250,000	2,000,000	(250,000)
Police grant	2,230,000	2,230,000	2,230,000	-
Health District	70,800	70,800	70,729	(71)
PILOT program	18,243	18,243	34,565	16,322
State of Connecticut:				
Boating grant	3,390	3,390	2,740	(650)
Civil preparedness	3,500	3,500	12,274	8,774
Town aid pass thru (PILOT)	19,464	19,464	-	(19,464)
Total disabled	125	125	130	5
Elderly property	5,845	5,845	2,290	(3,555)
Enterprise zone	49,181	49,181	121,939	72,758
Manufacturers - machinery and equipment (PILOT)	460,530	460,530	-	(460,530)
Telephone access line	19,000	19,000	12,387	(6,613)
Miscellaneous grants	11,000	11,000	12,281	1,281
State Nitrogen Credits	-	-	597	597
Total intergovernmental revenue	5,141,078	5,141,078	4,499,932	(641,146)
CHARGES FOR SERVICES AND FACILITIES:				
Municipal Building Rental:				
Electric department	111,495	111,495	128,219	16,724
Water department	23,555	23,555	24,388	833
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	18,302	4,015
Sewer use	21,800	21,800	37,497	15,697
Public beach receipts	78,000	78,000	87,305	9,305
Recreation receipts	18,000	18,000	19,320	1,320
Parks receipts	10,300	10,300	4,035	(6,265)
Recycling	10,000	10,000	3,049	(6,951)
Fire protection:				
West Pleasant Valley Fire District	247,125	247,125	126,705	(120,420)
Outside services - police	15,218	15,218	80,262	65,044
Rent	10,000	10,000	9,167	(833)
Fines and forfeits	50,000	50,000	43,571	(6,429)
Licenses and permits	384,000	384,000	406,082	22,082
Total	1,417,405	1,417,405	1,438,477	21,072

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, 2011

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
MISCELLANEOUS REVENUES:				
Investment income	150,000	150,000	232,788	82,788
Other revenue	85,500	85,500	77,657	(7,843)
Total miscellaneous revenues	235,500	235,500	310,445	74,945
Total revenues	12,349,807	12,349,807	12,386,157	36,350
OTHER FINANCING SOURCES				
Transfer in	3,119,490	3,119,490	3,101,624	(17,866)
Appropriation of fund balance	973,606	973,606	-	(973,606)
Total other financing sources	4,093,096	4,093,096	3,101,624	(991,472)
Total revenues and other financing sources	\$ 16,442,903	\$ 16,442,903	\$ 15,487,781	\$ (955,122)

(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, 2011

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT:				
Mayor's office	\$ 90,345	\$ 90,345	\$ 85,860	\$ 4,485
City clerk's office	186,880	186,880	175,507	11,373
Human resources	161,450	161,450	152,640	8,810
Finance department	577,447	577,447	541,136	36,311
Planning and zoning	330,668	330,668	305,682	24,986
Health services	70,800	70,800	70,729	71
Municipal building operation	271,148	271,148	263,944	7,204
Civil preparedness	25,710	25,710	42,786	(17,076)
Unallocated	53,900	53,900	56,847	(2,947)
Total general government	1,768,348	1,768,348	1,695,131	73,217
PUBLIC SAFETY:				
Police Department:				
Supervision	90,806	90,806	91,414	(608)
Youth and community services	78,929	78,929	75,439	3,490
Criminal investigation	413,241	413,241	405,450	7,791
Uniformed patrol	3,711,969	3,711,969	3,649,488	62,481
Harbor patrol	34,363	34,363	16,376	17,987
Traffic control	109,514	109,514	79,896	29,618
Crossing guards	-	-	166	(166)
Police training	105,018	105,018	75,347	29,671
DWI project	27,420	27,420	38,426	(11,006)
Outside charges	15,218	15,218	106,152	(90,934)
Unallocated	239,714	239,714	278,899	(39,185)
Total police department	4,826,192	4,826,192	4,817,053	9,139
Fire Department	2,332,453	2,332,453	2,406,522	(74,069)
Total public safety	7,158,645	7,158,645	7,223,575	(64,930)
PUBLIC WORKS:				
Highway Department:				
Highway maintenance	2,125,899	2,125,899	1,985,346	140,553
Sanitation	1,121,458	1,121,458	915,888	205,570
Snow removal	172,052	172,052	101,504	70,548
Inter-departmental services	17,461	17,461	2,729	14,732
Total highway department	3,436,870	3,436,870	3,005,467	431,403
Pollution Abatement Facility	1,658,167	1,658,167	1,609,205	48,962
Total public works	5,095,037	5,095,037	4,614,672	480,365

(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, 2011

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
PARKS AND RECREATION:				
Supervision and general expenditures	471,052	471,052	464,902	6,150
Summer recreation	138,339	138,339	144,979	(6,640)
Beach activities	105,962	105,962	97,451	8,511
Winter recreation	31,800	31,800	27,889	3,911
Beach and park maintenance	373,639	373,639	387,847	(14,208)
Total parks and recreation	1,120,792	1,120,792	1,123,068	(2,276)
NON-DEPARTMENTAL:				
General insurance	56,305	56,305	76,602	(20,297)
Pay adjustment	50,000	50,000	-	50,000
Total non-departmental	106,305	106,305	76,602	29,703
CONTINGENCY	115,000	115,000	71,609	43,391
DEBT SERVICE:				
Bonded principal:				
Public improvements	403,500	403,500	403,000	500
Sewer authority	502,500	502,500	502,500	-
Total bonded principal	906,000	906,000	905,500	500
Bond and Note Interest:				
Public improvements	124,500	124,500	104,340	20,160
Sewer authority	48,276	48,276	48,276	-
Total bond and note interest	172,776	172,776	152,616	20,160
Total debt service	1,078,776	1,078,776	1,058,116	20,660
CAPITAL OUTLAY:				
Supplemental Appropriation	-	349,000	351,439	(2,439)
Total expenditures	\$ 16,442,903	\$ 16,791,903	\$ 16,214,212	\$ 577,691

