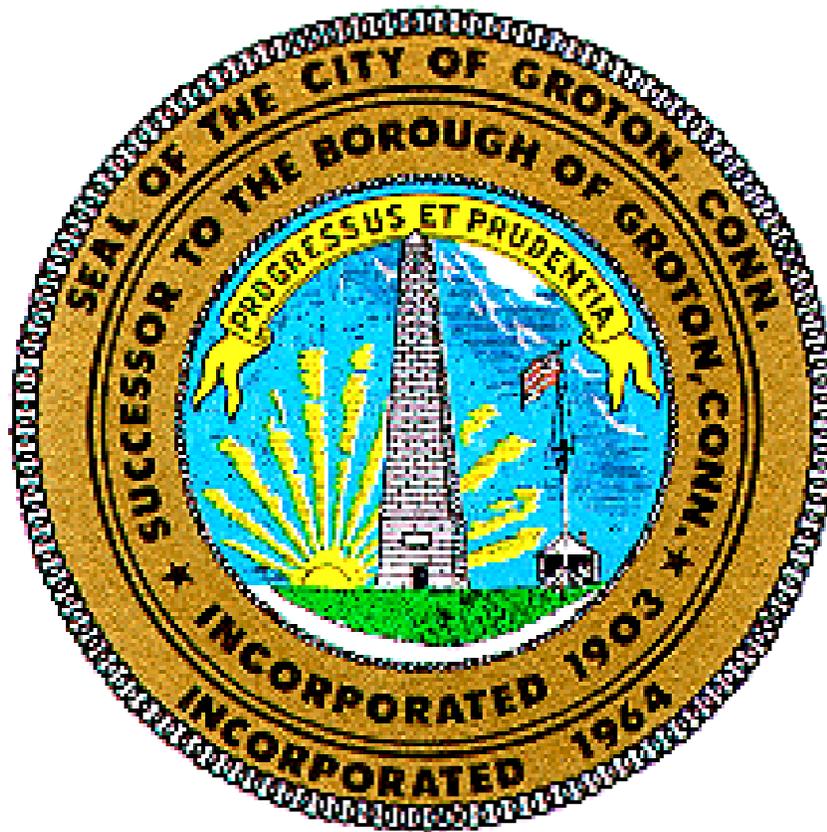


CITY OF GROTON, CONNECTICUT COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2014
DEPARTMENT OF FINANCE
CITY OF GROTON, CONNECTICUT

CITY OF GROTON, CONNECTICUT



Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

PREPARED BY:

RONALD YUHAS, JR.
DIRECTOR OF FINANCE

MARIAN K. GALBRAITH, MAYOR

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Introductory Section



CITY OF GROTON

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Groton, Connecticut 06340-4040

Department of Finance

Telephone (860) 446-4110

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March 2, 2015

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, 2014. The report includes the independent auditors' report as required by City Charter and the Connecticut Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

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

McGladrey LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Groton, Connecticut, for the fiscal year ended June 30, 2014, 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 unmodified opinion that the City of Groton's financial statements for the year ended June 30, 2014, 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 and a City Clerk. 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 unit, Bozrah Light and Power Company.

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 38.1% of the general fund revenue, have provided a reliable revenue source, with collections consistently at or above 98 percent. Current tax collections were approximately 99% of the adjusted tax levy.

Long-Term Financial Planning

Groton Utilities

Fiscal Year 2013-2014 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 two types of services - water and electric. 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.

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, 2009 and 2012 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. The 2012 Electric Bond Program calls for continued infrastructure improvements of two substations – Pleasant Valley and Buddington Road stations along with continued voltage improvements to our main transmission lines.

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 2012 Water Bond Fund calls for improvements to the Water Treatment Plant, on which the major focus will be the complete design of the Water Treatment Plant Upgrade Project which will involve a major construction project of the Water Filtration Plant.

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

Risk Management

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

The City has implemented a funding change from a fully, conventionally insured benefit program to an alternative funding arrangement, known as a self-funded (ASO-Administrative Services Only) program with individual stop-loss provisions. Full-time employees of the City not covered under any collective bargaining agreement are also eligible for the group insurance program. The cost of the medical program is contributory for some full-time employees and their dependents who must contribute between 10% 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, 2013. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

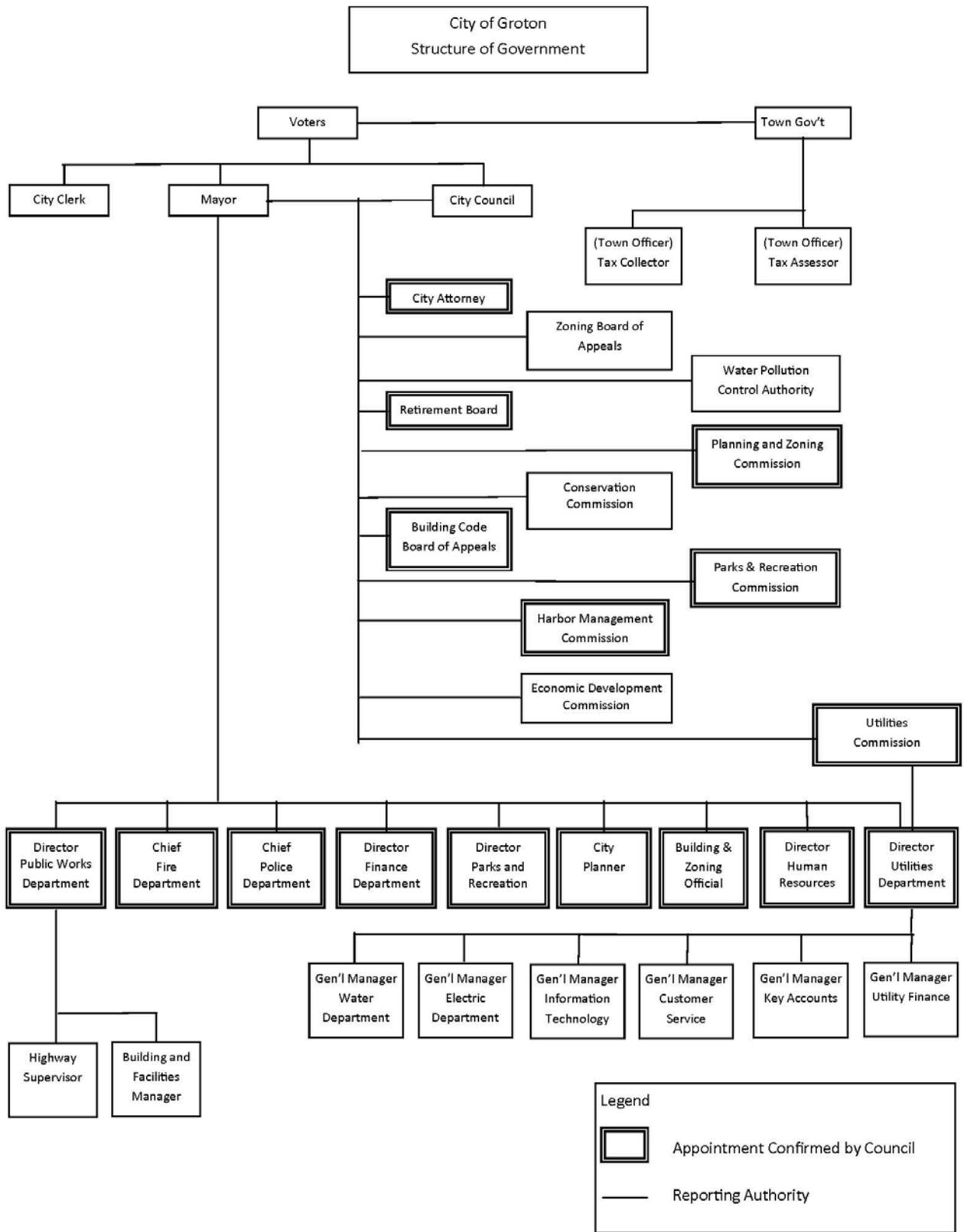
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ronald Yuhas, Jr.", written in a cursive style.

Ronald Yuhas, Jr.
Finance Director



THE CITY OF GROTON PRINCIPAL MUNICIPAL OFFICIALS

Elected Officials Term of Office – May 2013 to May 2015

Marian K. Galbraith – Mayor

William E. Jervis (Deputy Mayor)	Councilor
Jay Dempsey	Councilor
Stephen Sheffield	Councilor
Andrew Ilvento	Councilor
Lawrence W. Gerrish	Councilor
Keith Hedrick	Councilor
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	Ronald Yuhas, Jr.
Director of Utilities	Paul Yatcko
Director of Public Works	Vacant
Chief of Police	Tom Davoren
Director of Parks & Recreation	Mary K. Hill
Building & Zoning Official	Carlton Smith
Planner	Barbara Goodrich
Fire Chief	Nicholas DeLia



Government Finance Officers Association

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, 2013

Executive Director/CEO

Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Groton, Connecticut (the "City"), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 unit, each major fund, and the aggregate remaining fund information of the City of Groton, Connecticut, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and other schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative information

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Groton, Connecticut as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 23, 2013, which contained unmodified opinions on the respective financial statements of governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information. The accompanying General Fund Balance Sheet and Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds as of and for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The accompanying General Fund Balance Sheet and Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet, Statements of Net Position and Statements of Revenue, Expenses and Changes in Fund Net Position and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



New Haven, Connecticut
March 2, 2015

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CITY OF GROTON

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Department of Finance

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MANAGEMENT DISCUSSION AND ANALYSIS - Unaudited FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 \$57,896,011 (net position). Of this amount, \$(6,625,781) (unrestricted net position deficit) may be used to meet the City's ongoing obligations to citizens and creditors.
- On the government-wide basis, the City's total net position increased by \$5.8 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 \$10,047,374, an increase of \$13,590 in comparison with the prior year. Approximately \$3,300,875 of the total amount of \$10,047,374 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 \$3,324,528 or 19.9% of total general fund expenditures and other financing uses.
- The City of Groton's total long-term obligations decreased by a net of approximately \$4,365,000 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 position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 a legally separate component unit, Bozrah Light and Power Company. Financial information for this component unit 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 and equipment replacement account fund, which are considered to be major funds. Data from the other 5 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 Funds

General
Equipment Replacement
Account Fund

Non-major Governmental Funds

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

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

The basic governmental fund financial statements can be found on Page 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 56 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$57.9 million at the close of the most recent fiscal year.

City of Groton, Connecticut Summary Statement of Net Position ('000)

	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 19,366	\$ 44,169	\$ 63,535	\$ 15,416	\$ 34,725	\$ 50,141
Capital assets	23,971	52,909	76,880	24,048	60,490	84,538
Total assets	43,337	97,078	140,415	39,464	95,215	134,679
Deferred amounts on refunding						
Total deferred	70	-	70	88	-	88
outflows of resources	70	-	70	88	-	88
Current liabilities	2,585	13,983	16,568	2,501	13,065	15,566
Long-term liabilities outstanding	8,131	53,351	61,482	8,895	58,213	67,108
Total liabilities	10,716	67,334	78,050	11,396	71,278	82,674
Net Position:						
Net investment in capital assets	18,001	32,575	50,576	20,912	34,198	55,110
Restricted	694	-	694	730	-	730
Unrestricted (deficit)	9,457	(2,831)	6,626	6,514	(10,261)	(3,747)
Total net position	\$ 28,152	\$ 29,744	\$ 57,896	\$ 28,156	\$ 23,937	\$ 52,093

By far the largest portion of the City's net position (87.4%) 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 position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, approximately \$6.6 million, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's change in net position increased \$5.8 million during the current fiscal year. The increase was due primarily to increased revenue in the Electric and Water Departments ahead of expenses.

Governmental activities. Governmental activities decreased the City's net position by \$4,000, and business-type activities increased net position by \$5,807,000.

City of Groton, Connecticut
Summary Statement of Activities ('000)

	Year Ended					
	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,767	\$ 73,353	\$ 75,120	\$ 1,449	\$ 74,496	\$ 75,945
Operating Grants and contributions	4,640	-	4,640	5,131	-	5,131
Capital Grants and contributions	1,317	-	1,317	760	-	760
General Revenues:						
Property Taxes	6,143	-	6,143	6,419	-	6,419
Grants and contributions not restricted to specific programs	130	-	130	132	-	132
Other	219	622	841	285	873	1,158
Total revenues	14,216	73,975	88,191	14,176	75,369	89,545
Expenses:						
General Government	2,472	-	2,472	2,071	-	2,071
Public Safety	7,926	-	7,926	7,462	-	7,462
Public Works	5,363	-	5,363	5,730	-	5,730
Recreation	1,358	-	1,358	1,330	-	1,330
Interest on long-term debt	220	-	220	107	-	107
Water	-	8,694	8,694	-	8,235	8,235
Electric	-	56,355	56,355	-	59,385	59,385
Total expenses	17,339	65,049	82,388	16,700	67,620	84,320
Change in net position before transfers	(3,123)	8,926	5,803	(2,524)	7,749	5,225
Transfers	3,119	(3,119)	-	3,119	(3,119)	-
Change in net position	(4)	5,807	5,803	595	4,630	5,225
Net Position, beginning	28,156	23,937	52,093	27,561	19,307	46,868
Net Position - ending	\$ 28,152	\$ 29,744	\$ 57,896	\$ 28,156	\$ 23,937	\$ 52,093

Expenses and Program Revenues – Governmental Activities

Revenues

Governmental activities' revenues totaled \$14.216 million for fiscal year 2014. Property taxes are the largest revenue source for the City and represent 43.2% of the governmental revenues. Current tax collections were 99.4% of the adjusted tax levy. Operating grants and contributions are the City's second largest revenue and represent 32.6% of the governmental revenues. In operating grants and contributions, revenues include the Town of Groton's contribution for Police and Highway Department operation and State of Connecticut grants for health district. Charges for services represents 12.4% and capital grants and contributions represent 9.3%. Investment income and miscellaneous revenue represent 2.5% of governmental revenues.

Capital grants and contributions increased by \$557 thousand as larger capital improvement grants were received in the current year. Charges for services increased \$313 thousand due to an increase in fines, fees and permits.

Expenses

Governmental expenses totaled \$17.3 million for the fiscal year. Of the expenditures, 45.7% or \$7.9 million is related to public safety. Public works expenses amounted to \$5.4 million, or 30.9%. Recreation expenses amounted to \$1.4 million or 7.8%. Interest expense was \$0.2 million or 1.3%. General government expenses were \$2.5 million or 14.3%.

General government and recreation expenses remained stable or increased slightly from the previous year and this is the fifth year of other post employment benefits.

Business-type activities. Business-type activities represent 51.4% of the City's net position and account for a large portion of the expenditures in the City. Key elements of the activity are as follows:

- Charges for services for business-type activities decreased by \$1.1 million while expenses decreased by \$2.6 million over the prior year.

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 \$10,047,374, an increase of \$13,590 in comparison with the prior year. Approximately 32.9% of this total amount, \$3,300,835, 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 \$3,324,528, while total fund balance reached \$4,153,890. 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 20.5% of total general fund expenditures. Total fund balance represents 25.6% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$498,491 during the current fiscal year due to revenues being slightly behind expenses.

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

The unrestricted deficit of the Electric operation at the end of the year amounted to \$8,090,484 and the unrestricted net position of the Water operation amounted to \$4,868,554. The change in net position for Electric funds was \$4,684,133 and the increase in net position for Water funds was \$1,178,147 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

During the year, 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, 2014, amounts to approximately \$83,973,909 (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 decrease in the City's investment in capital assets for the current fiscal year was 0.7% (0.3% decrease for governmental activities and 0.8% 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 \$5,000,988.

City of Groton, Connecticut
Capital Assets ('000) (Net of Depreciation)

	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and land rights	\$ 3,789	\$ 2,843	\$ 6,632	\$ 3,789	\$ 2,843	\$ 6,632
Construction in progress	750	4,251	5,001	9	4,787	4,796
Land improvements	263	-	263	292	-	292
Buildings and improvements	5,749	4,169	9,918	5,926	4,330	10,256
Distribution systems	-	47,257	47,257	-	46,811	46,811
Machinery and equipment	544	751	1,295	556	816	1,372
Vehicles	2,265	732	2,997	2,585	903	3,488
Infrastructure	10,611	-	10,611	10,890	-	10,890
Total	\$ 23,971	\$ 60,003	\$ 83,974	\$ 24,047	\$ 60,490	\$ 84,537

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 \$51,645,000. Of this amount, \$5,635,000 comprises debt backed by the full faith and credit of the City and \$46,010,000 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 2014**

	Bonds and Note Payable (000's)
Outstanding at June 30, 2013	\$ 56,010
Bond principal payments	(4,365)
Outstanding at June 30, 2014	<u>\$ 51,645</u>

The City's total bonded debt decreased by approximately \$4,365,000 (7.8%) during the current fiscal year.

The City maintains an "Aa-3" from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the City is \$43,311,268.