CITY OF GROTON, CONNECTICUT

**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND
OUTSTANDING - GENERAL FUND
For the Year Ended June 30, 2011**

Grand List Year	Uncollected	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2011	
	Taxes July 1, 2010		Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2009	\$ -	\$ 5,518,345	\$ 219,244	\$ 11,276	\$ 7,306	\$ 5,719,007	\$ 5,658,026	\$ 10,900	\$ -	\$ 5,668,926	\$ 60,981
2008	46,819	-	770,959	388,831	5,650	423,297	409,611	7,671	557	417,839	13,686
2007	15,401	-	937	2,960	3,739	9,639	7,821	5,033	1,222	14,076	1,818
2006	5,767	-	-	490	1,176	4,101	3,978	3,320	743	8,041	123
2005	1,444	-	-	7	8	1,429	1,391	1,604	522	3,517	38
2004	245	-	-	7	-	238	233	663	386	1,282	5
2003	245	-	-	-	-	245	240	489	141	870	5
2002	-	-	13	-	13	-	-	274	204	478	-
2001	-	-	6	-	6	-	-	113	77	190	-
2000	-	-	-	-	-	-	-	153	91	244	-
1999	-	-	-	-	-	-	-	476	251	727	-
1998	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	254	102	356	-
1995	-	-	-	-	-	-	-	390	150	540	-
Subtotal	\$ 69,921	\$ 5,518,345	\$ 991,159	\$ 403,571	\$ 17,898	\$ 6,157,956	\$ 6,081,300	\$ 31,340	\$ 4,446	\$ 6,117,086	\$ 76,656

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, 2011

	Special Revenue Funds			
	State	Bridge	Forfeiture	Miscellaneous
	Aid Road	Street	Grant	Grants
ASSETS				
Cash	\$ 323,635	\$ -	\$ 50,292	\$ 181,777
Investments	-	-	-	-
Restricted cash	-	-	-	-
Due from other funds	29,478	1,062,498	-	100
Total assets	\$ 353,113	\$ 1,062,498	\$ 50,292	\$ 181,877
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Cash overdraft	\$ -	\$ 470,725	\$ -	\$ 5,090
Accounts payable	-	-	-	-
Due to other funds	-	901,981	-	-
Total liabilities	-	1,372,706	-	5,090
Fund Balances (Deficits)				
Restricted	353,113	-	50,292	176,787
Committed	-	-	-	-
Unassigned	-	(310,208)	-	-
Total fund balances (deficits)	353,113	(310,208)	50,292	176,787
Total liabilities and fund balances (deficits)	\$ 353,113	\$ 1,062,498	\$ 50,292	\$ 181,877

Permanent Fund	Capital Projects Funds	
Submarine Memorial Fund	Equipment Replacement Account	Totals
\$ 12,398	\$ 185,806	\$ 753,908
-	571,066	571,066
60,000	-	60,000
-	895,040	1,987,116
<u>\$ 72,398</u>	<u>\$ 1,651,912</u>	<u>\$ 3,372,090</u>
\$ -	\$ 50,334	\$ 526,149
-	17,976	17,976
-	-	901,981
<u>-</u>	<u>68,310</u>	<u>1,446,106</u>
60,000	-	640,192
12,398	1,583,602	1,596,000
-	-	(310,208)
<u>72,398</u>	<u>1,583,602</u>	<u>1,925,984</u>
<u>\$ 72,398</u>	<u>\$ 1,651,912</u>	<u>\$ 3,372,090</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, 2011**

	Special Revenue Funds			
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants
REVENUES				
Intergovernmental	\$ 58,926	\$ 1,062,498	\$ 3,236	\$ 25,405
Income from investments	-	-	-	-
Other	-	-	-	1,100
Total revenues	58,926	1,062,498	3,236	26,505
EXPENDITURES				
Current:				
Public safety	-	-	3,500	2,820
Public works	-	549,032	-	-
Capital Outlay	-	823,674	-	-
Total expenditures	-	1,372,706	3,500	2,820
Net change in fund balances (deficits)	58,926	(310,208)	(264)	23,685
FUND BALANCES (DEFICITS), beginning	294,187	-	50,556	153,102
FUND BALANCES (DEFICITS), ending	\$ 353,113	\$ (310,208)	\$ 50,292	\$ 176,787

Permanent Fund	Capital Projects Funds	
Submarine Memorial Fund	Equipment Replacement Account	Totals
\$ -	\$ 527,931	\$ 1,677,996
202	58,868	59,070
-	7,135	8,235
<u>202</u>	<u>593,934</u>	<u>1,745,301</u>
-	-	6,320
-	-	549,032
-	257,648	1,081,322
<u>-</u>	<u>257,648</u>	<u>1,636,674</u>
<u>202</u>	<u>336,286</u>	<u>108,627</u>
<u>72,196</u>	<u>1,247,316</u>	<u>1,817,357</u>
<u>\$ 72,398</u>	<u>\$ 1,583,602</u>	<u>\$ 1,925,984</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, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash	\$ 4,815,875	\$ 6,186,055
Receivables:		
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	4,804,721	5,370,144
Accrued utility revenue	1,041,978	1,077,505
Due from component unit-current portion	320,608	-
Other	-	2,487
Due from other funds	663,088	2,223,042
Prepaid expenses	83,824	54,344
Other	-	4,730
Inventory	1,782,149	1,763,863
Total current assets	13,512,243	16,682,170
Noncurrent assets:		
Amount held at CMEEC	363,039	4,701,474
Total non current assets	363,039	4,701,474
Other Noncurrent Assets:		
Due from component unit	33,691,714	34,939,909
Other	-	67,006
Net pension asset	302,721	332,799
Total other noncurrent assets	33,994,435	35,339,714
Capital Assets (net of accumulated depreciation):		
Land and land rights	707,176	707,176
Construction in progress	4,287,909	8,721,273
Buildings and improvements	377,746	418,140
Station equipment	7,683,265	7,730,267
Electric distribution system	16,364,598	10,291,106
Machinery and equipment	149,661	482,601
Vehicles	856,626	735,517
Total capital assets (net of accumulated depreciation)	30,426,981	29,086,080
Total noncurrent assets	64,784,455	69,127,268
Total assets	78,296,698	85,809,438

	2011	2010
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 8,031,390	\$ 8,428,331
Accrued payroll and compensated absences	384,825	384,266
Accrued taxes	332,757	349,817
Accrued interest payable	539,652	521,182
Bond anticipation notes	17,075,000	18,000,000
General obligation bonds payable - current portion	2,156,950	2,179,955
Current liabilities payable from restricted assets:		
Customer deposits payable	1,527,434	1,674,754
Due to other funds	22,234	-
Total current liabilities	30,070,242	31,538,305
Noncurrent liabilities:		
Rate stabilization	-	4,595,135
General obligation bonds and notes payable - net of premium and deferred amount on refunding	33,176,113	34,756,210
Net OPEB obligation	518,685	368,685
Total non-current liabilities	33,694,798	39,720,030
Total liabilities	63,765,040	71,258,335
NET ASSETS		
Capital assets, net of related debt	12,293,918	9,699,915
Unrestricted	2,237,740	4,851,188
Total net assets	\$ 14,531,658	\$ 14,551,103