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 7.3%, which is slightly less than a year ago. This compares equally to the state's average unemployment rate of 7.3% and higher than the national average rate of 6.2%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

During the current fiscal year, fund balance in the general fund decreased by \$498,491. The City has appropriated \$658,750 of the 2014 fiscal year fund balance for spending in the 2015 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2015 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, Ronald Yuhas, Jr., City of Groton, 295 Meridian Street, Groton, CT 06340.

Basic Financial Statements

City of Groton, Connecticut

Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total*	Bozrah Light and Power Company
Assets				
Cash and cash equivalents	\$ 10,865,214	\$ 12,412,261	\$ 23,277,475	\$ 1,731,726
Investments	464,039	-	464,039	-
Receivables, net of allowances for collection losses:				
Property taxes	38,309	-	38,309	-
Use charges	-	9,153,964	9,153,964	-
Accrued utility revenue	-	1,226,646	1,226,646	1,227,628
Intergovernmental and other	218,071	4,257	222,328	56,099
Inventory and prepayments	9,750	2,092,239	2,101,989	99,486
Internal balances	(303,280)	303,280	-	-
Due from component units	-	3,398,800	3,398,800	-
Amount held at CMEEC	-	838,233	838,233	623,118
Restricted cash	3,534,750	-	3,534,750	-
Other noncurrent assets	-	141,768	141,768	-
Equity investment in component unit	-	7,503,586	7,503,586	-
Capital assets, not being depreciated	4,539,124	7,093,943		
Capital assets, net of accumulated depreciation	19,431,964	52,908,878	72,340,842	10,485,277
Total assets	38,797,941	97,077,855	124,242,729	14,223,334
Deferred Outflows of Resources				
Deferred charge on refunding	69,855	-	69,855	-
Total deferred outflows of resources	69,855	-	69,855	-
Liabilities				
Accounts payable and accrued liabilities	2,450,080	13,313,683	15,763,763	2,622,374
Accrued interest payable	75,366	669,821	745,187	-
Unearned revenue - performance	58,799	-	58,799	-
Due to primary government	-	-	-	3,398,800
Noncurrent liabilities:				
Rate stabilization	-	301,688	301,688	-
Due within one year	805,049	3,580,000	4,385,049	-
Due in more than one year	7,326,283	49,468,871	56,795,154	698,574
Total liabilities	10,715,577	67,334,063	78,049,640	6,719,748
Net Position				
Net investment in capital assets	18,001,407	32,574,605	50,576,012	7,086,477
Restricted for:				
Endowments - expendable	60,000	-	60,000	-
Permanent funds - expendable	427	-	427	-
Public works	539,996	-	539,996	-
Park and recreation	93,795	-		
Unrestricted (deficit)	9,456,594	(2,830,813)	6,625,781	417,109
Total net position	\$ 28,152,219	\$ 29,743,792	\$ 57,896,011	\$ 7,503,586

See Notes to Financial Statements.

* After internal receivables and payables have been eliminated.

City of Groton, Connecticut

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Bozrah Light and Power Company
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ (2,471,659)	\$ 1,196,809	\$ 135,865	\$ 75,440	\$ (1,063,545)	\$ -	\$ (1,063,545)	\$ -
Public safety	(7,926,207)	358,433	2,301,288	-	(5,266,486)	-	(5,266,486)	-
Public works	(5,363,235)	39,364	2,202,837	1,087,161	(2,033,873)	-	(2,033,873)	-
Parks and recreation	(1,357,588)	172,502	-	154,000	(1,031,086)	-	(1,031,086)	-
Interest expense	(219,652)	-	-	-	(219,652)	-	(219,652)	-
Total governmental activities	(17,338,341)	1,767,108	4,639,990	1,316,601	(9,614,642)	-	(9,614,642)	-
Business-type activities:								
Electric Department	(56,354,668)	63,494,427	-	-	-	7,139,759	7,139,759	-
Water Department	(8,694,227)	9,858,947	-	-	-	1,164,720	1,164,720	-
Total business-type activities	(65,048,895)	73,353,374	-	-	-	8,304,479	8,304,479	-
Total primary government	\$ (82,387,236)	\$ 75,120,482	\$ 4,639,990	\$ 1,316,601	(9,614,642)	8,304,479	(1,310,163)	-
Component Unit:								
Bozrah Light and Power Company								
Total component unit	\$ (19,691,853)	\$ 20,087,659	\$ -	\$ -	-	-	-	395,806
General revenues:								
Property taxes					6,143,075	-	6,143,075	-
Grants and contributions not restricted to specific programs					130,053	-	130,053	-
Investment income					218,553	621,570	840,123	14
Miscellaneous					-	-	-	47,106
Transfers					3,119,496	(3,119,496)	-	-
Total general revenues and transfers					9,611,177	(2,497,926)	7,113,251	47,120
Change in net position					(3,465)	5,806,553	5,803,088	442,926
Net position - beginning					28,155,684	23,937,239	52,092,923	7,060,660
Net position - ending					\$ 28,152,219	\$ 29,743,792	\$ 57,896,011	\$ 7,503,586

See Notes to Financial Statements.

City of Groton, Connecticut

Balance Sheet - Governmental Funds
June 30, 2014

	Major Funds		Non-Major	Total
	General Fund	Equipment Replacement Account	Governmental Funds	Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,074,077	\$ -	\$ 731,088	\$ 6,805,165
Investments	-	464,039	-	464,039
Receivables:				
Property taxes	38,309	-	-	38,309
Intergovernmental and other	193,738	-	-	193,738
Restricted cash	-	3,474,750	60,000	3,534,750
Due from other funds	3,559,152	1,582,429	960,876	6,102,457
Inventory of supplies, at cost	9,750	-	-	9,750
Total assets	\$ 9,875,026	\$ 5,521,218	\$ 1,751,964	17,148,208
Liabilities				
Accounts payable and accrued liabilities	468,482	129,436	3,567	601,485
Due to other funds	5,217,841	491,866	696,030	6,405,737
Unearned revenue	-	-	58,799	58,799
Total liabilities	5,686,323	621,302	758,396	7,066,021
Deferred Inflows of Resources				
Unavailable revenue	34,813	-	-	34,813
Fund Balances				
Nonspendable	9,750	-	-	9,750
Restricted	-	-	633,791	633,791
Committed	658,790	4,899,916	383,430	5,942,136
Assigned	160,862	-	-	160,862
Unassigned	3,324,488	-	(23,653)	3,300,835
Total fund balances	4,153,890	4,899,916	993,568	10,047,374
Total liabilities, deferred inflows of resources and fund balances	\$ 9,875,026	\$ 5,521,218	\$ 1,751,964	

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

Capital assets purchased by governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the City as a whole.	23,971,088
Deferred inflows of resources	34,813
Deferred outflows of resources	69,855
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 position.	2,235,787
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(8,131,332)
Accrued interest payable not recorded in funds.	(75,366)

Net position of governmental activities

\$ 28,152,219

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 For the Year Ended June 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Equipment Replacement Fund	Non-Major Governmental Funds	
Revenues				
Property taxes	\$ 6,166,362	\$ -	\$ -	\$ 6,166,362
Intergovernmental	5,226,318	477,338	382,988	6,086,644
Charges for services	1,478,824	-	-	1,478,824
Income from investments	140,255	74,231	1,408	215,894
Other	74,320	4,992	208,972	288,284
Total revenues	13,086,079	556,561	593,368	14,236,008
Expenditures				
Current:				
General government	2,033,817	-	57,021	2,090,838
Public safety	7,175,332	-	33,221	7,208,553
Public works	4,666,194	-	-	4,666,194
Parks and recreation	1,290,576	-	-	1,290,576
Non-departmental	84,429	-	-	84,429
Capital outlay	-	1,012,139	-	1,012,139
Debt service:				
Bond principal	793,000	-	-	793,000
Bond and note interest	196,185	-	-	196,185
Total expenditures	16,239,533	1,012,139	90,242	17,341,914
Excess (deficiency) of revenues over expenditures	(3,153,454)	(455,578)	503,126	(3,105,906)
Other Financing Sources (Uses)				
Transfers in	3,119,496	-	464,533	3,584,029
Transfers out	(464,533)	-	-	(464,533)
Total other financing sources (uses)	2,654,963	-	464,533	3,119,496
Net change in fund balances	(498,491)	(455,578)	967,659	13,590
Fund Balances, beginning	4,652,381	5,355,494	25,909	10,033,784
Fund Balances, ending	\$ 4,153,890	\$ 4,899,916	\$ 993,568	\$ 10,047,374

See Notes to Financial Statements.

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, 2014**

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

Net change in fund balances – total governmental funds	\$	13,590
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(76,746)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		88,167
Change in net pension (assets) obligation		(308,754)
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 position. Also, governmental funds report the effect of 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.		804,774
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.		(94,479)
The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>(430,017)</u>
Change in net position of governmental activities	<u>\$</u>	<u>(3,465)</u>

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2014

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Assets				
Current Assets:				
Cash	\$ 9,347,017	\$ 2,635,081	\$ 11,982,098	\$ 2,889,156
Receivables:				
Use charges (net of allowance for uncollectibles of \$75,000 and \$2,453, respectively)	7,970,704	1,183,260	9,153,964	28,590
Accrued utility revenue	1,226,646	-	1,226,646	-
Due from other funds	303,277	2,223,711	2,526,988	-
Prepaid expenses	88,561	91,461	180,022	-
Inventory	1,804,900	107,317	1,912,217	-
Total current assets	20,741,105	6,240,830	26,981,935	2,917,746
Noncurrent Assets:				
Amount held at CMEEC	838,233	-	838,233	-
Equity in joint venture investments	7,503,586	-	7,503,586	-
Due from component units	3,398,800	-	3,398,800	-
Notes receivable	-	141,768	141,768	-
Total noncurrent assets	11,740,619	141,768	11,882,387	-
Deferred Outflows of Resources				
Deferred charges on refundings	-	-	-	-
Capital Assets (net of accumulated depreciation):				
Land and land rights	707,176	2,135,643	2,842,819	-
Construction in progress	2,239,499	2,011,625	4,251,124	-
Buildings and improvements	277,471	3,891,549	4,169,020	-
Plant and pumping stations	-	4,059,110	4,059,110	-
Station equipment	8,023,131	-	8,023,131	-
Electric distribution system	18,410,203	-	18,410,203	-
Water distribution system	-	16,764,827	16,764,827	-
Machinery and equipment	559,851	190,679	750,530	-
Vehicles	652,245	79,812	732,057	-
Total capital assets (net of accumulated depreciation)	30,869,576	29,133,245	60,002,821	-
Total noncurrent assets	42,610,195	29,275,013	71,885,208	-
Total assets	\$ 63,351,300	\$ 35,515,843	\$ 98,867,143	\$ 2,917,746

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2014

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Liabilities				
Current Liabilities:				
Accounts payable	\$ 7,010,317	\$ 498,397	\$ 7,508,714	\$ 290,842
Accrued payroll and compensated absences	298,685	239,588	538,273	-
Accrued taxes	343,314	38,349	381,663	-
Accrued interest payable	589,821	80,000	669,821	-
Due to other funds	2,223,708	-	2,223,708	-
General obligation bonds payable - current portion	2,840,000	737,330	3,577,330	-
Customer deposits payable	4,812,230	29,500	4,841,730	-
Total current liabilities	18,118,075	1,623,164	19,741,239	290,842
Noncurrent Liabilities:				
Rate stabilization	301,688	-	301,688	-
General obligation bonds and notes payable - net of premium and deferred amounts	40,531,840	5,299,630	45,831,470	-
Unamortized premium	1,759,402	245,014	2,004,416	-
Pension Obligation	248,025	63,206	311,231	-
Net OPEB obligation	759,420	565,004	1,324,424	-
Total noncurrent liabilities	43,600,375	6,172,854	49,773,229	-
Total liabilities	61,718,450	7,796,018	69,514,468	290,842
Net Position				
Net investment in capital assets	9,723,334	22,851,271	32,574,605	-
Unrestricted (deficit)	(8,090,484)	4,868,554	(3,221,930)	2,626,904
Total net position	\$ 1,632,850	\$ 27,719,825	29,352,675	\$ 2,626,904
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			391,117	
Net Position of Business-Type Activities			\$ 29,743,792	

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Operating Revenues	\$ 63,494,427	\$ 9,858,947	\$ 73,353,374	\$ 4,120,644
Operating Expenses				
Direct Expenses:				
Purchased power	41,500,346	-	41,500,346	-
Other	2,271,892	3,573,225	5,845,117	-
Overhead Expenses:				
Customer account	1,623,372	390,760	2,014,132	-
Administrative and general	5,469,550	3,314,247	8,783,797	-
Claims and administration	-	-	-	4,497,593
Taxes	1,665,099	305,807	1,970,906	-
Depreciation	1,742,881	813,612	2,556,493	-
Total operating expenses	54,273,140	8,397,651	62,670,791	4,497,593
Operating income (loss)	9,221,287	1,461,296	10,682,583	(376,949)
Nonoperating Revenues (Expenses)				
Investment income	373,784	13,427	387,211	2,659
Interest expense	(2,025,801)	(296,576)	(2,322,377)	-
Equity in earnings/losses in investments	234,359	-	234,359	-
Total nonoperating revenues (expenses)	(1,417,658)	(283,149)	(1,700,807)	2,659
Income (loss) before transfers	7,803,629	1,178,147	8,981,776	(374,290)
Transfers out	(3,119,496)	-	(3,119,496)	
Changes in net position	4,684,133	1,178,147	5,862,280	(374,290)
Net Position, beginning,	(3,051,283)	26,541,678	23,490,395	3,001,194
Net Position, ending	\$ 1,632,850	\$ 27,719,825	29,352,675	\$ 2,626,904
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Proprietary Funds			(55,727)	
Change in Net Position of Business-Type Activities			\$ 5,806,553	

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Cash Flows From Operating Activities				
Cash received from customers	\$ 59,461,355	\$ 9,793,733	\$ 69,255,088	\$ -
Cash payments to suppliers for goods and services	(41,913,657)	(4,148,003)	(46,061,660)	-
Cash payments to employees for services	(8,414,550)	(3,869,728)	(12,284,278)	-
Cash received from premiums	-	-	-	4,120,644
Cash paid for claims	-	-	-	(4,235,466)
Cash paid for administration	-	-	-	(212,532)
Net cash provided by (used in) operating activities	9,133,148	1,776,002	10,909,150	(327,354)
Cash Flows From Investing Activities				
Repayments of note receivable	-	115,297	115,297	-
Interest and dividends on investments	373,784	13,427	387,211	2,659
Net cash provided by investing activities	373,784	128,724	502,508	2,659
Cash Flows From Noncapital and Related Financing Activities				
Repayment of CMEEC loan	(200,400)	-	(200,400)	-
Proceeds from Bozrah Light and Power	200,400	-	200,400	-
Transfers to other funds	(3,119,496)	-	(3,119,496)	-
Advance to Thames Valley Communications, Inc.	(208,567)	-	(208,567)	-
Amount held at CMEEC	1,472,939	-	1,472,939	-
Net cash used in noncapital and related financing activities	(1,855,124)	-	(1,855,124)	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(583,434)	(1,486,172)	(2,069,606)	-
Principal paid on general obligation bond maturities and equipment contracts	(2,976,694)	(685,184)	(3,661,878)	-
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(1,954,739)	(287,230)	(2,241,969)	-
Net cash provided by used in capital and related financing activities	(5,514,867)	(2,458,586)	(7,973,453)	-
Net increase (decrease) in cash and cash equivalents	2,136,941	(553,860)	1,583,081	(324,695)
Cash and Cash Equivalents, beginning	7,210,076	3,188,941	10,399,017	3,213,851
Cash and Cash Equivalents, ending	\$ 9,347,017	\$ 2,635,081	\$ 11,982,098	\$ 2,889,156

(Continued)

City of Groton, Connecticut

Statement of Cash Flows - Proprietary Funds, Continued
For the Year Ended June 30, 2014

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 9,221,287	\$ 1,461,296	\$ 10,682,583	\$ (376,949)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,742,881	813,612	2,556,493	-
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(2,963,486)	(65,214)	(3,028,700)	(28,590)
Accrued utility revenue	119,573		119,573	-
Inventory	(160,246)	46,995	(113,251)	-
Prepaid expenses	(41,722)	(91,461)	(133,183)	-
Due from other funds	391,161	(518,520)	(127,359)	-
Bond issue costs	291,680	-	291,680	-
Pension asset	137,774	99,236	237,010	-
Increase (decrease) in:				
Accounts payable	867,014	(9,300)	857,714	78,185
Accrued payroll and compensated absences	13,206	(12,038)	1,168	-
Accrued taxes	(33,403)		(33,403)	-
Due to other funds	510,694	(2,492)	508,202	-
Rate stabilization	(1,189,159)	-	(1,189,159)	-
Pension obligation	248,025	63,206	311,231	-
Net OPEB obligation	(22,131)	(9,318)	(31,449)	-
Net cash provided by (used in) operating activities	\$ 9,133,148	\$ 1,776,002	\$ 10,909,150	\$ (327,354)

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2014

	Pension Trust Funds
<hr/>	
Assets	
Cash	\$ 3,215,145
Investments, at fair value	
U.S. government bonds	6,906,337
U.S. government securities	3,255,890
Collateralized mortgage obligations	7,795,357
Fixed income - non profit	249,100
Municipal obligations	322,084
Corporate bonds	7,245,303
Foreign bonds	740,501
Foreign stock	11,007,526
Mutual funds:	
Equities and related securities	35,333,527
Fixed income	2,942,784
Total investments	<u>75,798,409</u>
Accrued interest	167,714
Total assets	<u>79,181,268</u>
Liabilities	
Pending purchases	<u>1,055,189</u>
Net Position - Restricted for Pension and Other Post Retirement Benefits	<u>\$ 78,126,079</u>

See Notes to Financial Statements.