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, 2011 and 2010

	2011	2010
OPERATING REVENUES	\$ 63,134,404	\$ 66,675,238
OPERATING EXPENSES		
Direct Expenses:		
Purchased power	44,542,053	48,481,194
Other	2,619,773	2,755,117
Overhead Expenses:		
Customer account	1,492,708	1,497,449
Administrative and general	4,739,313	4,338,353
Taxes	1,614,113	1,604,284
Depreciation	1,674,909	1,524,522
Total operating expenses	56,682,869	60,200,919
 Operating income	 6,451,535	 6,474,319
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,293,564	1,592,219
Interest expense	(1,702,296)	(2,227,622)
Allowance for advance	(2,960,624)	(4,242,175)
Total nonoperating revenues (expenses)	(3,369,356)	(4,877,578)
 Income before transfers out	 3,082,179	 1,596,741
 Transfers out	 (3,101,624)	 (3,101,624)
 Changes in net assets	 (19,445)	 (1,504,883)
NET ASSETS, beginning	14,551,103	16,055,986
NET ASSETS, ending	\$ 14,531,658	\$ 14,551,103

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - ENTERPRISE FUND
 For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Cash received from customers	\$ 59,211,955	\$ 65,956,189
Cash payments to suppliers for goods and services	(46,460,893)	(51,444,156)
Cash payments to employees for services	(7,711,450)	(7,309,603)
Net cash provided by operating activities	5,039,612	7,202,430
Cash Flows From Noncapital and Related Financing Activities		
Transfers to other funds	(3,101,624)	(3,101,624)
Allowance for advance	(2,960,624)	(4,242,175)
Amount held at CMEEC	4,338,435	(4,701,474)
Proceeds from bond anticipation notes	17,075,000	18,500,000
Payment of bond anticipation notes	(18,000,000)	(22,300,000)
Net cash used in noncapital and related financing activities	(2,648,813)	(15,845,273)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(3,015,810)	(1,743,084)
Proceeds from general obligation bond issue	-	11,440,000
Loan to Bozrah Light and Power	(500,000)	-
Proceeds from CMEEC loan	500,000	-
Principal paid on general obligation bond maturities and equipment contracts	(2,179,955)	(7,540,085)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(1,106,973)	(3,014,242)
Net cash provided by (used in) capital and related financing activities	(6,302,738)	(857,411)
Cash Flows From Investing Activities		
Payments of note receivable	1,248,195	1,463,680
Interest and dividends on investments	1,293,564	1,592,219
Net cash provided by investing activities	2,541,759	3,055,899
Net decrease in cash and cash equivalents	(1,370,180)	(6,444,355)
CASH AND CASH EQUIVALENTS, beginning	6,186,055	12,630,410
CASH AND CASH EQUIVALENTS, ending	\$ 4,815,875	\$ 6,186,055

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DEPARTMENT - ENTERPRISE FUND, Continued
 For the Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 6,451,535	\$ 6,474,319
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,674,909	1,524,522
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	637,159	1,105,780
Accrued utility revenue	35,527	207,387
Inventory	(18,286)	280,165
Prepaid expenses	(29,480)	226,974
Due from other funds	1,559,954	75,726
Bond issue costs	2,487	60,000
Pension asset	30,078	(69,088)
Increase (decrease) in:		
Accounts payable	(864,869)	(819,715)
Accrued payroll and compensated absences	559	7,053
Accrued taxes	(17,060)	16,110
Due to other funds	22,234	(30,995)
Rate stabilization	(4,595,135)	(2,032,216)
Net OPEB obligation	150,000	176,408
Net cash provided by operating activities	\$ 5,039,612	\$ 7,202,430

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF REVENUES
ELECTRIC DEPARTMENT

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>1009</u>
Electric Service Revenues		
Residential	\$ 17,332,877	\$ 17,191,643
Commercial	16,135,402	12,461,772
Industrial	28,861,724	36,435,652
Private street lighting	212,206	210,754
Public street lighting	332,183	328,904
Water department	(35,527)	(207,387)
Total Electric Service Revenues	<u>62,838,865</u>	<u>66,421,338</u>
Other Electric Revenue		
Miscellaneous - rents, scrap, jobbing sales, etc.	<u>295,539</u>	<u>253,900</u>
Total operating revenues	<u>\$ 63,134,404</u>	<u>\$ 66,675,238</u>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF EXPENSES -
ELECTRIC DEPARTMENT
For the Years Ended June 30, 2011 and 2010

	2011	2010
Direct expenses		
Purchased power	\$ 44,542,053	\$ 48,481,194
Other Expenses		
Transmission Expenses:		
Station expenses	\$ 2,093	\$ 1,919
Maintenance:		
Station equipment	59,718	59,339
Overhead conductors and devices	13,295	4,198
Total Transmission Expenses	75,106	65,456
Distribution Expenses:		
Supervision and engineering	683,440	607,396
Station expenses	30,200	55,185
Line expenses	187,766	5,078
Street lighting and signal system expenses	31,316	47,172
Meter expenses	147,998	150,038
Customer installation expenses	78,436	77,650
Miscellaneous	99,331	151,974
Maintenance:		
Supervision and engineering	50,732	49,007
Station expenses	253,975	330,411
Overhead lines	857,064	1,085,098
Services	43,854	30,108
Underground lines	1,995	4,913
Line transformers	23,020	8,400
Signal lights and fire alarms	6,448	13,395
Meters	49,092	73,836
Total distribution expenses	2,544,667	2,689,661
Total other expenses	\$ 2,619,773	\$ 2,755,117
Customer Account Expenses:		
Meter reading	\$ 149,717	\$ 228,481
Customer records and collection	358,283	318,309
Uncollectible accounts	38,725	89,635
Miscellaneous	945,983	861,024
Total customer account expenses	\$ 1,492,708	\$ 1,497,449
Administrative and General Expenses:		
Administrative and general salaries	\$ 1,285,161	\$ 1,245,987
General office supplies and expenses	474,286	414,652
Outside services employed	898,162	677,932
Insurance	60,156	44,259
Injuries and damages	379,318	257,154
Employee welfare and benefits	1,723,900	2,249,658
Regulatory authority expense	9,231	-
Miscellaneous general expenses	107,759	356,854
Rent	133,830	132,313
Maintenance:		
General plant	650,864	73,247
Miscellaneous	192,059	209,338
	5,914,726	5,661,394
Deduct: Expenses transferred for transportation and administrative	(1,175,413)	(1,323,041)
Total administrative and general expenses	\$ 4,739,313	\$ 4,338,353