City of Groton, Connecticut

Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2014

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 2,926,121
Plan members	<u>722,450</u>
Total contributions	<u><u>3,648,571</u></u>
Investment Income:	
Change in fair value of investments	8,540,880
Interest and dividends	<u>2,336,380</u>
Total investment income	<u>10,877,260</u>
Less investment expenses	<u>104,522</u>
Net investment income	<u><u>10,772,738</u></u>
Total additions	<u><u>14,421,309</u></u>
Deductions	
Benefits	4,925,248
Administration	<u>41,313</u>
Total deductions	<u><u>4,966,561</u></u>
Change in net position	9,454,748
Net Position	
Beginning of year	<u>68,671,331</u>
End of year	<u><u>\$ 78,126,079</u></u>

See Notes to Financial Statements.

City of Groton, Connecticut

Notes to Financial Statements

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.

Discretely Presented Component Unit: 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, 2014.

Accounting Standards Adopted in the Current Year:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was implemented as July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, deferred amounts on refundings were required to be reclassified to Deferred Outflows of Resources. In addition, amounts previously classified as unavailable revenue were reclassified as Deferred Inflows of Resources.

GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25, issued in June 2012, was effective for the City as of July 1, 2013. This Statement replaces the requirements of *Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and *Statement No. 50, Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of *Statements 25 and 50* remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The implementation of this statement did not have a material impact on the City's financial statements.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the City's financial statements.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide, proprietary funds and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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 *Enterprise Replacement Account Fund* is used to account for capital assets acquisition and construction from general government resources.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following other fund types:

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

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, Deferred Outflows/Inflows of Resources and Net Position 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.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Receivables and Payables:

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

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

In the fund financial statements, property tax receivables are recorded as of levy date and property tax revenue is recognized when it becomes available. Available means then due or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property taxes not collected during the 60-day period are recorded as deferred revenue.

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

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

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

Restricted Assets: The restricted assets for the City are restricted for endowment purposes. The trust agreement restricts the expenditure of the investment income only for the designated purpose. The City also restricts cash for unspent bond proceeds.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental (or business-type activities) columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements, and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Only the City's governmental funds have unavailable revenue items in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences: City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for the amounts that have become due. Amounts for compensated absences are generally liquidated by the General Fund for governmental activities, and in proprietary funds for business-type activities.

The liability for sick leave occurs only at the time of retirement and only for employees other than utility employees. As of June 30, 2014, an estimate of future retirements has been recorded based upon years of service.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 position. Bond premiums and discounts 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 cost are recognized during the current period.

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.

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

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

OPEB Accounting:

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

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

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity and Net Position: In the Government-Wide Financial Statements, net position is classified in the following categories:

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

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

- *Nonspendable Fund Balance* - These amounts cannot be spent because they are not in spendable form.
- *Restricted Fund Balance* - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- *Committed Fund Balance* – This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Groton City Council is the highest level of decision making authority for the City and can commit fund balance through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until similar action is taken to remove or revise the limitation.
- *Assigned Fund Balance* - These amounts are approved and committed to by the City Council subsequent to June 30, 2014. 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.

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.

City of Groton, Connecticut

Notes to Financial Statements

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

Bonds payable	\$ 5,635,000
Premium	-
Compensated absences	1,050,245
Pension obligation	255,803
OPEB obligation	650,451
Heart and hypertension	<u>205,152</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 7,796,651</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities: The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position 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	\$ 756,665
Depreciation expense	<u>(833,411)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (76,746)</u>

City of Groton, Connecticut

Notes to Financial Statements

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

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 position. Also, governmental funds report the effect of 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	\$ 30,730
Deferred items	(18,956)
Principal repayments	
General obligation debt	<u>793,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 804,774</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Changes in accrued liabilities for:	
Compensated absences	\$ 87,570
Accrued interest	(35,241)
Pension obligation	(255,803)
OPEB obligation	29,864
Heart and hypertension	<u>79,131</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (94,479)</u>

Note 3. Cash, Cash Equivalents 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.

City of Groton, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

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

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

Concentration of Credit Risk: The City, including its Pension Trust Funds, does not have a formal policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer. Approximately 12% of the City's investments are concentrated in mortgage-backed securities.

Custodial Credit Risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2014, \$6,628,285 of the entity's bank balance of \$8,387,170 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

City of Groton, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Cash, cash equivalents and investments of the City consist of the following at June 30, 2014:

Cash and Cash Equivalents

Deposits with financial institutions	\$ 14,458,074
Cutwater Asset Management - Connecticut Class Plus	15,569,296
Total cash and cash equivalents	<u>30,027,370</u>

Investments

Pension Trust Funds	
U.S. Government Bonds	6,906,337
Mortgage-Backed Securities	3,255,890
Collateralized Mortgage Obligations	7,795,357
Fixed Income - Non Profit	249,100
Municipal Obligations	322,084
Corporate Bonds	7,245,303
Foreign Bonds	740,501
Foreign Stock	11,007,526
Mutual Funds	
Equity	35,333,527
Fixed Income	2,942,784
	<u>75,798,409</u>

Other Governmental Funds

U.S. Government Bonds	108,928
Equity Securities	254,428
Equity Mutual Funds	40,308
Corporate Bonds	60,375
	<u>464,039</u>

Total investments 76,262,448

Total cash, cash equivalents and investments \$ 106,289,818

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

Note 3. Cash, Cash Equivalents and Investments (Continued)

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

Statement of Net Position

Cash and cash equivalents	\$ 23,277,475
Investments	464,039
Restricted cash	3,534,750
Total Statement of Net Position	27,276,264

Fiduciary Funds

Cash and cash equivalents	3,215,145
Investments	75,798,409
	79,013,554

Total cash, cash equivalents and investments **\$ 106,289,818**

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	\$ 7,015,265	\$ -	\$ 3,339,290	\$ 2,861,375	\$ 814,600
Collateralized Mortgage Obligations	7,795,357	-	2,695,379	330,489	4,769,489
Mortgage-Backed Securities	3,252,890	-	-	-	3,252,890
Fixed Income - Non Profit	249,100	-	-	249,100	-
Municipal Bonds	322,084	-	-	60,343	261,741
Corporate Bonds	7,305,678	205,778	3,026,355	2,006,807	2,066,738
Foreign Bonds	740,501	-	693,327	47,174	-
Fixed income funds	2,942,784	697,482	-	2,245,302	-
Total	\$ 29,623,659	\$ 903,260	\$ 9,754,351	\$ 7,800,590	\$ 11,165,458

City of Groton, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Foreign Currency Risk: The City and the Pension Trust Fund do not have a policy for foreign currency risk. The City's and the Pension Trust Fund's exposure to foreign currency related to stocks as of June 30, 2014, is as follows:

Currency	Fair Value
Euro Currency Unit	\$ 3,403,188
Chinese Renminbi	146,559
Japanese Yen	927,817
Malaysian Ringgit	120,610
Brazilian Real	602,099
Australian Dollar	532,219
Canadian Dollar	1,456,456
Swiss Franc	1,528,976
British Pound	1,351,418
South Korean won	82,107
Norwegian Krone	186,540
Bermuda Dollar	296,921
Singapore Dollar	114,152
Taiwan Dollar	95,079
Indonesian Rupiah	53,059
Indian Rupee	110,336

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, 2014.

Average Rating	Mortgage-Backed Securities	Collateralized Mortgage Oblig.	Fixed Income Mutual Funds	Municipal Obligations	Corporate Bonds	Foreign Bonds	Pooled Fixed Income
AAAm	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,569,296
AAA	1,655,840	491,721	380,056	218,713	-	-	-
AA+	-	-	-	103,370	366,916	-	-
AA	-	-	31,671	-	414,664	-	-
AA-	-	-	-	-	150,015	-	-
A+	-	347,745	-	-	232,668	237,026	-
A	-	562,344	63,343	-	1,975,891	94,116	-
A-	-	545,693	-	-	1,613,621	249,388	-
BBB+	-	643,770	-	-	679,250	47,174	-
BBB	-	2,188,056	113,092	-	833,101	112,797	-
BBB-	-	574,688	-	-	744,218	-	-
BB+	-	-	-	-	-	-	-
BB	-	-	31,671	-	-	-	-
B	-	-	2,297,614	-	-	-	-
Below B	-	-	6,334	-	-	-	-
Unrated	1,600,050	2,441,340	19,003	-	295,335	-	-
	<u>\$ 3,255,890</u>	<u>\$ 7,795,357</u>	<u>\$ 2,942,784</u>	<u>\$ 322,083</u>	<u>\$ 7,305,679</u>	<u>\$ 740,501</u>	<u>\$ 15,569,296</u>

City of Groton, Connecticut

Notes to Financial Statements

Note 4. Unearned Revenue/Deferred Inflow of Resources

Governmental funds report deferred inflow of resources 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 inflows of resources were as follows:

	Unavailable Inflows	Unearned Revenue
General Fund		
Taxes and accrued interest on delinquent property taxes	\$ 34,813	\$ -
Other Nonmajor Governmental Funds		
Intergovernmental revenue	-	58,799
Total	\$ 34,813	\$ 58,799

Note 5. Interfund Balances and Interfund Transfers

Interfund Balances: A summary of interfund balances as of June 30, 2014 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 3,559,152	\$ 5,217,841
Equipment Replacement Account Fund	1,582,429	491,866
Non-Major Funds	960,876	696,030
Proprietary Funds	2,526,988	2,223,708
Total	\$ 8,629,445	\$ 8,629,445

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

Interfund Transfers: A summary of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 3,119,496	\$ 464,533
Nonmajor Governmental Funds	464,533	
Proprietary Funds	-	3,119,496
Total	\$ 3,584,029	\$ 3,584,029

City of Groton, Connecticut

Notes to Financial Statements

Note 5. Interfund Balances and Interfund Transfers (Continued)

Transfers are used to account for the financing by the general fund of electric utilities and road maintenance projects.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,789,257	\$ -	\$ -	\$ 3,789,257
Construction in progress	9,350	740,517	-	749,867
Total capital assets, not being depreciated	3,798,607	740,517	-	4,539,124
Capital assets, being depreciated:				
Land improvements	747,479	-	-	747,479
Buildings and improvements	12,960,813	-	-	12,960,813
Machinery and equipment	3,817,500	16,148	-	3,833,648
Vehicles	5,494,520	-	-	5,494,520
Infrastructure	16,888,616	-	-	16,888,616
Total capital assets being depreciated	39,908,928	16,148	-	39,925,076
Less accumulated depreciation for:				
Land improvements	455,754	28,752	-	484,506
Buildings and improvements	7,034,849	177,007	-	7,211,856
Machinery and equipment	3,261,418	27,973	-	3,289,391
Vehicles	2,909,237	320,635	-	3,229,872
Infrastructure	5,998,443	279,044	-	6,277,487
Total accumulated depreciation	19,659,701	833,411	-	20,493,112
Total capital assets, being depreciated, net	20,249,227	(817,263)	-	19,431,964
Governmental activities capital assets, net	\$ 24,047,834	\$ (76,746)	\$ -	\$ 23,971,088

City of Groton, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,842,819	\$ -	\$ -	\$ 2,842,819
Construction in progress	4,786,779	855,261	1,390,916	4,251,124
Total capital assets, not being depreciated	<u>7,629,598</u>	<u>855,261</u>	<u>1,390,916</u>	<u>7,093,943</u>
Capital assets, being depreciated:				
Buildings and improvements	8,109,597	48,692	31,691	8,126,598
Station equipment	19,761,866	1,120,353	47,186	20,835,033
Electric distribution system	37,426,766	769,027	-	38,195,793
Plant and pumping stations	10,535,274	88,936	17,149	10,607,061
Water distribution system	24,651,186	477,151	-	25,128,337
Machinery and equipment	6,187,576	104,037	-	6,291,613
Vehicles	3,549,504	45,383	-	3,594,887
Total capital assets, being depreciated	<u>110,221,769</u>	<u>2,653,579</u>	<u>96,026</u>	<u>112,779,322</u>
Less accumulated depreciation for:				
Buildings and improvements	3,779,653	177,925	-	3,957,578
Station equipment	12,438,583	373,319	-	12,811,902
Electric distribution system	18,832,397	981,312	28,119	19,785,590
Plant and pumping stations	6,247,596	319,944	19,589	6,547,951
Water distribution system	8,045,064	318,446	-	8,363,510
Machinery and equipment	5,372,036	169,047	-	5,541,083
Vehicles	2,646,330	216,500	-	2,862,830
Total accumulated depreciation	<u>57,361,659</u>	<u>2,556,493</u>	<u>47,708</u>	<u>59,870,444</u>
Total capital assets, being depreciated, net	<u>52,860,110</u>	<u>97,086</u>	<u>48,318</u>	<u>52,908,878</u>
Business-type activities capital assets, net	<u>\$ 60,489,708</u>	<u>\$ 952,347</u>	<u>\$ 1,439,234</u>	<u>\$ 60,002,821</u>

City of Groton, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

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

Governmental Activities

General government	\$ 38,037
Public safety	176,484
Public works	587,298
Recreation	31,591
Total depreciation expense – governmental activities	\$ 833,410

Business-Type Activities

Electric Department	\$ 1,742,881
Water System	813,612
Total depreciation expense – business-type activities	\$ 2,556,493

Discretely Presented Component Units: Activity for Bozrah Light and Power Company for the year ended June 30, 2014, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated				
Land and land rights	\$ 67,706	\$ -	\$ -	\$ 67,706
Intangibles	4,711	-	-	4,711
Construction in progress	577,495	451,737	641,487	387,745
Total capital assets not being depreciated	<u>649,912</u>	<u>451,737</u>	<u>641,487</u>	<u>460,162</u>
Capital assets being depreciated:				
Buildings and improvements	375,718	15,164	-	390,882
Electric distribution system	14,393,123	625,323	12,913	15,005,533
Machinery and equipment	424,012	1,000	6,197	418,815
Vehicles	585,380	-	-	585,380
Total capital assets, being depreciated	<u>15,778,233</u>	<u>641,487</u>	<u>19,110</u>	<u>16,400,610</u>
Less accumulated depreciation for:				
Building and improvements	253,757	11,734	-	265,491
Electric distribution system	4,770,430	491,425	12,913	5,248,942
Machinery and equipment	418,815	-	-	418,815
Vehicles	417,007	25,240	-	442,247
Total accumulated depreciation	<u>5,860,009</u>	<u>528,399</u>	<u>12,913</u>	<u>6,375,495</u>
Total capital assets, being depreciated, net	<u>9,918,224</u>	<u>113,088</u>	<u>6,197</u>	<u>10,025,115</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,568,136</u>	<u>\$ 564,825</u>	<u>\$ 647,684</u>	<u>\$ 10,485,277</u>

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations

A summary of changes in outstanding long-term debt during the year ended June 30, 2014 is as follows:

Governmental Activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Current Portion
BONDS									
General	\$ 880,000	10/01/07	10/01/17	4.00%-4.50%	\$ 430,000	\$ -	\$ 90,000	\$ 340,000	\$ 85,000
General	849,000	10/08/09	07/15/22	1.75%-5.00%	567,000	-	157,000	410,000	105,000
General	1,725,000	10/01/09	10/01/29	1.75%-5.00%	1,380,000	-	115,000	1,265,000	115,000
General	3,115,000	4/18/13	4/1/33	3.00%-5.00%	3,115,000	-	150,000	2,965,000	150,000
Sewer	1,140,000	02/15/06	02/15/16	3.60%-4.00%	330,000	-	110,000	220,000	115,000
Sewer	665,000	10/08/09	07/15/22	1.75%-5.00%	146,000	-	146,000	-	-
Sewer	460,000	4/8/13	4/1/33	3.00%-5.00%	460,000	-	25,000	435,000	25,000
Total bonds					6,428,000	-	793,000	5,635,000	595,000
Compensated absences					1,137,815	726,677	814,247	1,050,245	210,049
Pension Obligation					-	255,803	-	255,803	-
Net OPEB Obligation					680,315	-	29,864	650,451	-
Heart and Hypertension					284,283	-	79,131	205,152	79,000
Total Governmental Activities Long-Term Liabilities					\$ 8,530,413	\$ 982,480	\$ 1,716,242	\$ 7,796,651	\$ 884,049