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CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF NET ASSETS - WATER DEPARTMENT - ENTERPRISE FUNDS
 June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash	\$ 852,859	\$ 1,002,302
Receivables (net of allowance for uncollectibles of \$2,622 and \$6,000, respectively)	906,290	814,088
Due from other funds	52,138	1,777
Prepaid expenses	16,104	27,846
Inventory	38,069	23,485
Total current assets	1,865,460	1,869,498
Other Noncurrent Assets:		
Notes receivable	471,048	570,271
Bond issue costs	-	51,034
Net pension asset	218,045	239,710
Total other noncurrent assets	689,093	861,015
Capital Assets (net of accumulated depreciation):		
Land and land rights	2,112,377	2,087,377
Construction in progress	347,896	807,525
Buildings and improvements	3,845,914	3,821,575
Plant and pumping stations	4,631,196	4,668,826
Water distribution system	17,095,275	17,075,753
Machinery and equipment	258,184	352,439
Total capital assets (net of accumulated depreciation)	28,290,842	28,813,495
Total noncurrent assets	28,979,935	29,674,510
Total assets	30,845,395	31,544,008

	<u>2011</u>	<u>2010</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 216,145	\$ 245,890
Accrued payroll and compensated absences	231,219	208,418
Accrued taxes	38,349	38,349
Accrued interest payable	61,212	76,392
Due to other funds	579,006	2,220,380
General obligation bonds payable - current portion	772,050	994,545
Customer deposits payable	28,435	24,235
Total current liabilities	<u>1,926,416</u>	<u>3,808,209</u>
Noncurrent liabilities:		
General obligation bonds and notes payable - net of premium and deferred amount on refunding	5,088,175	5,839,357
Net OPEB obligation	424,516	274,516
Total non-current liabilities	<u>5,512,691</u>	<u>6,113,873</u>
Total liabilities	<u>7,439,107</u>	<u>9,922,082</u>
NET ASSETS		
Capital assets, net of related debt	22,430,617	21,979,593
Unrestricted	975,671	(357,667)
Total net assets	<u>\$ 23,406,288</u>	<u>\$ 21,621,926</u>

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, 2011 and 2010

	2011	2010
OPERATING REVENUES	\$ 9,893,954	\$ 8,233,088
OPERATING EXPENSES		
Direct Expenses:		
Other	3,365,615	3,202,153
Overhead Expenses:		
Customer account	359,108	383,663
Administrative and general	3,061,542	3,220,191
Taxes	275,509	270,315
Depreciation	805,246	788,444
Total operating expenses	7,867,020	7,864,766
Operating income	2,026,934	368,322
NONOPERATING REVENUES (EXPENSES)		
Investment income	30,425	37,272
Interest expense	(272,997)	(314,204)
Net nonoperating expenses	(242,572)	(276,932)
Changes in net assets	1,784,362	91,390
NET ASSETS, beginning	21,621,926	21,530,536
NET ASSETS, ending	\$ 23,406,288	\$ 21,621,926

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DEPARTMENT - ENTERPRISE FUND
For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Cash received from customers	\$ 9,801,752	\$ 8,170,934
Cash payments to suppliers for goods and services	(5,032,738)	(3,391,668)
Cash payments to employees for services	(3,503,658)	(3,806,744)
Net cash provided by operating activities	1,265,356	972,522
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(282,593)	(354,656)
Proceeds from general obligation bond issue	-	1,656,000
Principal paid on general obligation bond maturities and equipment contracts	(984,545)	(2,746,415)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(277,309)	(265,126)
Net cash used in capital and related financing activities	(1,544,447)	(1,710,197)
Cash Flows From Investing Activities		
Payments on note receivable	99,223	94,378
Interest and dividends	30,425	37,272
Net cash provided by investing activities	129,648	131,650
Net decrease in cash and cash equivalents	(149,443)	(606,025)
CASH AND CASH EQUIVALENTS, beginning	1,002,302	1,608,327
CASH AND CASH EQUIVALENTS, ending	\$ 852,859	\$ 1,002,302

CITY OF GROTON, CONNECTICUT

COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DEPARTMENT - ENTERPRISE FUND, Continued
 For the Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 2,026,934	\$ 368,322
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	805,246	788,444
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(92,202)	(62,154)
Inventory	(14,584)	(2,260)
Prepaid expenses	11,742	140,122
Due from other funds	(50,361)	28,223
Other	51,034	(1,446)
Pension asset	21,665	(49,763)
Increase (decrease) in:		
Accounts payable	(25,545)	(277,292)
Accrued payroll and compensated absences	22,801	(15,211)
Accrued taxes	-	1,049
Due to other funds	(1,641,374)	(76,862)
Net OPEB obligation	150,000	131,350
Net cash provided by operating activities	\$ 1,265,356	\$ 972,522

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF REVENUES
WATER SYSTEM

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Water Service Revenues		
Residential	\$ 2,646,748	\$ 2,069,237
Commercial	1,547,919	1,385,104
Industrial	3,103,778	2,735,289
Private fire protection	105,778	92,822
Public fire protection	284,277	250,409
Other sales to public authorities	1,567,507	1,203,552
Total water service revenues	<u>9,256,007</u>	<u>7,736,413</u>
Other Water Revenue		
Miscellaneous - rents, lien fees, scrap sales, etc.	<u>637,947</u>	496,675
Total operating revenues	<u>\$ 9,893,954</u>	<u>\$ 8,233,088</u>

CITY OF GROTON, CONNECTICUT

COMPARATIVE SCHEDULES OF EXPENSES -
WATER SYSTEM

For the Years Ended June 30, 2011 and 2010

	2011	2010
Direct Expenses		
Source of Water Supply Expenses:		
Operation labor	\$ 97,022	\$ 90,546
Supplies and expenses	85,785	78,012
Rent	1,500	10,000
Maintenance - structure and improvement	130,281	66,015
Total source of water supply expenses	314,588	244,573
Pumping Expenses:		
Fuel for power production	6,654	8,459
Power purchased	644,104	538,024
Operation labor	181,619	202,390
Maintenance - structure and equipment	120,044	97,828
Total pumping expenses	952,421	846,701
Water Treatment Expenses		
Chemicals	237,364	188,240
Operation labor	862,513	880,299
Supplies and expenses	86,996	101,133
Maintenance - structure and equipment	157,220	147,621
Total water treatment expenses	1,344,093	1,317,293
Transmission and Distribution Expenses		
Supervision and engineering	90,560	82,614
Storage facilities	23,540	1,269
Operation of lines	-	186
Supplies and expenses	158,542	163,189
Maintenance:	6,392	-
Structures and improvements	185,152	4,550
Mains	123,144	211,294
Services	140,037	153,141
Meters	27,146	132,848
Hydrants	-	44,495
Total transmission and distribution expenses	754,513	793,586
Total other expenses	\$ 3,365,615	\$ 3,202,153
Customer Account Expenses:		
Meter reading	\$ 65,443	\$ 62,340
Customer records and collection	168,768	191,700
Uncollectible accounts	4,947	5,500
Miscellaneous	119,950	124,123
Total customer account expenses	\$ 359,108	\$ 383,663
Administrative and General Expenses:		
Administrative and general salaries	\$ 792,481	\$ 798,903
General office supplies and expenses	176,444	173,080
Outside services employed	163,619	293,708
Insurance	69,860	108,747
Injuries and damages	248,519	256,128
Employee welfare and benefits	1,276,486	1,244,719
Miscellaneous general expenses	22,124	52,014
Rent	26,576	26,510
Maintenance:		
Office furniture and equipment	6,954	8,720
Communication equipment	1,185	1,710
Miscellaneous general property	277,294	255,952
Total administrative and general expenses	\$ 3,061,542	\$ 3,220,191

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, 2011 (With Comparative Totals at June 30, 2010)

	Self-Insurance	Health Plan	2011	2010
ASSETS				
Cash	\$ 725,776	\$ 3,088,578	\$ 3,814,354	\$ 4,989,140
Total current assets	725,776	3,088,578	3,814,354	4,989,140
LIABILITIES				
Liabilities:				
Accounts/claims payable	-	479,704	479,704	291,808
Total liabilities	-	479,704	479,704	291,808
NET ASSETS				
Unrestricted	\$ 725,776	\$ 2,608,874	\$ 3,334,650	\$ 4,697,332

CITY OF GROTON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011 (With Comparative Totals for the Year Ended June 30, 2010)

	Self-Insurance	Health Plan	2011	2010
OPERATING REVENUES				
Premiums	\$ 158,794	\$ 3,958,148	\$ 4,116,942	\$ 3,828,537
OPERATING EXPENSES				
Claims Paid:				
Public Safety	23,508	-	23,508	11,020
Public Works	11,895	-	11,895	30,874
General Government	7,688	-	7,688	5,025
Electric Department	21,264	-	21,264	15,181
Health Plan	-	4,650,189	4,650,189	3,257,104
Administration:				
Health Plan	88,878	690,138	779,016	541,460
Total operating expenses	153,233	5,340,327	5,493,560	3,860,664
Operating income (loss)	5,561	(1,382,179)	(1,376,618)	(32,127)
NONOPERATING REVENUE (EXPENSE)				
Interest income	-	13,936	13,936	17,507
Total nonoperating revenue (expense)	-	13,936	13,936	17,507
Change in net assets	5,561	(1,368,243)	(1,362,682)	(14,620)
NET ASSETS, beginning	720,215	3,977,117	4,697,332	4,711,952
NET ASSETS, ending	\$ 725,776	\$ 2,608,874	\$ 3,334,650	\$ 4,697,332

CITY OF GROTON, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2011 (With Comparative Totals for the Year Ended June 30, 2010)

	Self-Insurance	Health Plan	2011	2010
Cash Flows From Operating Activities				
Cash received for premiums	\$ 158,794	\$ 3,958,148	\$ 4,116,942	\$ 3,828,537
Cash paid to claimants	(64,355)	(4,462,293)	(4,526,648)	(3,282,466)
Cash paid for administration	(88,878)	(690,138)	(779,016)	(541,460)
Net cash provided by (used in) operating activities	5,561	(1,194,283)	(1,188,722)	4,611
Cash Flows Provided by Investing Activities				
Interest income	-	13,936	13,936	17,507
Net increase (decrease) in cash and cash equivalents	5,561	(1,180,347)	(1,174,786)	22,118
Cash and Cash Equivalents, beginning	720,215	4,268,925	4,989,140	4,967,022
Cash and Cash Equivalents, ending	\$ 725,776	\$ 3,088,578	\$ 3,814,354	\$ 4,989,140
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 5,561	\$ (1,382,179)	\$ (1,376,618)	\$ (32,127)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Change in assets and liabilities:				
(Decrease) increase in accrued liabilities	-	187,896	187,896	36,738
Net cash provided by (used in) operating activities	\$ 5,561	\$ (1,194,283)	\$ (1,188,722)	\$ 4,611

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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 NINE YEARS
(Unaudited)**

	FISCAL YEAR ENDED								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
GOVERNMENTAL ACTIVITIES									
Invested in capital assets, net of related debt	\$ 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
Permanent funds - expendable	12,398	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
Special revenue funds	580,192	-	-	-	-	-	-	-	-
Unrestricted	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
Total governmental activities	28,051,729	28,177,312	26,972,892	26,319,507	25,324,029	24,456,901	23,174,589	22,768,845	22,199,481
BUSINESS-TYPE ACTIVITIES									
Invested in capital assets, net of related debt	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	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
Total business-type activities	38,434,438	36,872,376	48,623,341	46,337,667	45,981,202	45,707,161	43,906,954	42,287,953	41,003,045
CITY NET ASSETS									
Invested in capital assets, net of related debt	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
Permanent funds-expendable	12,398	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437
Special revenue funds	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	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
Total City net assets	\$ 66,486,167	\$ 65,049,688	\$ 75,596,233	\$ 72,657,174	\$ 71,305,231	\$ 70,164,062	\$ 69,826,083	\$ 65,056,798	\$ 63,202,526