Business-Type Activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Current Portion
BONDS									
Electric Bonds	400,000	02/15/03	11/15/16	3.00%-3.10%	\$ 75,000	\$ -	\$ 25,000	\$ 50,000	\$ 25,000
Electric Bonds	1,293,000	02/15/06	02/15/26	3.60%-4.00%	2,804,310	-	216,270	2,588,040	215,000
Electric Bonds	3,500,000	10/01/07	10/01/27	4.00%-4.50%	2,625,000	-	175,000	2,450,000	175,000
Electric Bonds	5,640,000	10/08/09	07/15/22	1.75%-5.00%	5,040,000	-	530,000	4,510,000	525,000
Electric Bonds	5,800,000	10/01/09	10/01/29	1.75%-5.00%	4,930,000	-	290,000	4,640,000	290,000
Electric Bonds	1,845,000	4/18/13	4/1/33	3.00%-5.00%	1,845,000	-	95,000	1,750,000	95,000
Telecommunication	6,555,000	02/15/06	02/15/24	5.15%-5.75%	4,100,000	-	350,000	3,750,000	375,000
Telecommunication	10,000,000	10/01/07	10/01/27	5.375%-6.50%	7,500,000	-	500,000	7,000,000	500,000
Telecommunication	13,875,000	4/18/13	4/1/33	3.00%-5.00%	13,875,000	-	640,000	13,235,000	640,000
Total bonds					42,794,310	-	2,821,270	39,973,040	2,840,000
Note payable					3,599,200	-	200,400	3,398,800	-
Pension Obligation					-	248,025	-	248,025	-
Net OPEB Obligation					781,551	-	22,131	759,420	-
Total electric long-term obligations					47,175,061	248,025	3,043,801	44,379,285	2,840,000
Water Bonds	4,170,000	02/15/03	11/15/16	3.00%-3.10%	870,000	-	295,000	575,000	290,000
Water Bonds	1,662,000	02/15/06	02/15/26	3.00%-4.00%	1,085,690	-	83,730	1,001,960	85,000
Water Bonds	1,490,000	10/01/07	10/01/27	4.00%-4.50%	1,115,000	-	75,000	1,040,000	75,000
Water Bonds	1,656,000	10/08/09	07/15/22	1.75%-5.00%	1,257,000	-	172,000	1,085,000	165,000
Water Bonds	2,460,000	4/18/13	4/1/33	3.00%-5.00%	2,460,000	-	125,000	2,335,000	125,000
Total bonds					6,787,690	-	750,730	6,036,960	740,000
Pension Obligation					-	63,206	-	63,206	-
Net OPEB Obligation					574,322	-	9,318	565,004	-
Total Water Long-Term Obligations					7,362,012	63,206	760,048	6,665,170	740,000
Total Business-Type Long-Term Liabilities					\$ 54,537,073	\$ 311,231	\$ 3,803,849	\$ 51,044,455	\$ 3,580,000

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

The bonds issued for telecommunications are taxable bonds issued by the Electric Department for Thames Valley Communications, Inc., which was a wholly-owned by the City of Groton. On February 1, 2013, Thames Valley Communications, Inc. was sold and the balance of the telecommunication bonds will be paid by the Electric Department.

The annual requirements to amortize all bonded debt outstanding as of June 30, 2014, 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	
2015	\$ 455,000	\$ 172,981	\$ 140,000	\$ 25,205	\$ 2,840,000	\$ 1,678,275	\$ 740,000	\$ 214,866	\$ 6,266,327
2016	455,000	159,619	130,000	19,855	2,867,670	1,564,502	732,330	189,120	6,118,096
2017	450,000	145,325	25,000	15,075	2,926,270	1,446,830	443,730	168,978	5,621,208
2018	450,000	130,747	25,000	14,075	2,931,270	1,325,499	443,730	154,122	5,474,443
2019	265,000	118,706	25,000	13,075	2,951,270	1,295,778	438,730	138,892	5,246,451
2020-2025	1,625,000	482,037	150,000	55,200	17,108,620	4,408,534	1,961,380	531,306	26,322,077
Thereafter	1,280,000	189,400	160,000	23,450	8,347,940	732,528	1,277,060	160,652	12,171,030
	<u>\$ 4,980,000</u>	<u>\$ 1,398,815</u>	<u>\$ 655,000</u>	<u>\$ 165,935</u>	<u>\$ 39,973,040</u>	<u>\$ 12,451,946</u>	<u>\$ 6,036,960</u>	<u>\$ 1,557,936</u>	<u>\$ 67,219,632</u>

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

Note Payable: The City has a note payable to the Connecticut Municipal Electric Energy Cooperative's (CMEEC) Rate Stabilization Fund Trust. The proceeds were loaned to Bozrah Light and Power Company (BLP), a discretely presented component unit which were used to fund upgrades to its Stockhouse Road Substation. BLP will pay back the loan directly to CMEEC with a 4.5% interest rate per annum. Payment of principal became required when construction was completed in October 2011. The loan's principal balance is \$3,398,800. 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	\$ 13,921,469	\$ 5,834,189	\$ 8,087,280
Sewers	23,202,448	6,759,000	16,443,448

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$43,311,268.

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

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.

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, 2014, the City had no of defeased debt outstanding.

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
Fire department enhancement program	1,727,500	1,725,000	2,500
Public Improvements	8,770,689	2,510,000	6,260,689
Systems:			
Water	11,064,000	8,231,800	2,832,200
Electric	40,801,639	29,094,700	11,706,939
Sewer	34,000,000	-	34,000,000
Total	\$ 99,023,828	\$ 43,526,500	\$ 55,497,328

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, 2014 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. Compensated Absences were \$1,050,245 at June 30, 2014.

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

Note 8. Risk Management

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

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

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

In addition, the City has established an Internal Service Fund to reduce the cost of commercial insurance by raising the deductibles on the policies purchased. The City charges its departments premiums 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
2013	\$ 438,201	\$ 4,010,969	\$ 4,236,513	\$ 212,657
2014	212,657	4,313,651	4,235,466	290,842

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 Polices. 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

Note 9. 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, 2014 is \$41,500,346.

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.

Major Taxpayers/Customers: The City's two major taxpayers account for approximately 56% of the October 1, 2012 Grand List.

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

Note 10. 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 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, 2014, is based on customer usage. The Company has contracted with CMEEC to purchase its full requirements for electric capacity and energy from CMEEC.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans

Retirement Plan for the Employees of the City:

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.

Classes of Employees Covered: Based upon the actuarial valuation dated July 1, 2013, 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	37	30	12	67	146
Active employees	52	25	17	101	195
Total	89	55	29	168	341

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:

- 2.10% City and Utility Non-Union excluding management
- 2.10% for Utility AFSCME – 007 & Utility AFSCME - 818
- 2.67% for Police and Firefighters with a maximum benefit of 80%
- 2.30% for City and Utility Non-Union management

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

Note 11. Employee Retirement Plans (Continued)

Employee contributions are required as follows:

- 5.2% of pay for City and Utility Non-union employees
- 5.5% of pay for Other City and Utility Union employees
- 5.8% of pay for Utility AFSCME007 employees
- 6.0% of pay for Steelworkers and City Sewer
- 8.25% of pay for Police and Fire (Fire for the first 30 years of service)
- 6.0% of pay for Fire after 30 years of service

The City's contributions for the current year were determined as part of the July 1, 2013 actuarial valuation. Actuarial assumptions are summarized later in this note.

Schedule of Annual Required Contribution and Employer Contributions (GASB 27)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Actual Contribution
2012	\$ 2,016,200	89.0%	1,790,134
2013	2,026,400	85.0%	1,726,093
2014	2,346,731	52.6%	1,233,934

Funded Status and Funding Progress (GASB 27): The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL As A Percentage of Covered Payroll
July 1, 2013	\$ 67,484,336	\$ 69,784,492	\$ (2,300,156)	96.7%	\$ 15,121,066	15.2%

* 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.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans (Continued)

Annual Pension Cost and Net Pension (Asset) Obligation (GASB 27): The City's annual pension cost and net pension asset relative 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) Liability End of Year
2012	2,016,200	(89,938)	162,489	2,088,751	1,790,134	298,617	(1,199,172)	(900,555)
2013	2,026,400	(67,547)	122,026	2,080,884	1,726,093	354,791	(900,555)	(545,764)
2014	2,313,700	(40,932)	73,963	2,346,731	1,233,934	1,112,797	(545,764)	567,033

Three-Year Trend Information

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
2012	2,088,751	85.7%	(900,555)
2013	2,080,884	82.9%	(545,764)
2014	2,346,731	52.6%	567,033

Assumed Rate of Return (GASB 67): The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Pension Funds	
		Long-Term Expected Real Rate of Return	Weighting
US Large Cap Core Equity	22%	6.25%	1.38%
US Mid Cap Core Equity	5%	7.50%	0.38%
US Small Cap Core Equity	7%	7.50%	0.53%
Developed International Equity	15%	6.75%	1.01%
Emerging Market International Equity	6%	9.50%	0.57%
Global REIT's	5%	5.75%	0.29%
Intermediate Taxable Fixed Income	35%	1.30%	0.46%
High-Yield Taxable Fixed Income	3%	5.00%	0.15%
Cash Equivalents	2%	0.50%	0.01%
	100%		4.78%
Long- Term Inflation Expectation			3.00%
Long-Term Expected Nominal Return			<u>7.78%</u>

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans (Continued)

Rate of Return (GASB 67): For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) of the City (GASB 67): The components of the net pension (asset) liability of the City at June 30, 2014 were as follows:

Net Pension Liability (Asset) (GASB 67)	June 30, 2014
Total Pension Liability	\$ 72,547,719
Plan Fiduciary Net Position	\$ 75,273,240
Net Pension Liability (Asset)	\$ (2,725,521)
Plan Fiduciary Net Position as a percentage of Total Pension Liability (Asset)	103.76%
Covered- employee payroll	\$ 15,121,066
Net pension(asset) liability as a % of covered-employee payroll	-18.02%

Discount Rate The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

Discount rate	7.50%
Long-term expected rate of return, net of investment expense	7.50%
Municipal bond rate	N/A

Other Key Actuarial Assumptions:

Valuation date	July 1, 2013
Measurement date	June 30, 2014
Inflation	2.25%
Salary increases including inflation	3.50%
Mortality	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table projected to the valuation date with Scale AA.
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial Value of Assets, as developed over a four-year, 25% per year recognition period.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans (Continued)

Sensitivity Analysis (GASB 67): The following table presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	6.50%	7.50%	8.50%
Net Pension Liability (Asset) as of June 30, 2014	\$ 5,780,293	\$ (2,725,621)	\$ (9,902,983)

Other Post-Employment Benefits:

Plan Description: The City administers one single-employer, defined benefit post retirement healthcare plan, for the City of Groton's Other Post Employment Benefits (OPEB). The plan provides medical benefits and life insurance to eligible retirees and their spouses. The Plan does not issue a separate financial report.

Participant Counts: Based upon the actuarial valuation dated July 1, 2012, participants consisted of:

	City	Police	Fire	Utilities	Total
Retirees and beneficiaries	11	6	2	18	37
Active participants	52	25	17	101	195
Total	63	31	19	119	232

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.

Funded Status and Funding Progress: The funded status of the plan as of July 1, 2012 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over/(Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL As a Percentage of Covered Payroll
July 1, 2013	\$ 1,971,780	\$ 10,739,447	\$ (8,767,667)	18.4%	\$ 13,997,065	(62.6%)

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.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans (Continued)

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.

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	30 years, level dollar, open
Asset valuation method	market value

Actuarial assumptions:	
Investment rate of return	7.50%
Healthcare inflation rate	5.0%

Annual OPEB Cost and Net OPEB Obligation: The actuarially determined changes in the net OPEB obligation were as follows:

Annual required contribution	\$ 1,509,773
Interest on net pension obligation	152,714
Adjustment to ARC	<u>(160,330)</u>
Annual OPEB cost	1,502,157
Contributions made	<u>1,563,371</u>
Increase in net OPEB liability	(61,214)
Net OPEB obligation, beginning of year	<u>2,036,188</u>
Net OPEB obligation, end of year	<u><u>\$ 1,974,974</u></u>

Trend Information

Year Ending June 30,	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
2012	\$ 1,342,598	\$ 1,210,290	90%	\$ 1,523,153
2013	1,463,179	950,144	65%	2,036,188
2014	1,509,773	1,563,371	104%	1,974,974

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans (Continued)

Separate Plan Financial Information

	Schedule of Plan Net Position - Trust Funds As of June 30, 2014		
	Pension	OPEB	Total Trust Funds
Assets			
Cash	\$ 3,140,648	\$ 74,497	\$ 3,215,145
Investments, at fair value:			
U.S. government bonds	6,906,337	-	6,906,337
U.S. government securities	3,255,890	-	3,255,890
Collateralized mortgage obligations	7,795,357	-	7,795,357
Fixed income - Non profit	249,100		249,100
Municipal obligations	322,084	-	322,084
Corporate bonds	7,245,303	-	7,245,303
Foreign bonds	740,501	-	740,501
Foreign stock	11,007,526	-	11,007,526
Mutual funds:			
Equities and related securities	33,852,507	1,481,020	35,333,527
Fixed income	2,245,302	697,482	2,942,784
Total investments	73,619,907	2,178,502	75,798,409
Accrued interest	167,714	-	167,714
Total assets	76,928,269	2,252,999	79,181,268
Liabilities			
Pending purchases	1,055,189	-	1,055,189
Total liabilities	1,055,189	-	1,055,189
Net Position – Restricted for Pension Benefits and Other	\$ 75,873,080	\$ 2,252,999	\$ 78,126,079

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans (Continued)

	Schedule of Changes in Plan Net Position - Trust Funds For the Year Ended June 30, 2014		
	Pension	OPEB	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 1,362,750	\$ 1,563,371	\$ 2,926,121
Plan members	643,617	78,833	722,450
Total contributions	2,006,367	1,642,204	3,648,571
Investment income:			
Change in fair value of investments	8,312,995	227,885	8,540,880
Interest and dividends	2,291,135	45,245	2,336,380
Total investment income	10,604,130	273,130	10,877,260
Less investment expenses	103,361	1,161	104,522
Net investment income	10,500,769	271,969	10,772,738
Total additions	12,507,136	1,914,173	14,421,309
Deductions			
Benefits	3,886,877	1,038,371	4,925,248
Administration	39,131	2,182	41,313
Total deductions	3,926,008	1,040,553	4,966,561
Change in net position	8,581,128	873,620	9,454,748
Net Position			
Beginning of year	67,291,952	1,379,379	68,671,331
End of year	\$ 75,873,080	\$ 2,252,999	\$ 78,126,079

City of Groton, Connecticut

Notes to Financial Statements

Note 12. Fund Balances

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

	General Fund	Equipment Replacement Account Fund	Nonmajor Governmental Funds
Fund balances (deficits)			
Non-spendable:			
Inventory	\$ 9,750	\$ -	\$ -
Total non-spendable	9,750	-	-
Restricted:			
Parks and recreation	-	-	93,795
Public works	-	-	539,996
Capital outlay	-	-	-
Total restricted	-	-	633,791
Committed:			
Parks and recreation	-	-	383,003
General government	658,790	-	427
Capital outlay	-	4,899,916	-
Total committed	658,790	4,899,916	383,430
Assigned:			
General government	160,862	-	-
Total assigned	160,862	-	-
Unassigned:			
General government	3,324,488	-	-
Public works	-	-	(23,653)
Total unassigned (deficit)	3,324,488	-	(23,653)
Total fund balance	\$ 4,153,890	\$ 4,899,916	\$ 993,568

Note 13. Accounting Pronouncements

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

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and its amendment, GASB Statement No. 71, will be effective on July 1, 2014. This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required.

City of Groton, Connecticut

Notes to Financial Statements

Note 13. Accounting Pronouncements (Continued)

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, will be effective on July 1, 2014. This statement provides guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments.

Management has not yet determined the effect that the above GASB statements will have on the financial statements, but GASB Statement No. 68 will have an impact as the City will be required to record the net pension liability (asset).

Note 14. Subsequent Event

General Obligation Refunding Bonds: On July 9, 2014, the City issued \$15,360,000 of refunding bonds. The bonds mature through 2027 with interest rates ranging from 1.0% - 5.0% and payments from \$545,000 annually.