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

CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities:									
General government	\$ 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	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	5,869,143	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	1,230,512	1,087,662	1,069,777	831,869	898,307	805,702	843,815	828,257	736,786
Interest expense	137,112	207,406	188,952	233,053	223,433	231,050	253,842	267,593	359,277
Total governmental expenses	17,379,336	16,262,584	15,399,296	14,539,375	13,954,272	12,962,906	12,595,635	12,278,842	11,101,346
Business-type activities:									
Electric Department	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	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
Total business-type expenses	69,688,661	74,851,863	77,356,808	77,897,271	77,632,075	69,746,270	55,393,405	49,938,119	48,073,955
Total expenses	87,067,997	91,114,447	92,756,104	92,436,646	91,586,347	82,709,176	67,989,040	62,216,961	59,175,301
Program Revenues:									
Governmental activities:									
Charges for services:									
General government	1,009,264	924,262	1,033,369	1,325,812	821,134	734,574	711,765	627,863	878,345
Public safety	259,705	384,644	310,747	277,838	272,215	321,844	460,724	491,240	-
Public works	55,799	43,234	79,352	54,898	76,876	181,106	57,698	136,137	124,169
Recreation	113,709	131,648	104,780	95,672	104,293	105,408	110,497	76,823	94,108
Operating grants and contributions	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	1,712,368	1,094,709	-	-	-	-	5,000	51,616	40,416
Total governmental activities	7,539,141	7,438,631	6,664,119	6,656,034	6,243,153	6,586,876	6,005,192	5,296,615	5,204,953
Business-type activities:									
Electric Department	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	9,893,954	8,233,088	7,946,755	7,582,363	6,679,385	6,570,471	6,651,483	6,286,607	6,024,389
Total business-type activities	73,028,358	74,908,326	80,444,138	79,329,636	78,157,925	72,435,356	57,689,518	52,054,612	50,035,637
Total program revenues	80,567,499	82,346,957	87,108,257	85,985,670	84,401,078	79,022,232	63,694,710	57,351,227	55,240,590
Net (expense)/revenue									
Governmental activities	(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	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
Total net expenses	(6,500,498)	(8,767,490)	(5,647,847)	(6,450,976)	(7,185,269)	(3,686,944)	(4,294,330)	(4,865,734)	(3,934,711)

(Continued)

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:									
Governmental activities:									
Property taxes	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	77,264	408,771	111,351	168,660	122,268	213,730	316,847	1,140,038	1,123,118
Investment income	305,794	294,327	240,744	518,553	685,033	405,262	202,439	80,565	155,993
Miscellaneous	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	3,119,490	2,835,900	2,465,034	2,143,508	1,863,920	1,620,819	1,409,400
Total governmental activities	9,714,612	10,028,373	9,388,562	8,878,819	8,578,247	7,658,342	6,996,187	7,551,591	7,166,994
Business-type activities:									
Investment income	1,323,989	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)	(3,119,490)	(2,835,900)	(2,465,034)	(2,143,508)	(1,863,920)	(1,620,819)	(1,409,400)
Total business-type activities	(1,777,635)	(1,472,133)	(801,656)	(439,101)	(326,928)	(888,879)	(727,398)	(831,585)	(670,273)
Total general revenues	7,936,977	8,556,240	8,586,906	8,439,718	8,251,319	6,769,463	6,268,789	6,720,006	6,496,721
Change in Net Assets:									
Governmental activities	(125,583)	1,204,420	653,385	995,478	867,128	1,282,312	405,744	569,364	1,270,601
Business-type activities	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
Change in net assets	\$ 1,436,479	\$ (211,250)	\$ 2,939,059	\$ 1,988,742	\$ 1,066,050	\$ 3,082,519	\$ 1,974,459	\$ 1,854,272	\$ 2,562,010

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years (Modified Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
REVENUES										
Property taxes	\$ 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	\$ 3,788,365
Intergovernmental	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	5,469,566
Charges for services	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	1,082,497
Income from investments	291,858	276,820	191,014	348,587	493,709	280,371	147,449	47,943	123,606	225,969
Contributions	-	-	1,800	3,188	2,775	1,990	17,269	13,110	85,638	2,443
Other	85,892	322,512	118,439	126,452	52,215	148,666	121,809	99,773	54,002	137,798
Total revenues	14,131,458	14,360,265	12,897,311	12,520,578	12,164,538	11,992,124	11,078,790	11,178,090	11,326,552	10,706,638
EXPENDITURES										
Current:										
General government	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	957,416
Public safety	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	5,222,473
Public works	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	3,725,390
Parks and recreation	1,123,010	1,029,072	1,029,690	861,109	826,327	777,313	759,916	734,607	690,859	713,761
Non-departmental and other	148,211	148,473	36,386	54,665	64,105	38,697	46,675	58,142	48,139	25,204
Capital outlay	1,432,761	3,092,237	407,667	981,788	2,899,161	1,051,058	395,425	856,430	730,585	1,396,850
Debt service:										
Bond principal	905,500	953,585	930,500	841,017	860,738	740,500	766,896	771,600	646,600	571,600
Bond and note interest	152,616	188,286	195,161	233,355	229,668	227,268	243,669	274,007	287,778	292,372
Total expenditures	17,862,049	18,580,317	15,642,697	15,107,447	17,214,289	14,095,386	12,957,356	12,761,049	12,329,034	12,905,066
Deficiency of revenues over expenditures	(3,730,591)	(4,220,052)	(2,745,386)	(2,586,869)	(5,049,751)	(2,103,262)	(1,878,566)	(1,582,959)	(1,002,482)	(2,198,428)
OTHER FINANCING SOURCES (USES)										
Bond proceeds	-	1,725,000	-	880,000	-	1,140,000	-	-	250,000	-
Refunding bond proceeds	-	1,614,200	-	-	-	-	-	-	1,385,000	-
Proceeds from bond anticipation notes	-	-	-	-	-	-	-	-	-	1,360,000
Payment to refunding bond escrow	-	(1,713,838)	-	-	-	-	-	-	(1,377,664)	-
Premium on bond sale	-	124,602	-	7,048	-	7,962	-	-	28,066	-
Proceeds from sale of assets	-	-	-	-	-	-	500	-	-	250
Transfers in	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	1,569,528
Transfers out	-	-	(302,362)	(614,500)	(156,686)	(477,072)	(214,490)	(359,663)	(583,676)	(288,248)
Net other financing sources (uses)	3,101,624	4,851,588	3,119,490	3,722,948	2,465,034	3,291,470	1,864,420	1,620,819	1,694,802	2,641,530
Net changes in fund balances	\$ (628,967)	\$ 631,536	\$ 374,104	\$ 1,136,079	\$ (2,584,717)	\$ 1,188,208	\$ (14,146)	\$ 37,860	\$ 692,320	\$ 443,102
Debt Service as a Percentage of Noncapital Expenditures	6.44%	7.00%	7.00%	8.00%	8.00%	7.00%	8.00%	9.00%	8.00%	8.00%