**Required Supplementary
Information - Unaudited**

City of Groton, Connecticut

**Required Supplementary Information
Schedule of Funding Progress and Schedule of Employer Contributions –
Groton Retirement System
June 30, 2014
(Unaudited)**

Schedule of Funding Progress - Pension						
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>						
2004	\$ 32,036,455	\$ 41,522,736	\$ 9,486,281	77.2%	\$ 10,933,635	86.8%
2005	33,927,678	43,786,010	9,858,332	77.5%	11,938,106	82.6%
2006	37,724,093	45,933,426	8,209,333	82.1%	13,640,651	60.2%
2007	44,268,484	49,792,927	(5,524,443)	88.9%	14,828,095	(37.3)%
2008	48,653,308	52,342,332	(3,689,024)	93.0%	14,218,244	(25.9)%
2009	50,381,140	56,046,214	(5,665,074)	89.9%	15,672,642	(36.1)%
2010	52,258,301	59,399,385	(7,141,084)	88.0%	15,551,655	(45.9)%
2011	54,649,695	61,742,310	(7,092,615)	88.5%	15,891,574	(44.6)%
2012	57,362,299	66,222,585	(8,860,286)	86.6%	16,321,691	(54.3)%
2013	67,484,336	69,784,492	(2,300,156)	96.7%	15,121,066	(15.2)%

Schedule of Employer Contributions - Pension					
Year Ended June 30,	Actuarially Determined Contributions (ADC)	Contribution in Relation to the ADC	Contributions Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage Covered Payroll
2005	\$ 1,582,700	\$ 1,630,917	\$ (48,217)	\$ 10,933,635	14.9%
2006	2,016,900	2,182,796	(165,896)	11,938,106	18.3%
2007	2,240,700	2,492,043	(251,343)	13,640,651	18.3%
2008	1,977,600	2,212,436	(234,836)	14,218,244	15.6%
2009	1,704,300	1,798,260	(93,960)	15,672,642	11.5%
2010	1,423,100	1,787,483	(364,383)	15,551,655	11.5%
2011	1,818,700	1,779,312	39,388	15,891,574	11.2%
2012	2,016,200	1,790,134	226,066	16,321,691	11.0%
2013	2,026,400	1,726,093	300,307	15,121,066	11.4%
2014	2,313,700	1,233,934	1,079,766	15,121,066	8.2%

City of Groton, Connecticut

Required Supplementary Information
 Schedule of Funding Progress and Schedule of Employer Contributions – OPEB
 June 30, 2014
 (Unaudited)

Schedule of Funding Progress – OPEB						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/(Under) Funded AAL As A Percentage of Covered Payroll
<u>July 1,</u>						
2007	\$ -	\$ 7,546,200	\$ (7,546,200)	0.0%	\$ 14,828,095	(50.9)%
2009	-	9,467,511	(9,467,511)	0.0%	14,871,492	(64.0)%
2011	656,070	11,958,268	(11,302,198)	5.0%	15,079,773	(75.0)%
2013	1,971,780	10,739,227	(8,767,447)	18.0%	13,997,065	(65.0)%

Schedule of Employer Contributions – OPEB			
Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$ 1,033,500	\$ 374,400	36%
2010	1,063,100	455,933	43%
2011	1,309,700	1,117,930	90%
2012	1,347,800	1,210,290	90%
2013	1,468,876	950,144	65%
2014	1,509,773	1,563,371	104%

City of Groton, Connecticut

Required Supplementary Information - unaudited
 Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios
 June 30, 2014
 Last Fiscal Year

	City
Changes in Net Pension Liability (Asset)	
Total Pension Liability	
Service cost	\$ 1,496,265
Interest on total pension liability	5,201,190
Benefit payments, including refunds of member contributions	<u>(3,934,229)</u>
Net change in total pension liability	2,763,226
Total pension liability, beginning	<u>69,784,493</u>
Total pension liability ending (a)	<u>72,547,719</u>
Fiduciary Net Position	
Employer contributions	\$ 1,233,934
Member contributions	582,715
Net investment income	9,945,716
Benefit payments	(3,934,229)
Administrative expenses	<u>(39,132)</u>
Net change in plan fiduciary net position	7,789,004
Fiduciary net position, beginning	<u>67,484,336</u>
Fiduciary net position, ending (b)	<u>75,273,340</u>
Net pension liability (asset), ending = (a) - (b)	<u>\$ (2,725,621)</u>
Fiduciary net position as a % of total pension liability (asset)	103.76%
Covered payroll	\$ 15,121,066
Net pension liability (asset) as a % of covered payroll	-18.03%

NOTE: As 2014 is the implementation year, only 2014 information is available.

City of Groton, Connecticut

Required Supplementary Information - Unaudited
Schedule of Revenues and Expenditures - Budget and Actual -
Budgetary Basis - General Fund
For the Year Ended June 30, 2014
(Unaudited)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,921,875	\$ 5,921,875	\$ 6,166,362	\$ 244,487
Intergovernmental	5,275,488	5,275,488	5,150,357	(125,131)
Charges for services	1,494,378	1,494,378	1,423,544	(70,834)
Miscellaneous revenues	65,500	65,500	205,560	140,060
Investment income and other sources	310,000	310,000	140,255	(169,745)
Total revenues	13,067,241	13,067,241	13,086,078	18,837
Expenditures				
Current:				
General government	2,091,170	2,091,170	2,043,799	47,371
Public safety	7,322,204	7,322,204	7,211,108	111,096
Public works	4,899,999	4,899,999	4,684,209	215,790
Parks and recreation	1,295,006	1,295,006	1,290,576	4,430
Non-departmental	111,000	111,000	84,429	26,571
Contingency	115,000	115,000	-	115,000
Debt service:				
Bond principal	835,000	835,000	793,000	42,000
Bond and note interest	232,146	232,146	196,185	35,961
Total expenditures	16,901,525	16,901,525	16,303,306	598,219
Excess (deficiency) of expenditures	(3,834,284)	(3,834,284)	(3,217,228)	617,056
Other Financing Sources (Uses)				
Transfers in	3,177,096	3,177,096	3,119,496	(57,600)
Appropriation of fund balance	657,188	657,188	-	(657,188)
Total other financing sources (uses)	3,834,284	3,834,284	3,119,496	(714,788)
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ -	(97,732)	\$ (97,732)
Budgetary Fund Balance, beginning			\$ 4,556,398	
Change in GAAP expenditures not recognized for budget purposes, reserves for advances, inventories and prepaids			(475,388)	
Budgetary Fund Balance, ending			\$ 3,983,278	

See Note to Required Supplementary Information.

City of Groton, Connecticut

**Note to Required Supplementary Information
(Unaudited)**

Note 1. Stewardship, Compliance and Accountability

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

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

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

	Revenue and Other Financing Sources	Expenditures, Encumbrances, and Other Financing Uses
Balance, budgetary basis, for year ended June 30, 2014	\$ 16,205,574	\$ 16,303,306
Changes in reserves for encumbrances, continued appropriations and liquidation of encumbrances	-	(63,773)
Balance, GAAP Basis, for year ended June 30, 2014	\$ 16,205,574	\$ 16,239,533

City of Groton, Connecticut

**Note to Required Supplementary Information (Continued)
(Unaudited)**

Note 1. Stewardship, Compliance and Accountability (Continued)

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 position 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.

**Combining and Individual Fund
Financial Statements and Other 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, 2014 and 2013

	2014	2013
Assets		
Cash	\$ 6,074,077	\$ 8,028,233
Receivables:		
Property taxes	38,309	70,052
Intergovernmental and other	193,738	44,340
Due from other funds	3,559,152	1,695,706
Inventory of supplies, at cost	9,750	49,908
Total assets	\$ 9,875,026	\$ 9,888,239
Liabilities		
Accounts payable and accrued liabilities	\$ 468,482	\$ 861,899
Due to other funds	5,217,841	4,315,859
Total liabilities	5,686,323	5,177,758
Deferred Inflow of Resources		
Unavailable revenue	34,813	58,100
Fund Balance		
Nonspendable	9,750	49,908
Restricted	658,790	657,188
Assigned	160,862	46,075
Unassigned	3,324,488	3,899,210
Total fund balance	4,153,890	4,652,381
Total liabilities, deferred inflow of resources, and fund balance	\$ 9,875,026	\$ 9,888,239

City of Groton, Connecticut

Schedule of Revenues and Other Financing Sources - Budgetary Basis - Budget and Actual -
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Taxes				
Current levy	\$ 5,899,875	\$ 5,899,875	\$ 6,127,196	\$ 227,321
Interest on taxes	20,000	20,000	37,414	17,414
Lien fees on taxes	2,000	2,000	1,752	(248)
Total taxes	5,921,875	5,921,875	6,166,362	244,487
Intergovernmental				
Town of Groton:				
Highway grant	2,254,608	2,254,608	2,047,998	(206,610)
Police grant	2,253,752	2,253,752	2,301,288	47,536
Health District	63,900	63,900	71,339	7,439
PILOT program	37,707	37,707	37,707	-
State of Connecticut:				
Boating grant	3,390	3,390	-	(3,390)
Civil preparedness	3,500	3,500	33,604	30,104
Town aid road	128,175	128,175	115,808	(12,367)
Total disabled	125	125	16	(109)
Elderly property	5,845	5,845	3,030	(2,815)
Enterprise zone	54,486	54,486	92,007	37,521
Manufacturers - machinery and equipment (PILOT)	440,000	440,000	-	(440,000)
Telephone access line	19,000	19,000	12,848	(6,152)
Miscellaneous grants	11,000	11,000	425,496	414,496
State Nitrogen Credits	-	-	9,216	9,216
Total intergovernmental revenue	5,275,488	5,275,488	5,150,357	(125,131)
Charges for Services and Facilities				
Municipal Building Rental:				
Electric department	111,495	111,495	111,492	(3)
Water department	33,555	33,555	33,552	(3)
Finance Department Services:				
Electric department	179,700	179,700	179,700	-
Water department	96,761	96,761	96,756	(5)
Human Resources Department Services:				
Electric department	101,739	101,739	98,988	(2,751)
Water department	54,783	54,783	53,304	(1,479)
Highway department sales	57,606	57,606	10,516	(47,090)
Sewer use	21,800	21,800	28,848	7,048
Public beach receipts	90,000	90,000	107,452	17,452
Recreation receipts	23,000	23,000	52,122	29,122
Parks receipts	10,000	10,000	9,653	(347)
Recycling	-	-	3,275	3,275

(Continued)

City of Groton, Connecticut

**Schedule of Revenues and Other Financing Sources - Budgetary Basis - Budget and Actual -
General Fund (Continued)
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Changes for Service and Facilities, Continued				
Fire protection:				
West Pleasant Valley Fire District	279,021	279,021	279,021	-
Outside services - police	15,218	15,218	46,367	31,149
Rent	20,000	20,000	1,027	(18,973)
Fines and forfeits	5,700	5,700	18,276	12,576
Licenses and permits	394,000	394,000	293,195	(100,805)
Total	1,494,378	1,494,378	1,423,544	(70,834)
Miscellaneous Revenues				
Investment income	310,000	310,000	140,255	(169,745)
Other revenue	65,500	65,500	205,560	140,060
Total miscellaneous revenues	375,500	375,500	345,815	(29,685)
Total revenues	13,067,241	13,067,241	13,086,078	18,837
Other Financing Sources				
Transfer in	3,177,096	3,177,096	3,119,496	(57,600)
Appropriation of fund balance	657,188	657,188	-	(657,188)
Total other financing sources	3,834,284	3,834,284	3,119,496	(714,788)
Total revenues and other financing sources	\$ 16,901,525	\$ 16,901,525	\$ 16,205,574	\$ (695,951)

City of Groton, Connecticut

Schedule of Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government				
Mayor's office	\$ 92,338	\$ 92,338	\$ 87,030	\$ 5,308
City clerk's office	370,247	345,247	346,886	(1,639)
Human resources	190,580	190,580	188,811	1,769
Finance department	603,586	603,586	611,039	(7,453)
Planning and zoning	583,733	583,733	523,031	60,702
Health services	71,400	71,400	71,339	61
Municipal building operation	113,500	113,500	106,239	7,261
Civil preparedness	26,786	26,786	30,993	(4,207)
Unallocated	39,000	64,000	78,431	(14,431)
Total general government	2,091,170	2,091,170	2,043,799	47,371
Public Safety				
Police Department:				
Supervision	110,770	110,770	110,086	684
Youth and community services	96,785	96,785	141,193	(44,408)
Criminal investigation	329,474	329,474	291,202	38,272
Uniformed patrol	4,039,279	4,039,279	3,948,607	90,672
Harbor patrol	12,609	12,609	4,651	7,958
Traffic control	26,078	26,078	17,479	8,599
Crossing guards	-	-	1,252	(1,252)
Police training	90,000	90,000	67,882	22,118
DWI project	26,350	26,350	3,868	22,482
Outside charges	15,218	15,218	38,672	(23,454)
Total police department	4,746,563	4,746,563	4,624,892	121,671
Fire Department	2,575,641	2,575,641	2,586,216	(10,575)
Total public safety	7,322,204	7,322,204	7,211,108	111,096
Public Works				
Highway Department:				
Highway maintenance	2,056,157	2,056,157	2,009,937	46,220
Sanitation	957,632	957,632	824,505	133,127
Snow removal	99,447	99,447	116,236	(16,789)
Inter-departmental services	14,083	14,083	6,493	7,590
Total highway department	3,127,319	3,127,319	2,957,171	170,148
Pollution Abatement Facility	1,772,680	1,772,680	1,727,038	45,642
Total public works	4,899,999	4,899,999	4,684,209	215,790

(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, 2014**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Parks and Recreation				
Supervision and general expenditures	396,717	396,717	389,810	6,907
Summer recreation	171,558	171,558	162,803	8,755
Beach activities	113,879	113,879	121,575	(7,696)
Winter recreation	30,275	30,275	26,180	4,095
Beach and park maintenance	582,577	582,577	590,208	(7,631)
Total parks and recreation	1,295,006	1,295,006	1,290,576	4,430
Non-Departmental				
General insurance	61,000	61,000	84,429	(23,429)
Pay adjustment	50,000	50,000	-	50,000
Total non-departmental	111,000	111,000	84,429	26,571
Contingency	115,000	115,000	-	115,000
Debt Service				
Bonded principal:				
Public improvements	530,000	530,000	512,000	18,000
Sewer authority	305,000	305,000	281,000	24,000
Total bonded principal	835,000	835,000	793,000	42,000
Bond and Note Interest:				
Public improvements	193,476	193,476	167,399	26,077
Sewer authority	38,670	38,670	28,786	9,884
Total bond and note interest	232,146	232,146	196,185	35,961
Total debt service	1,067,146	1,067,146	989,185	77,961
Total expenditures and other financing uses	\$ 16,901,525	\$ 16,901,525	\$ 16,303,306	\$ 598,219

City of Groton, Connecticut

Schedule of Property Taxes Levied, Collected and
Outstanding - General Fund
For the Year Ended June 30, 2014

Grand List Year	Uncollected Taxes	Current Levy	Lawful Corrections		Suspense Transfers and	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2014	
	July 1, 2013		Additions	Deletions	Adjustments		Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2012	\$ -	\$ 5,806,011	\$ 160,675	\$ 10,927	\$ 13,264	\$ 5,942,495	\$ 5,905,522	\$ 14,155	\$ -	\$ 5,919,677	\$ 36,973
2011	57,568	-	109	889	3,872	52,916	46,412	14,512	4,009	64,933	6,504
2010	12,257	-	173,143	207	1,824	183,369	182,252	4,923	1,239	188,414	1,117
2009	6,418	-	507	41	433	6,451	5,735	2,980	673	9,388	716
2008	749	-	-	3	5	741	741	929	442	2,112	-
2007	41	-	-	-	41	-	-	391	383	774	-
2006	5	-	-	-	5	-	-	267	238	505	-
2005	4	-	-	-	4	-	-	122	89	211	-
2004	5	-	-	-	5	-	-	239	113	352	-
2003	5	-	-	-	5	-	-	113	66	179	-
2002	-	-	-	-	-	-	-	230	125	355	-
2001	-	-	-	-	-	-	-	161	80	241	-
2000	-	-	-	-	-	-	-	104	48	152	-
1999	-	-	-	-	-	-	-	22	9	31	-
1998	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 77,052	\$ 5,806,011	\$ 334,434	\$ 12,067	\$ 19,458	\$ 6,185,972	\$ 6,140,662	\$ 39,148	\$ 7,514	\$ 6,187,324	\$ 45,310

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 Aid Road

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.

City of Groton, Connecticut

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds				Permanent Fund	Totals
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants	Submarine Memorial Fund	
Assets						
Cash	\$ 323,636	\$ -	\$ 20,555	\$ 386,470	\$ 427	\$ 731,088
Restricted cash	-	-	-	-	60,000	60,000
Due from other funds	275,159	672,377	13,240	100	-	960,876
Total assets	<u>\$ 598,795</u>	<u>\$ 672,377</u>	<u>\$ 33,795</u>	<u>\$ 386,570</u>	<u>\$ 60,427</u>	<u>\$ 1,751,964</u>
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	-	-	-	3,567	-	3,567
Due to other funds	-	696,030	-	-	-	696,030
Unearned revenue - performance	58,799	-	-	-	-	58,799
Total liabilities	<u>58,799</u>	<u>696,030</u>	<u>-</u>	<u>3,567</u>	<u>-</u>	<u>758,396</u>
Fund Balances (Deficits):						
Restricted	539,996	-	33,795	-	60,000	633,791
Committed	-	-	-	383,003	427	383,430
Unassigned (deficits)	-	(23,653)	-	-	-	(23,653)
Total fund balances (deficits)	<u>539,996</u>	<u>(23,653)</u>	<u>33,795</u>	<u>383,003</u>	<u>60,427</u>	<u>993,568</u>
Total liabilities and fund balances (deficits)	<u>\$ 598,795</u>	<u>\$ 672,377</u>	<u>\$ 33,795</u>	<u>\$ 386,570</u>	<u>\$ 60,427</u>	<u>\$ 1,751,964</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, 2014**

	Special Revenue Funds				Permanent Fund	Totals
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants	Submarine Memorial Fund	
Revenues						
Intergovernmental	\$ 154,839	\$ 205,952	\$ 22,197	\$ -	\$ -	\$ 382,988
Income from investments	-	-	-	1,227	181	1,408
Other	-	8,750	-	200,222	-	208,972
Total revenues	<u>154,839</u>	<u>214,702</u>	<u>22,197</u>	<u>201,449</u>	<u>181</u>	<u>593,368</u>
Expenditures						
Current:						
General government	-	-	-	57,021	-	57,021
Public safety	-	-	2,200	31,021	-	33,221
Total expenditures	<u>-</u>	<u>-</u>	<u>2,200</u>	<u>88,042</u>	<u>-</u>	<u>90,242</u>
Excess (deficiency) of expenditures	<u>154,839</u>	<u>214,702</u>	<u>19,997</u>	<u>113,407</u>	<u>181</u>	<u>503,126</u>
Other Financing Sources						
Transfer In	-	464,533	-	-	-	464,533
Total other financing sources	<u>-</u>	<u>464,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,533</u>
Net change in fund balances	154,839	679,235	19,997	113,407	181	967,659
Fund Balances (Deficits), beginning	<u>385,157</u>	<u>(702,888)</u>	<u>13,798</u>	<u>269,596</u>	<u>60,246</u>	<u>25,909</u>
Fund Balances (Deficits), ending	<u>\$ 539,996</u>	<u>\$ (23,653)</u>	<u>\$ 33,795</u>	<u>\$ 383,003</u>	<u>\$ 60,427</u>	<u>\$ 993,568</u>

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 Position - Electric Department - Enterprise Funds
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets:		
Cash	\$ 9,347,017	\$ 7,210,076
Receivables:		
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	7,970,704	5,007,218
Accrued utility revenue	1,226,646	1,346,219
Due from other funds	303,277	694,438
Prepaid expenses	88,561	46,839
Inventory	1,804,900	1,644,654
Total current assets	20,741,105	15,949,444
Noncurrent Assets:		
Amount held at CMEEC	838,233	2,311,172
Equity in joint venture investments	7,503,586	7,060,660
Due from component unit	3,398,800	3,599,200
Net pension asset	-	137,774
Deferred charges	-	291,680
Total noncurrent assets	11,740,619	13,400,486
Capital Assets (net of accumulated depreciation):		
Land and land rights	707,176	707,176
Construction in progress	2,239,499	3,630,414
Buildings and improvements	277,471	317,326
Station equipment	8,023,131	7,323,283
Electric distribution system	18,410,203	18,594,369
Machinery and equipment	559,851	605,409
Vehicles	652,245	851,046
Total capital assets (net of accumulated depreciation)	30,869,576	32,029,023
Total noncurrent assets	42,610,195	45,429,509
Total assets	\$ 63,351,300	\$ 61,378,953

	2014	2013
Liabilities		
Current Liabilities:		
Accounts payable	\$ 7,010,317	\$ 7,441,856
Accrued payroll and compensated absences	298,685	285,479
Accrued taxes	343,314	376,717
Accrued interest payable	589,821	518,759
General obligation bonds payable - current portion	2,840,000	2,820,000
Customer deposits payable	4,812,230	3,513,141
Due to other funds	2,223,708	1,713,550
Total current liabilities	18,118,075	16,669,502
Noncurrent Liabilities:		
Rate stabilization	301,688	1,490,847
General obligation bonds and notes payable - net of premium and deferred amount on refunding	40,531,840	43,573,504
Unamortized premium	1,759,402	1,914,832
Pension obligation	248,025	-
Net OPEB obligation	759,420	781,551
Total non-current liabilities	43,600,375	47,760,734
Total liabilities	61,718,450	64,430,236
Net Position (Deficit)		
Net investment in capital assets	9,723,334	12,794,887
Unrestricted (Deficit)	(8,090,484)	(15,846,170)
Total net position (deficit)	\$ 1,632,850	\$ (3,051,283)

City of Groton, Connecticut

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position -
 Electric Department - Enterprise Fund
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues	\$ 63,494,427	\$ 64,735,853
Operating Expenses		
Direct Expenses:		
Purchased power	41,500,346	42,506,246
Other	2,271,892	2,478,444
Overhead Expenses:		
Customer account	1,623,372	1,553,089
Administrative and general	5,469,550	5,825,962
Taxes	1,665,099	1,675,303
Depreciation	1,742,881	1,628,705
Total operating expenses	54,273,140	55,667,749
Operating income	9,221,287	9,068,104
Nonoperating Revenues (Expenses)		
Investment income	373,784	854,187
Interest expense	(2,025,801)	(1,711,757)
Equity earnings/losses in investments	234,359	(1,887,929)
Total nonoperating revenues (expenses)	(1,417,658)	(2,745,499)
Income before transfers out	7,803,629	6,322,605
Transfers out	(3,119,496)	(3,119,496)
Changes in net position (deficit)	4,684,133	3,203,109
Net Position (Deficit), beginning	(3,051,283)	(6,254,392)
Net Position (Deficit), ending	\$ 1,632,850	\$ (3,051,283)

City of Groton, Connecticut

Comparative Statements of Cash Flows - Electric Department - Enterprise Fund
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Cash received from customers	\$ 59,461,355	\$ 63,914,804
Cash payments to suppliers for goods and services	(41,913,657)	(44,554,640)
Cash payments to employees for services	(8,414,550)	(8,876,097)
Proceeds from Bozrah Light and Power	200,400	200,400
Repayment from CMEEC loan	(200,400)	(200,400)
Net cash provided by operating activities	9,133,148	10,484,067
Cash Flows From Noncapital and Related Financing Activities		
Transfers to other funds	(3,119,496)	(3,119,496)
Advances to Thames Valley Communications, Inc.	(208,567)	(2,044,530)
Amount held at CMEEC	1,472,939	28,304
Payment of bond anticipation notes	-	(16,150,000)
Net cash used in noncapital and related financing activities	(1,855,124)	(21,285,722)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(583,434)	(1,597,046)
Principal paid on general obligation bond maturities and equipment contracts	(2,976,694)	(2,138,690)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(1,954,739)	(1,721,317)
Proceeds from general bond obligation issue and premium	-	17,369,973
Net cash (used in) provided by capital and related financing activities	(5,514,867)	11,912,920
Cash Flows From Investing Activities		
Interest and dividends on investments	373,784	854,187
Net cash provided by investing activities	373,784	854,187
Net increase in cash and cash equivalents	2,136,941	1,965,452
Cash and Cash Equivalents, beginning	\$ 7,210,076	5,244,624
Cash and Cash Equivalents, ending	\$ 9,347,017	\$ 7,210,076
Schedule of Non-Cash, Non-Capital and Related Financing Activities		
Equity earnings/loss in joint venture investments	\$ 442,926	\$ 156,601

City of Groton, Connecticut

Comparative Statements of Cash Flows - Electric Department - Enterprise Fund, (Continued)
For the Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 9,221,287	\$ 9,068,104
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,742,881	1,628,705
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,963,486)	(513,941)
Accrued utility revenue	119,573	(155,205)
Inventory	(160,246)	(2,449)
Prepaid expenses	(41,722)	(16,107)
Due from other funds	391,161	(694,438)
Bond issue costs	291,680	-
Pension asset	137,774	89,564
Increase (decrease) in:		
Accounts payable	867,014	884,349
Accrued payroll and compensated absences	13,206	(91,322)
Accrued taxes	(33,403)	46,298
Due to other funds	510,694	258,695
Rate stabilization	(1,189,159)	(236,170)
Pension obligation	248,025	-
Net OPEB obligation	(22,131)	217,984
Net cash provided by operating activities	\$ 9,133,148	\$ 10,484,067

City of Groton, Connecticut

Comparative Schedules of Revenues
Electric Department
For the Years Ended June 30, 2014 and 2013

	2014	2013
Electric Service Revenues		
Residential	\$ 17,224,368	\$ 17,286,999
Commercial	15,464,015	16,033,548
Industrial	27,209,277	28,364,199
Private street lighting	208,937	210,729
Public street lighting	328,855	335,901
Water department	(119,573)	155,206
Total Electric Service Revenues	60,315,879	62,386,582
Other Electric Revenue		
Miscellaneous - rents, scrap, jobbing sales, etc.	3,178,548	2,349,271
Total operating revenues	\$ 63,494,427	\$ 64,735,853

City of Groton, Connecticut

Comparative Schedules of Expenses -
Electric Department
For the Years Ended June 30, 2014 and 2013

	2014	2013
Direct Expenses		
Purchased power	\$ 41,500,346	\$ 42,506,246
Other Expenses		
Transmission Expenses:		
Station expenses	\$ 1,849	\$ 4,380
Maintenance:		
Station equipment	55,233	37,909
Overhead conductors and devices	3,066	13,812
Total Transmission Expenses	<u>60,148</u>	<u>56,101</u>
Distribution Expenses:		
Supervision and engineering	574,677	573,792
Station expenses	35,807	27,966
Line expenses	101,029	140,326
Street lighting and signal system expenses	56,139	53,532
Meter expenses	164,334	139,656
Customer installation expenses	46,467	39,733
Miscellaneous	72,099	115,347
Maintenance:		
Supervision and engineering	47,658	51,416
Station expenses	404,127	373,278
Overhead lines	554,273	753,764
Services	59,227	48,463
Underground lines	842	7,470
Line transformers	4,948	4,085
Signal lights and fire alarms	37,445	40,075
Meters	52,672	53,440
Total distribution expenses	<u>2,211,744</u>	<u>2,422,343</u>
Total other expenses	<u>\$ 2,271,892</u>	<u>\$ 2,478,444</u>
Customer Account Expenses:		
Meter reading	\$ 140,947	\$ 142,074
Customer records and collection	398,851	410,685
Uncollectible accounts	53,366	60,837
Miscellaneous	1,030,208	939,493
Total customer account expenses	<u>\$ 1,623,372</u>	<u>\$ 1,553,089</u>
Administrative and General Expenses:		
Administrative and general salaries	\$ 1,250,588	\$ 1,404,703
General office supplies and expenses	254,106	284,098
Outside services employed	560,118	1,493,708
Insurance	76,028	79,894
Injuries and damages	357,719	278,945
Employee welfare and benefits	2,389,268	1,781,169
Regulatory authority expense	6,276	11,641
Miscellaneous general expenses	73,242	1,690
Rent	111,492	145,328
Maintenance:		
General plant	684,710	797,635
Miscellaneous	179,915	211,872
	<u>5,943,462</u>	<u>6,490,683</u>
Deduct: Expenses transferred for transportation and administrative	<u>(473,912)</u>	<u>(664,721)</u>
Total administrative and general expenses	<u>\$ 5,469,550</u>	<u>\$ 5,825,962</u>

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City of Groton, Connecticut

Comparative Statements of Net Position - Water Department - Enterprise Funds
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets:		
Cash	\$ 2,635,081	\$ 3,188,941
Receivables (net of allowance for uncollectibles of \$2,453 and \$2,453, respectively)	1,183,260	1,118,046
Due from other funds	2,223,711	1,705,191
Prepaid expenses	91,461	-
Inventory	107,317	154,312
Total current assets	6,240,830	6,166,490
Other Noncurrent Assets:		
Notes receivable	141,768	257,065
Net pension asset	-	99,236
Total other noncurrent assets	141,768	446,603
Capital Assets (net of accumulated depreciation):		
Land and land rights	2,135,643	2,135,643
Construction in progress	2,011,625	1,156,365
Buildings and improvements	3,891,549	4,012,618
Plant and pumping stations	4,059,110	4,287,678
Water distribution system	16,764,827	16,606,122
Machinery and equipment	190,679	210,131
Vehicles	79,812	52,128
Total capital assets (net of accumulated depreciation)	29,133,245	28,460,685
Total noncurrent assets	29,275,013	28,907,288
Total assets	\$ 35,515,843	\$ 35,073,778

	2014	2013
Liabilities		
Current Liabilities:		
Accounts payable	\$ 498,397	\$ 508,197
Accrued payroll and compensated absences	239,588	251,626
Accrued taxes	38,349	38,349
Accrued interest payable	80,000	70,654
Due to other funds	-	2,492
General obligation bonds payable - current portion	737,330	752,000
Customer deposits payable	29,500	29,000
Total current liabilities	1,623,164	1,652,318
Noncurrent Liabilities:		
General obligation bonds and notes payable - net of premium and deferred amount on refunding	5,299,630	6,035,690
Unamortized premium	245,014	269,770
Pension Obligation	63,206	-
Net OPEB obligation	565,004	574,322
Total non-current liabilities	6,172,854	6,879,782
Total liabilities	7,796,018	8,532,100
Net Position		
Net investment in capital assets	22,851,271	21,403,225
Unrestricted	4,868,554	5,138,453
Total net position	\$ 27,719,825	\$ 26,541,678

City of Groton, Connecticut

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position -
 Water Department - Enterprise Fund
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues	\$ 9,858,947	\$ 9,603,898
Operating Expenses		
Direct Expenses:		
Other	3,573,225	3,580,390
Overhead Expenses:		
Customer account	390,760	392,823
Administrative and general	3,314,247	2,995,595
Taxes	305,807	292,964
Depreciation	813,612	804,657
Total operating expenses	8,397,651	8,066,429
Operating income	1,461,296	1,537,469
Nonoperating Revenues (Expenses)		
Investment income	13,427	18,987
Interest expense	(296,576)	(136,819)
Net nonoperating expenses	(283,149)	(150,022)
Changes in net position	1,178,147	1,387,447
Net Position, beginning	\$ 26,541,678	25,031,738
Net Position, ending	\$ 27,719,825	\$ 26,541,678

City of Groton, Connecticut

Comparative Statements of Cash Flows - Water Department - Enterprise Fund
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Cash received from customers	\$ 9,793,733	\$ 9,401,436
Cash payments to suppliers for goods and services	(4,148,003)	(4,521,677)
Cash payments to employees for services	(3,869,728)	(3,468,946)
Net cash provided by operating activities	1,776,002	1,410,813
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,486,172)	(821,458)
Principal paid on general obligation bond maturities and equipment contracts	(685,184)	(781,310)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(287,230)	(163,915)
Proceeds from general obligation bonds and premium	-	2,660,000
Net cash (used in) provided by capital and related financing activities	(2,458,586)	893,317
Cash Flows From Investing Activities		
Payments on note receivable	115,297	109,669
Interest and dividends	13,427	18,987
Net cash provided by investing activities	128,724	128,656
Net (decrease) increase in cash and cash equivalents	(553,860)	2,432,786
Cash and Cash Equivalents, beginning	3,188,941	756,155
Cash and Cash Equivalents, ending	\$ 2,635,081	\$ 3,188,941

City of Groton, Connecticut

Comparative Statements of Cash Flows - Water Department - Enterprise Fund, (Continued)
For the Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 1,461,296	\$ 1,537,469
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	813,612	804,657
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(65,214)	(202,462)
Inventory	46,995	(3,456)
Prepaid expenses	(91,461)	43,460
Due from other funds	(518,520)	(934,795)
Pension asset	99,236	64,512
Increase (decrease) in:		
Accounts payable	(9,300)	(48,840)
Accrued payroll and compensated absences	(12,038)	30,547
Due to other funds	(2,492)	2,345
Pension obligation	63,206	-
Net OPEB obligation	(9,318)	117,376
Net cash provided by operating activities	\$ 1,776,002	\$ 1,410,813

City of Groton, Connecticut

Comparative Schedules of Revenues

Water System

For the Years Ended June 30, 2014 and 2013

	2014	2013
Water Service Revenues		
Residential	\$ 2,602,472	\$ 2,653,243
Commercial	1,558,535	1,592,507
Industrial	2,843,522	2,769,948
Private fire protection	105,569	101,192
Public fire protection	286,988	286,403
Other sales to public authorities	1,893,796	1,617,408
Total water service revenues	9,290,882	9,020,701
Other Water Revenue		
Miscellaneous - rents, lien fees, scrap sales, etc.	568,065	583,197
Total operating revenues	\$ 9,858,947	\$ 9,603,898

City of Groton, Connecticut

Comparative Schedules of Expenses -
Water System
For the Years Ended June 30, 2014 and 2013