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
GENERAL FUND										
Nonspendable	\$ 16,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	1,048,110	-	-	-	-	-	-	-	-	-
Assigned	66,944	-	-	-	-	-	-	-	-	-
Unassigned	3,070,485	-	-	-	-	-	-	-	-	-
Reserved	-	91,645	75,056	122,172	33,609	52,003	26,793	93,850	107,605	72,710
Unreserved:										
Designated	-	973,606	808,410	690,208	659,538	574,897	779,094	470,026	223,585	224,616
Undesignated	-	3,874,650	3,553,401	3,150,154	2,769,282	2,808,146	2,157,856	2,170,544	1,981,938	1,585,748
Total unreserved	-	4,848,256	4,361,811	3,840,362	3,428,820	3,383,043	2,936,950	2,640,570	2,205,523	1,810,364
Total general fund	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	1,883,074
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	640,192	-	-	-	-	-	-	-	-	-
Committed	1,596,000	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(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	229,484
Capital funds	-	1,247,316	1,249,745	1,359,503	780,496	3,334,182	2,744,540	2,972,618	3,393,477	3,183,456
Permanent funds	-	12,196	11,431	10,588	7,767	4,258	1,955	1,041	437	-
Total all other governmental funds	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	3,412,940
Total all governmental funds	\$ 6,128,291	\$ 6,757,258	\$ 6,125,722	\$ 5,751,618	\$ 4,615,539	\$ 7,200,256	\$ 6,012,048	\$ 6,026,194	\$ 5,988,334	\$ 5,296,014

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

Year Ended June 30,	Grand List of October 1,	Real Property		Personal Property		Total		Ratio of Total Assessed Value To Total Estimated Actual Value	Total Direct City Rate
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2002	2000	\$ 559,225,432	\$ 798,893,474	\$ 198,335,388	\$ 283,336,269	\$ 757,560,820	\$ 1,082,229,743	70.00%	\$ 5
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%	4.135
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%	4.135
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%	4.135

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

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

Year Ended June 30,	Grand List of October 1,	City of Groton			Town of Groton			Total Mill Rate
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total Town Millage	
2002	2000	4.64	0.31	4.95	19.73	0.84	20.57	25.52
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

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	\$ 525,648,840	1	39.90%	\$ 363,819,249	1	40.55%
General Dynamics Corporation	Submarine	193,947,406	2	14.75%	158,841,191	2	17.72%
Colonial Manor, Inc.	Apartments	13,081,990	3	1.00%	8,313,170	5	0.93%
CSC Dynamics	Equipment Leasing	10,152,760	5	0.77%	9,586,630	3	1.07%
Branford Manor, Inc.	Apartments	10,101,420	4	0.77%	9,115,630	4	1.02%
The North/South Harbor Ltd.	Apartments	7,770,140	6	0.59%	5,106,920	6	0.57%
Ansonia Acquisitions, LLC	Apartments	5,332,560	8	0.41%	3,142,740	9	0.35%
Amerada Hess Corporation	Oil & Gas	5,050,080	7	0.38%	4,685,415	7	0.52%
Groton Townhouse Apts., LLC	Apartments	4,750,530	9	0.36%	2,290,162	10	0.31%
Avery Heights Limited STSHP	Apartments	4,452,751	10	0.34%	3,374,230	8	0.38%
Total		<u>\$ 780,288,477</u>		<u>59.27%</u> %	<u>\$ 568,275,337</u>		<u>63.42%</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 10/1/2009 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
2002	\$ 4.95	2000	\$ 3,773,391	\$ 3,728,880	98.82%	\$ 44,511	\$ 3,773,391	100.00%	\$ -	0.00%
2003	4.95	2001	4,244,111	4,197,758	98.91%	46,339	4,244,097	100.00%	14	0.00%
2004	4.90	2002	4,420,061	4,369,291	98.85%	50,756	4,420,047	100.00%	14	0.00%
2005	4.90	2003	4,458,089	4,411,023	98.94%	46,807	4,457,830	99.99%	259	0.01%
2006	4.90	2004	4,680,780	4,647,368	99.29%	33,139	4,680,507	99.99%	273	0.01%
2007	4.90	2005	5,148,126	5,101,085	99.09%	44,106	5,145,191	99.94%	2,935	0.06%
2008	4.40	2006	5,192,653	5,146,799	99.12%	35,057	5,181,856	99.79%	10,797	0.21%
2009	4.14	2007	5,678,591	5,629,826	99.14%	46,819	5,676,645	99.97%	48,765	0.86%
2010	4.14	2008	5,634,676	5,608,587	99.54%	31,133	5,608,587	99.54%	46,819	0.83%
2011	4.14	2009	5,719,007	5,658,026	98.93%	-	5,658,026	98.93%	76,656	1.34%

Source: Town of Groton Tax Collector's Department.

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

	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002	
	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
Taxes Collectible at Levy Date																				
General Fund:																				
Property tax revenue ⁽¹⁾																				
General Dynamics Corporation	15%	\$ 817	15%	\$ 809	15%	\$ 845	15%	\$ 794	17%	\$ 867	18%	\$ 846	18%	\$ 808	17%	\$ 797	18%	\$ 765	21%	\$ 787
Chas. Pfizer Company, Inc.	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	41%	1,521
Operating Revenues																				
Enterprise Funds																				
Electric Department:																				
General Dynamics Corporation	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	13%	5,451
Chas. Pfizer Company, Inc.	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	24%	10,338
U.S. Naval Submarine Base	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	15%	6,633
Water Department:																				
General Dynamics Corporation	4%	336	5%	350	4%	335	4%	278	4%	292	8%	509	8%	481	6%	334	4%	242	3%	199
Chas. Pfizer Company, Inc.	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	22%	1,276
U.S. Naval Submarine Base	10%	945	10%	758	11%	837	13%	957	13%	866	10%	685	14%	855	19%	1,125	17%	1,008	17%	980
Usage																				
Enterprise Funds:																				
Electric Department (Kilowatt Hrs):																				
General Dynamics Corporation	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	16%	88,488
Chas. Pfizer Company, Inc.	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	26%	143,883
U.S. Naval Submarine Base	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	17%	94,755
Water Department (Cubic Feet):																				
General Dynamics Corporation	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	4%	11,406
Chas. Pfizer Company, Inc.	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	30%	88,588
U.S. Naval Submarine Base	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	24%	70,807

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

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

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

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

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

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

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

Last Ten Fiscal Years

(Unaudited)

Year Ended June 30,	Population	Assessed Value	Bonded Debt	Percentage of Net Long-Term Debt to Assessed Value	Net Long-Term Debt Per Capita	
2002	***	10,010	\$ 757,560,820	\$ 6,065,800	0.80%	\$ 606
2003	***	10,010	850,049,516	7,134,200	0.84%	713
2004	***	10,010	896,366,620	6,362,600	0.71%	636
2005	***	10,010	903,660,654	5,596,000	0.62%	559
2006	***	10,010	952,370,249	5,990,500	0.63%	598
2007	***	10,010	1,168,964,754	5,130,000	0.44%	512
2008	***	10,010	1,305,364,628	5,169,500	0.40%	516
2009	***	10,010	1,358,526,106	4,239,000	0.31%	423
2010	***	10,010	1,332,213,104	5,074,500	0.38%	507
2011	**	10,389	1,314,619,927	4,169,000	0.32%	401

*** Based on 2000 Bureau of Census figure.

** Based on 2010 Bureau of Census figure.

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2011

(Unaudited)

Jurisdiction	Net Bonded Debt Outstanding	Percentage Application to City	Amount Applicable to City
Direct:			
City of Groton	\$ 4,169,000	100.00%	\$ 4,169,000
Overlapping:			
Town of Groton	<u>51,590,000</u>	32.10%	<u>16,560,390</u>
Total	<u>\$ 55,759,000</u>		<u>\$ 20,729,390</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, 2011
(Unaudited)

Total Tax Collections (including interest and lien fees)		\$ 6,117,086
Reimbursement for revenue loss on:		
Tax relief for elderly freeze		-
Total Base		<u>\$ 6,117,086</u>
	General Purpose	Sewer
	<u> </u>	<u> </u>
Debt Limitation		
2-1/4 times	\$ 13,763,444	\$ -
3-3/4 times		22,939,073
Total debt	<u>13,763,444</u>	<u>22,939,073</u>
Indebtedness:		
Bonds payable	3,098,000	1,071,000
Bond anticipation notes		
Total Indebtedness	<u>3,098,000</u>	<u>1,071,000</u>
Debt Limitation in Excess of		
Outstanding and Authorized Debt	<u>\$ 10,665,444</u>	<u>\$ 21,868,073</u>
Notes: (A) The above total indebtedness amounts to:		<u>\$ 32,533,517</u>
(B) In no case shall total indebtedness exceed seven times annual receipts from taxation		<u>\$ 42,819,602</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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total tax collections, including interest and lien fees	\$ 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	\$ 3,788,365
Reimbursement for revenue loss on:										
Tax relief for elderly freeze	-	2,902	-	306	599	598	936	936	713	697
TOTAL BASE	\$ 6,117,086	\$ 5,882,609	\$ 5,789,797	\$ 5,201,506	\$ 5,215,343	\$ 4,756,691	\$ 4,447,496	\$ 4,647,200	\$ 4,360,073	\$ 3,789,062
DEBT LIMIT										
General purpose 2 1/4 times base	\$ 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	\$ 8,525,390
Sewer 3 3/4 times base	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	14,208,983
TOTAL DEBT LIMIT	36,702,517	35,295,654	34,738,782	31,209,036	31,292,058	28,540,146	26,684,976	27,883,200	26,160,438	22,734,372
Net debt applicable to limit:										
General purpose:										
Bonds payable	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	1,145,830
Bond anticipation notes	-	-	-	-	-	-	6,900,000	6,900,000	3,000,000	1,360,000
Sewer:										
Bonds payable	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	4,919,970
Bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	4,169,000	5,074,500	4,239,000	5,169,500	5,130,000	5,990,500	12,496,000	13,262,600	10,134,200	7,425,800
LEGAL DEBT LIMIT	\$ 32,533,517	\$ 30,221,154	\$ 30,499,782	\$ 26,039,536	\$ 26,162,058	\$ 22,549,646	\$ 14,188,976	\$ 14,620,600	\$ 16,026,238	\$ 15,308,572
In no case shall total indebtedness exceed seven times annual receipts from taxation	\$ 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	\$ 26,523,434
Total net debt applicable to the limit as a percentage of debt limit	11.36%	14.38%	12.20%	16.56%	16.39%	20.99%	46.83%	47.56%	38.74%	32.66%

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

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

*** 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 1990 U.S. Department of Commerce, Bureau of Census from 1993 to 2000 and for 2001 to date based 2000 U.S. Department of Commerce, Bureau of Census data.

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

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

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment*
General Dynamics, Electric Boat Division	8,133	1	60.5%	N/A	1	N/A
Pfizers	4,169	2	31.0%	N/A	2	N/A
City of Groton	234	3	1.8%	N/A	3	N/A
University of Connecticut	233	4	1.8%	N/A	4	N/A
Superintendent of Ships	230	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	0.2%	N/A	9	N/A
Sacred Heart School	33	10	0.2%	N/A	10	N/A
Total	13,440		100.0% %	N/A		N/A

SOURCE: State Department of Labor.

N/A - Data for 2002 not available separately for the City of Groton.

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

Function/Program	Fiscal Year					
	2011	2010	2009	2008	2007	2006
General Government:						
Mayor	1	1	1	1	1	1
Finance	5	5	5	5	5	5
Planning	1	1	1	1	1	1
Parks and Recreation	5	5	5	5	5	5
City Clerk	1	1	1	1	1	1
Building and Zoning	3	3	3	3	3	3
Other	3	3	3	1	1	1
Police:						
Officers	32	32	32	32	32	32
Civilians	9	13	13	13	7	5
Fire:						
Firefighters and officers	17	17	17	17	17	17
Public Works:						
Engineering	2	2	2	2	2	1
Highway	20	20	20	18	18	18
Water Department	34	34	34	31	33	35
Sewer Department	6	6	6	6	6	5
Electric Department	95	95	95	99	92	61
Total	234	238	238	235	224	191

Source: Various City Departments.

Note: Data for the previous ten years is unavailable.

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

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

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

Source: Various City Departments.

Note: Data for the previous ten years is unavailable.