	2014	2013
Direct Expenses		
Source of Water Supply Expenses:		
Operation labor	\$ 102,522	\$ 101,337
Supplies and expenses	75,644	85,439
Rent	9,996	9,996
Maintenance - structure and improvement	355,059	201,885
Total source of water supply expenses	543,221	398,657
Pumping Expenses:		
Fuel for power production	21,489	7,641
Power purchased	619,494	611,912
Operation labor	216,440	199,033
Maintenance - structure and equipment	119,055	170,487
Total pumping expenses	976,478	989,073
Water Treatment Expenses		
Chemicals	210,593	300,960
Operation labor	1,007,380	963,222
Supplies and expenses	78,896	97,327
Maintenance - structure and equipment	120,312	168,956
Total water treatment expenses	1,417,181	1,530,465
Transmission and Distribution Expenses		
Supervision and engineering	82,954	65,924
Storage facilities	3,344	3,364
Operation of lines	-	-
Supplies and expenses	160,867	131,820
Maintenance:		
Structures and improvements	128,321	170,063
Mains	144,749	140,742
Services	180,607	149,611
Meters	2,425	1,249
Hydrants	6,172	(577)
Total transmission and distribution expenses	709,439	662,196
Total other expenses	\$ 3,646,319	\$ 3,580,391
Customer Account Expenses:		
Meter reading	\$ 65,821	\$ 68,679
Customer records and collection	183,433	190,255
Uncollectible accounts	5,884	3,116
Miscellaneous	134,712	130,773
Total customer account expenses	\$ 389,850	\$ 392,823
Administrative and General Expenses:		
Administrative and general salaries	\$ 729,380	\$ 678,788
General office supplies and expenses	157,912	183,799
Outside services employed	165,194	161,417
Insurance	64,952	48,045
Injuries and damages	241,176	217,625
Employee welfare and benefits	1,577,476	1,368,328
Miscellaneous general expenses	9,553	14,272
Rent	23,556	23,556
Maintenance:		
Office furniture and equipment	7,920	5,061
Communication equipment	730	951
Miscellaneous general property	336,398	293,753
Total administrative and general expenses	\$ 3,314,247	\$ 2,995,595

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 Schedule of Net Position - Internal Service Funds
 June 30, 2014 (With Comparative Totals at June 30, 2013)

	Self-Insurance	Health Plan	2014	2013
Assets				
Cash	\$ 721,497	\$ 2,167,659	\$ 2,889,156	\$ 3,213,851
Accounts/claims receivables	-	28,590	28,590	-
Total current assets	721,497	2,196,249	2,917,746	3,213,851
Liabilities				
Liabilities:				
Accounts/claims payable	3,842	287,000	290,842	212,657
Total liabilities	3,842	287,000	290,842	212,657
Net Position				
Unrestricted	\$ 717,655	\$ 1,909,249	\$ 2,626,904	\$ 3,001,194

City of Groton, Connecticut

Combining Schedule of Revenues, Expenses and Changes in Net Position - Internal Service Funds
For the Year Ended June 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)

	Self-Insurance	Health Plan	2014	2013
Operating Revenues				
Premiums	\$ 9,901	\$ 4,110,743	\$ 4,120,644	\$ 4,271,861
Operating Expenses				
Claims Paid:				
Public Safety	6,523	-	6,523	12,078
Public Works	1,111	-	1,111	32,207
General Government	7,870	-	7,870	5,368
Electric Department	14,169	-	14,169	17,445
Health Plan	-	4,255,388	4,255,388	3,784,214
Administration:				
Health Plan	-	212,532	212,532	159,657
Total operating expenses	29,673	4,467,920	4,497,593	4,010,969
Operating income (loss)	(19,772)	(357,177)	(376,949)	260,892
Nonoperating Revenue				
Interest income	61	2,598	2,659	2,984
Total nonoperating revenue	61	2,598	2,659	2,984
Change in net position	(19,711)	(354,579)	(374,290)	263,876
Net Position, beginning	737,427	2,263,767	3,001,194	2,737,318
Net Position, ending	\$ 717,716	\$ 1,909,188	\$ 2,626,904	\$ 3,001,194

City of Groton, Connecticut

Combining Statement of Cash Flows - Internal Service Funds

For the Year Ended June 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)

	Self-Insurance	Health Plan	2014	2013
Cash Flows From Operating Activities				
Cash received for premiums	\$ 9,901	\$ 4,110,743	\$ 4,120,644	\$ 4,108,221
Cash paid to claimants	(29,673)	(4,205,793)	(4,235,466)	(4,538,216)
Cash paid for administration	-	(212,532)	(212,532)	(159,657)
Net cash used in operating activities	(19,772)	(307,582)	(327,354)	(589,652)
Cash Flows Provided by Investing Activities				
Interest income	61	2,598	2,659	2,984
Net decrease in cash and cash equivalents	(19,711)	(304,984)	(324,695)	(586,668)
Cash and Cash Equivalents, beginning	737,427	2,476,424	3,213,851	3,800,519
Cash and Cash Equivalents, ending	\$ 717,716	\$ 2,171,440	\$ 2,889,156	\$ 3,213,851
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (19,772)	\$ (357,177)	\$ (376,949)	\$ 260,892
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Change in assets and liabilities:				
Increase in accounts receivable	-	(28,590)	(28,590)	(61,904)
Increase (decrease) in accrued liabilities	-	78,185	78,185	(625,000)
Decrease in due to other funds	-	-	-	(163,640)
Increase in due from other funds	-	-	-	(163,640)
Net cash used in operating activities	\$ (19,772)	\$ (307,582)	\$ (327,354)	\$ (589,652)

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Statistical Section - Unaudited

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 City'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 Position by Component
Last Ten Years
(Unaudited)**

	FISCAL YEAR ENDED									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net investment in capital assets	\$ 18,001,407	\$ 20,912,472	\$ 20,566,312	\$ 20,204,792	\$ 18,698,216	\$ 17,940,109	\$ 17,644,455	\$ 17,258,682	\$ 15,174,745	\$ 15,471,038
Restricted for:										
Endowment-expendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Permanent funds - expendable	427	246	246	12,398	12,196	11,431	10,588	7,767	4,258	1,955
Special revenue funds	633,791	668,551	677,811	580,192	-	-	-	-	-	-
Unrestricted	9,456,594	6,514,415	6,256,564	7,194,347	9,406,900	8,961,352	8,604,464	7,997,580	9,217,898	7,641,596
Total governmental activities	28,152,219	28,155,684	27,560,933	28,051,729	28,177,312	26,972,892	26,319,507	25,324,029	24,456,901	23,174,589
Business-Type Activities										
Net investment in capital assets	32,574,605	34,198,112	38,646,385	34,724,535	31,679,508	32,193,110	31,548,632	22,765,060	23,958,301	22,883,388
Restricted for:										
Debt service	-	-	-	-	-	9,662,286	10,501,840	8,046,297	8,640,866	4,235,814
Economic development	-	-	-	-	-	4,422	626,017	34,201	34,201	31,897
Energy and efficiency	-	-	-	-	-	413,457	359,730	810,850	236,407	166,275
Unrestricted	(2,830,813)	(10,260,873)	(26,243,049)	3,709,903	5,192,868	6,350,066	3,301,448	14,324,794	12,837,386	16,589,580
Total business-type activities	29,743,792	23,937,239	12,403,336	38,434,438	36,872,376	48,623,341	46,337,667	45,981,202	45,707,161	43,906,954
City Net Position										
Net investment in capital assets	50,576,012	55,110,584	59,212,697	54,929,327	46,977,724	50,133,219	49,193,087	40,023,742	39,133,046	38,354,426
Restricted for:										
Capital projects	-	-	-	-	-	-	-	780,496	-	2,744,540
Endowment-expendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Permanent funds-expendable	427	246	246	12,398	12,196	11,431	10,588	7,767	4,258	1,955
Public works	633,791	668,551	677,811	580,192	-	-	-	-	-	-
Debt service	-	-	-	-	-	9,662,286	10,501,840	8,046,297	8,640,866	4,235,814
Economic development	-	-	-	-	-	4,422	626,017	34,201	34,201	31,897
Energy and efficiency	-	-	-	-	-	413,457	359,730	810,850	236,407	166,275
Unrestricted	6,625,781	(3,746,458)	(19,986,485)	10,904,250	17,999,768	15,311,418	11,905,912	21,541,878	22,055,284	24,231,176
Total City net position	\$ 57,896,011	\$ 52,092,923	\$ 39,964,269	\$ 66,486,167	\$ 65,049,688	\$ 75,596,233	\$ 72,657,174	\$ 71,305,231	\$ 70,164,062	\$ 69,826,083

**Changes in Net Position
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$ 2,471,659	\$ 2,070,702	\$ 2,103,355	\$ 1,905,884	\$ 1,883,687	\$ 1,862,419	\$ 1,596,959	\$ 1,528,470	\$ 1,330,894	\$ 1,244,599
Public safety	7,926,207	7,462,297	7,921,386	8,236,685	8,135,137	7,491,823	7,035,055	7,044,463	6,269,841	6,063,965
Public works	5,363,235	5,730,214	5,084,289	5,869,143	4,948,692	4,786,325	4,842,439	4,259,599	4,325,419	4,189,414
Recreation	1,357,588	1,330,321	1,148,723	1,230,512	1,087,662	1,069,777	831,869	898,307	805,702	843,815
Interest expense	219,652	106,801	125,814	137,112	207,406	188,952	233,053	223,433	231,050	253,842
Total governmental expenses	17,338,341	16,700,335	16,383,567	17,379,336	16,262,584	15,399,296	14,539,375	13,954,272	12,962,906	12,595,635
Business-type activities:										
Electric Department	56,354,668	59,384,748	86,423,334	61,548,644	66,672,893	68,840,133	70,271,183	70,349,760	63,265,662	49,360,548
Water Department	8,694,227	8,235,438	7,984,553	8,140,017	8,178,970	8,516,675	7,626,088	7,282,315	6,480,608	6,032,857
Total business-type expenses	65,048,895	67,620,186	94,407,887	69,688,661	74,851,863	77,356,808	77,897,271	77,632,075	69,746,270	55,393,405
Total expenses	82,387,236	84,320,521	110,791,454	87,067,997	91,114,447	92,756,104	92,436,646	91,586,347	82,709,176	67,989,040
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,196,809	313,397	1,179,037	1,009,264	924,262	1,033,369	1,325,812	821,134	734,574	711,765
Public safety	358,433	328,811	508,484	259,705	384,644	310,747	277,838	272,215	321,844	460,724
Public works	39,364	59,995	60,212	55,799	43,234	79,352	54,898	76,876	181,106	57,698
Recreation	172,502	146,755	130,635	113,709	131,648	104,780	95,672	104,293	105,408	110,497
Operating grants and contributions	4,639,990	5,131,028	4,273,734	4,388,296	4,860,134	5,135,871	4,901,814	4,968,635	5,243,944	4,659,508
Capital grants and contributions	1,316,601	759,986	519,122	1,712,368	1,094,709	-	-	-	-	5,000
Total governmental activities	7,723,699	7,339,972	6,671,224	7,539,141	7,438,631	6,664,119	6,656,034	6,243,153	6,586,876	6,005,192
Business-type activities:										
Electric Department	63,494,427	64,892,454	60,553,199	63,134,404	66,675,238	72,497,383	71,747,273	71,478,540	65,864,885	51,038,035
Water Department	9,858,947	9,603,898	9,708,205	9,893,954	8,233,088	7,946,755	7,582,363	6,679,385	6,570,471	6,651,483
Total business-type activities	73,353,374	74,496,352	70,261,404	73,028,358	74,908,326	80,444,138	79,329,636	78,157,925	72,435,356	57,689,518
Total program revenues	81,077,073	81,836,324	76,932,628	80,567,499	82,346,957	87,108,257	85,985,670	84,401,078	79,022,232	63,694,710
Net (expense)/revenue										
Governmental activities	(9,614,642)	(9,360,363)	(9,712,343)	(9,840,195)	(8,823,953)	(8,735,177)	(7,883,341)	(7,711,119)	(6,376,030)	(6,590,443)
Business-type activities	8,304,479	6,876,166	(24,146,483)	3,339,697	56,463	3,087,330	1,432,365	525,850	2,689,086	2,296,113
Total net expenses	(1,310,163)	(2,484,197)	(33,858,826)	(6,500,498)	(8,767,490)	(5,647,847)	(6,450,976)	(7,185,269)	(3,686,944)	(4,294,330)

(Continued)

Changes in Net Position (Continued)
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes	\$ 6,143,075	\$ 6,419,394	\$ 5,615,381	\$ 6,144,038	\$ 5,901,139	\$ 5,803,801	\$ 5,229,254	\$ 5,253,697	\$ 4,747,176	\$ 4,491,172
Grants and contributions not restricted to specific purposes	130,053	132,174	19,088	77,264	408,771	111,351	168,660	122,268	213,730	316,847
Investment income	218,553	230,423	383,372	305,794	294,327	240,744	518,553	685,033	405,262	202,439
Miscellaneous	-	53,627	102,082	85,892	322,512	113,176	126,452	52,215	148,666	121,809
Transfers	3,119,496	3,119,496	3,101,624	3,101,624	3,101,624	3,119,490	2,835,900	2,465,034	2,143,508	1,863,920
Total governmental activities	9,611,177	9,955,114	9,221,547	9,714,612	10,028,373	9,388,562	8,878,819	8,578,247	7,658,342	6,996,187
Business-type activities:										
Investment income	621,570	893,174	1,217,005	1,323,989	1,629,491	2,317,834	2,396,799	2,138,106	1,254,629	1,136,522
Transfers	(3,119,496)	(3,119,496)	(3,101,624)	(3,101,624)	(3,101,624)	(3,119,490)	(2,835,900)	(2,465,034)	(2,143,508)	(1,863,920)
Total business-type activities	(2,497,926)	(2,226,322)	(1,884,619)	(1,777,635)	(1,472,133)	(801,656)	(439,101)	(326,928)	(888,879)	(727,398)
Total general revenues	7,113,251	7,708,792	7,336,928	7,936,977	8,556,240	8,586,906	8,439,718	8,251,319	6,769,463	6,268,789
Change in Net Position:										
Governmental activities	(3,465)	594,751	(490,796)	(125,583)	1,204,420	653,385	995,478	867,128	1,282,312	405,744
Business-type activities	5,806,553	4,629,844	(26,031,102)	1,562,062	(1,415,670)	2,285,674	993,264	198,922	1,800,207	1,568,715
Change in net position	\$ 5,803,088	\$ 5,224,595	\$ (26,521,898)	\$ 1,436,479	\$ (211,250)	\$ 2,939,059	\$ 1,988,742	\$ 1,066,050	\$ 3,082,519	\$ 1,974,459

**Changes in Fund Balances, Governmental Funds
Last Ten Years (Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Property taxes	\$ 6,166,362	\$ 6,417,756	\$ 5,628,575	\$ 6,137,303	\$ 5,913,531	\$ 5,812,388	\$ 5,220,845	\$ 5,253,193	\$ 4,762,481	\$ 4,487,668
Intergovernmental	6,086,644	6,055,232	4,830,557	6,177,928	6,363,614	5,245,422	5,067,286	5,088,128	5,455,684	4,964,086
Charges for services	1,478,824	1,356,688	1,740,471	1,438,477	1,483,788	1,528,248	1,754,220	1,274,518	1,342,932	1,340,509
Income from investments	215,894	227,439	369,356	291,858	276,820	191,014	348,587	493,709	280,371	147,449
Contributions	-	-	-	-	-	1,800	3,188	2,775	1,990	17,269
Other	288,284	125,030	230,674	85,892	322,512	118,439	126,452	52,215	148,666	121,809
Total revenues	14,236,008	14,182,145	12,799,633	14,131,458	14,360,265	12,897,311	12,520,578	12,164,538	11,992,124	11,078,790
Expenditures										
Current:										
General government	2,090,838	1,676,925	1,813,522	1,706,352	1,605,410	1,789,364	1,433,598	1,448,768	1,258,889	1,158,978
Public safety	7,208,553	7,166,333	7,224,753	7,229,895	7,306,685	6,987,176	6,820,956	6,948,625	6,231,187	5,909,434
Public works	4,666,194	5,264,004	4,450,747	5,163,704	4,256,569	4,266,753	3,880,959	3,936,897	3,770,474	3,676,363
Parks and recreation	1,290,576	1,323,722	1,085,185	1,123,010	1,029,072	1,029,690	861,109	826,327	777,313	759,916
Non-departmental and other	84,429	62,407	64,922	148,211	148,473	36,386	54,665	64,105	38,697	46,675
Capital outlay	1,012,139	872,963	606,560	1,432,761	3,092,237	407,667	981,788	2,899,161	1,051,058	395,425
Debt service:	-	-	-	-	-	-	-	-	-	-
Bond principal	793,000	640,000	676,000	905,500	953,585	930,500	841,017	860,738	740,500	766,896
Bond and note interest	196,185	114,103	125,259	152,616	188,286	195,161	233,355	229,668	227,268	243,669
Total expenditures	17,341,914	17,120,457	16,046,948	17,862,049	18,580,317	15,642,697	15,107,447	17,214,289	14,095,386	12,957,356
Deficiency of revenues over expenditures	(3,105,906)	(2,938,312)	(3,247,315)	(3,730,591)	(4,220,052)	(2,745,386)	(2,586,869)	(5,049,751)	(2,103,262)	(1,878,566)
Other Financing Sources (Uses)										
Bond proceeds	-	3,575,000	-	-	1,725,000	-	880,000	-	1,140,000	-
Refunding bond proceeds	-	-	-	-	1,614,200	-	-	-	-	-
Proceeds from bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow	-	-	-	-	(1,713,838)	-	-	-	-	-
Premium on bond sale	-	295,000	-	-	124,602	-	7,048	-	7,962	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	500
Transfers in	3,584,029	3,119,496	3,277,456	3,101,624	3,101,624	3,421,852	3,450,400	2,621,720	2,620,580	2,078,410
Transfers out	(464,533)	-	(175,832)	-	-	(302,362)	(614,500)	(156,686)	(477,072)	(214,490)
Net other financing sources (uses)	3,119,496	6,989,496	3,101,624	3,101,624	4,851,588	3,119,490	3,722,948	2,465,034	3,291,470	1,864,420
Net changes in fund balances	\$ 13,590	\$ 4,051,184	\$ (145,691)	\$ (628,967)	\$ 631,536	\$ 374,104	\$ 1,136,079	\$ (2,584,717)	\$ 1,188,208	\$ (14,146)
Debt Service as a Percentage of Noncapital Expenditures	6.45%	4.87%	5.47%	6.44%	7.00%	7.00%	8.00%	8.00%	7.00%	8.00%

**Fund Balances, Governmental Funds
Last Ten Years (Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 9,750	\$ 49,908	\$ 17,138	\$ 16,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	658,790	657,188	676,227	1,048,110	-	-	-	-	-	-
Assigned	160,862	46,075	28,571	66,944	-	-	-	-	-	-
Unassigned	3,324,488	3,899,210	3,484,919	3,070,485	-	-	-	-	-	-
Reserved	-	-	-	-	91,645	75,056	122,172	33,609	52,003	26,793
Unreserved:										
Designated	-	-	-	-	973,606	808,410	690,208	659,538	574,897	779,094
Undesignated	-	-	-	-	3,874,650	3,553,401	3,150,154	2,769,282	2,808,146	2,157,856
Total unreserved	-	-	-	-	4,848,256	4,361,811	3,840,362	3,428,820	3,383,043	2,936,950
Total general fund	4,153,890	4,652,381	4,206,855	4,202,307	4,939,901	4,436,867	3,962,534	3,462,429	3,435,046	2,963,743
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	633,791	6,084,045	737,811	640,192	-	-	-	-	-	-
Committed	5,283,346	246	1,505,291	1,596,000	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(23,653)	(702,888)	(467,357)	(310,208)	-	-	-	-	-	-
Endowment	-	-	-	-	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
Capital funds	-	-	-	-	1,247,316	1,249,745	1,359,503	780,496	3,334,182	2,744,540
Permanent funds	-	-	-	-	12,196	11,431	10,588	7,767	4,258	1,955
Total all other governmental funds	5,893,484	5,381,403	1,775,745	1,925,984	1,817,357	1,688,855	1,789,084	1,153,110	3,765,210	3,048,305
Total all governmental funds	\$ 10,047,374	\$ 10,033,784	\$ 5,982,600	\$ 6,128,291	\$ 6,757,258	\$ 6,125,722	\$ 5,751,618	\$ 4,615,539	\$ 7,200,256	\$ 6,012,048

**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		
2005	2003	\$ 657,237,888	\$ 938,911,269	\$ 246,422,766	\$ 352,032,523	\$ 903,660,654	\$ 1,290,943,792	70.00%	4.90
2006	2004	695,411,928	993,445,611	256,958,321	367,083,316	952,370,249	1,360,528,927	70.00%	4.90
2007	2005	832,292,222	1,188,988,889	336,672,532	480,960,760	1,168,964,754	1,669,949,649	70.00%	4.90
2008	2006	951,406,061	1,359,151,516	353,958,567	505,655,096	1,305,364,628	1,864,806,612	70.00%	4.40
2009	2007	1,049,560,390	1,499,371,986	308,965,716	441,379,594	1,358,526,106	1,940,751,580	70.00%	4.14
2010	2008	1,049,470,816	1,499,244,023	282,742,288	403,917,554	1,332,213,104	1,903,161,577	70.00%	4.14
2011	2009	1,049,648,005	1,499,497,150	264,971,922	378,531,317	1,314,619,927	1,878,028,467	70.00%	4.14
2012	2010	1,016,705,163	1,452,435,947	316,240,195	451,771,707	1,332,945,358	1,904,207,654	70.00%	4.60
2013	2011	1,011,029,157	1,444,327,361	247,047,195	352,952,564	1,258,076,348	1,797,251,925	70.00%	4.60
2014	2012	1,043,066,050	1,490,094,357	254,071,365	362,959,093	1,297,137,415	1,853,053,450	70.00%	4.60

⁽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	
2004	2002	4.59	0.31	4.90	21.69	0.93	22.62	27.52
2005	2003	4.59	0.31	4.90	22.01	0.94	22.95	27.85
2006	2004	4.59	0.31	4.90	22.01	0.94	22.95	27.85
2007	2005	4.59	0.31	4.90	23.06	0.99	24.05	28.95
2008	2006	4.12	0.28	4.40	20.34	0.87	21.21	25.61
2009	2007	3.88	0.26	4.14	18.48	0.79	19.27	23.41
2010	2008	3.88	0.26	4.14	17.22	0.73	17.95	22.09
2011	2009	3.88	0.26	4.14	18.12	0.77	18.89	23.03
2012	2010	4.36	0.24	4.60	19.51	0.71	20.22	24.82
2013	2011	4.37	0.21	4.60	19.60	1.09	20.72	25.32
2014	2012	4.32	0.28	4.60	19.95	0.77	20.72	25.32

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	\$ 508,188,188	1	40.39%	\$ 369,916,878	1	40.97%
General Dynamics Corporation	Submarine	213,773,936	2	16.99%	162,041,785	2	17.95%
Groton Estates Colonial Manor, Inc.	Apartments	12,212,590	3	0.97%	8,416,160	5	0.93%
Branford Manor, Inc.	Apartments	10,982,390	4	0.87%	9,061,090	4	1.00%
CSC Dynamics	Equipment Leasing	8,301,300	5	0.66%	9,804,010	3	1.09%
The North/South Harbor Ltd.	Apartments	5,968,340	6	0.47%	5,650,912	6	0.63%
Ansonia Acquisitions, LLC	Apartments	5,534,580	7	0.44%	3,140,970	8	0.35%
Groton Townhouse Apts., LLC	Apartments	4,853,250	8	0.39%	3,057,410	9	0.34%
Avery Heights Limited STSHP	Apartments	4,632,690	9	0.37%	3,027,290	10	0.34%
Amerada Hess Corp.	Oil Terminal	3,979,150	10	0.32%	4,685,530	7	0.52%
Total		\$ 778,426,414		61.87%	\$ 578,802,035		64.12%

Source: Town of Groton Assessor's Department

The total net assessment of the top ten taxpayers for the City of Groton constitutes 61.87% of the total 10/1/2012 net taxable grand list for the City of Groton after the BAA deliberations.

**Property Tax Levies and Collection
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
2005	4.90	2003	\$ 4,458,089	\$ 4,411,023	98.94%	\$ 46,807	\$ 4,457,830	99.99%	\$ 259	0.01%
2006	4.90	2004	4,680,780	4,647,368	99.29%	33,139	4,680,507	99.99%	273	0.01%
2007	4.90	2005	5,148,126	5,101,085	99.09%	44,106	5,145,191	99.94%	2,935	0.06%
2008	4.40	2006	5,192,653	5,146,799	99.12%	35,057	5,181,856	99.79%	10,797	0.21%
2009	4.14	2007	5,678,591	5,629,826	99.14%	46,819	5,676,645	99.97%	48,765	0.86%
2010	4.14	2008	5,634,676	5,608,587	99.54%	31,133	5,608,587	99.54%	46,819	0.83%
2011	4.14	2009	5,719,007	5,658,026	98.93%	423,274	5,658,026	98.93%	76,656	1.34%
2012	4.14	2010	5,597,114	5,443,915	98.76%	79,711	5,523,626	98.69%	73,488	1.33%
2013	4.60	2011	6,453,438	6,296,266	99.10%	90,119	6,376,385	98.81%	77,052	1.23%
2014	4.60	2012	6,185,972	5,905,522	95.47%	235,140	6,140,662	99.27%	45,310	0.73%

Source: Town of Groton Tax Collector's Department.

**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			
2005	\$ 2,164,000	\$ 3,432,000	\$ 5,596,000	\$ 10,681,140	\$ 8,742,860	\$ 19,424,000	\$ 25,020,000	11.2%	\$ 2,500
2006	1,936,500	4,054,000	5,990,500	6,550,000	9,485,280	16,035,280	22,025,780	9.9%	2,200
2007	1,709,000	3,421,000	5,130,000	19,496,630	8,498,370	27,995,000	33,125,000	14.9%	3,309
2008	2,366,500	2,803,000	5,169,500	31,660,300	9,000,200	40,660,500	45,830,000	20.6%	4,578
2009	2,054,000	2,185,000	4,239,000	29,663,970	7,942,030	37,606,000	41,845,000	18.8%	4,180
2010	3,501,000	1,573,500	5,074,500	33,563,885	6,851,615	40,415,500	45,490,000	26.6%	5,926
2011	3,098,000	1,071,000	4,169,000	31,383,930	5,867,070	37,251,000	41,420,000	18.5%	4,138
2012	2,737,000	756,000	3,493,000	29,226,980	5,095,020	34,322,000	37,815,000	16.3%	3,733
2013	5,492,000	940,000	6,432,000	42,794,310	6,787,690	49,582,000	56,014,000	31.7%	5,391
2014	4,980,000	655,000	5,635,000	39,973,040	6,036,960	46,010,000	51,645,000	0.0%	4,971

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.

**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	
2005	***	10,010	\$ 903,660,654	\$ 5,596,000	0.62%	\$ 559
2006	***	10,010	952,370,249	5,990,500	0.63%	598
2007	***	10,010	1,168,964,754	5,130,000	0.44%	512
2008	***	10,010	1,305,364,628	5,169,500	0.40%	516
2009	***	10,010	1,358,526,106	4,239,000	0.31%	423
2010	***	10,010	1,332,213,104	5,074,500	0.38%	507
2011	**	10,389	1,314,619,927	4,169,000	0.32%	401
2012	**	10,389	1,332,945,358	3,493,000	0.26%	366
2013	**	10,389	1,258,076,348	6,432,000	0.51%	619
2014	**	10,389	1,297,137,415	5,635,000	0.43%	542

*** Based on 2000 Bureau of Census figure.

** Based on 2010 Bureau of Census figure.

Computation of Direct and Overlapping Bonded Debt
June 30, 2014
(Unaudited)

Jurisdiction	Net Bonded Debt Outstanding	Percentage Application to City	Amount Applicable to City
Direct:			
City of Groton	\$ 5,635,000	100.00%	\$ 5,635,000
Overlapping:			
Town of Groton	<u>44,835,000</u>	33.28%	<u>14,921,088</u>
Total	<u><u>\$ 50,470,000</u></u>		<u><u>\$ 20,556,088</u></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, 2014
(Unaudited)**

Total Tax Collections (including interest and lien fees)		\$ 6,187,324
Reimbursement for revenue loss on:		
Tax relief for elderly freeze		-
Total Base		<u>\$ 6,187,324</u>
	General Purpose	Sewer
Debt Limitation		
2-1/4 times	\$ 13,921,479	\$ -
3-3/4 times	-	23,202,465
Total debt	<u>13,921,479</u>	<u>23,202,465</u>
Indebtedness:		
Bonds payable	4,980,000	655,000
Authorized, but unissued debt	-	6,100,000
Total Indebtedness	<u>4,980,000</u>	<u>6,755,000</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 8,941,479</u>	<u>\$ 16,447,465</u>
Notes: (A) The above total indebtedness amounts to:		<u>\$ 11,735,000</u>
(B) In no case shall total indebtedness exceed seven times annual receipts from taxation		<u>\$ 43,311,268</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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total tax collections, including interest and lien fees	\$ 6,187,324	\$ 6,412,585	\$ 5,624,204	\$ 6,117,086	\$ 5,879,707	\$ 5,789,797	\$ 5,201,200	\$ 5,214,744	\$ 4,756,093	\$ 4,446,560
Reimbursement for revenue loss on:										
Tax relief for elderly freeze	-	-	-	-	2,902	-	306	599	598	936
Total Base	\$ 6,187,324	\$ 6,412,585	\$ 5,624,204	\$ 6,117,086	\$ 5,882,609	\$ 5,789,797	\$ 5,201,506	\$ 5,215,343	\$ 4,756,691	\$ 4,447,496
Debt Limit										
General purpose 2 1/4 times base	\$ 13,921,479	\$ 14,428,316	\$ 12,654,459	\$ 13,763,444	\$ 13,235,870	\$ 13,027,043	\$ 11,703,389	\$ 11,734,522	\$ 10,702,555	\$ 10,006,866
Sewer 3 3/4 times base	23,202,465	24,047,194	21,090,765	22,939,073	22,059,784	21,711,739	19,505,648	19,557,536	17,837,591	16,678,110
Total Debt Limit	37,123,944	38,475,510	33,745,224	36,702,517	35,295,654	34,738,782	31,209,036	31,292,058	28,540,146	26,684,976
Net debt applicable to limit:										
General purpose:										
Bonds payable	4,980,000	5,492,000	2,737,000	3,098,000	3,501,000	2,054,000	2,366,500	1,709,000	1,936,500	2,164,000
Bond anticipation notes	-	-	-	-	-	-	-	-	-	6,900,000
Sewer:										
Bonds payable	655,000	936,000	756,000	1,071,000	1,573,500	2,185,000	2,803,000	3,421,000	4,054,000	3,432,000
Bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	5,635,000	6,428,000	3,493,000	4,169,000	5,074,500	4,239,000	5,169,500	5,130,000	5,990,500	12,496,000
Legal Debt Limit	\$ 31,488,944	\$ 32,047,510	\$ 30,252,224	\$ 32,533,517	\$ 30,221,154	\$ 30,499,782	\$ 26,039,536	\$ 26,162,058	\$ 22,549,646	\$ 14,188,976
In no case shall total indebtedness exceed seven times annual receipts from taxation	\$ 43,311,268	\$ 44,888,095	\$ 39,369,428	\$ 42,819,602	\$ 41,178,263	\$ 40,528,579	\$ 36,410,542	\$ 36,507,401	\$ 33,296,837	\$ 31,132,472
Total net debt applicable to the limit as a percentage of debt limit	15.18%	16.71%	10.35%	11.36%	14.38%	12.20%	16.56%	16.39%	20.99%	46.83%

- 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
 (unaudited)

Calendar Year	Population ¹	Personal Income (Amounts Expressed in Thousands)	Per Capita Income ²	Median Age ³	Education Level in Years of Schooling ⁴	Unemployment Rate ¹
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	309,125	29,755	*** 28.7	N/A	9.10%
2012	** 10,389	309,125	29,755	*** 28.7	N/A	8.10%
2013	** 10,389	309,125	29,755	*** 28.7	N/A	9.30%
2014	** 10,389	309,125	29,755	*** 28.7	N/A	7.30%

*** Based on 2000 Bureau of Census figure.

** Based on 2010 Bureau of Census figure.

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

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

(3) Based on 2000 Bureau of Census data.

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

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
General Dynamics, Electric Boat Division	6,900	1	0.0%	N/A	1	N/A
Pfizer's	3,500	2	0.0%	N/A	2	N/A
City of Groton	235	3	0.0%	N/A	3	N/A
University of Connecticut	230	4	0.0%	N/A	4	N/A
Superintendent of Ships	220	5	0.0%	N/A	5	N/A
Groton Board of Education	135	6	0.0%	N/A	6	N/A
Coast Guard Research & Development	130	7	0.0%	N/A	7	N/A
Proto-Power	108	8	0.0%	N/A	8	N/A
Sacred Heart School	38	9	0.0%	N/A	9	N/A
Project Oceanology	36	10	0.0%	N/A	10	N/A
Total	11,532		0.0%			%

SOURCE: State Department of Labor.

N/A - Data for 2005 not available.

**Full-Time Equivalent Government Employees by Function/Program
Last Nine Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:									
Mayor	1	1	1	1	1	1	1	1	1
Finance	5	5	5	5	5	5	5	5	5
Planning	1	1	1	1	1	1	1	1	1
Parks and Recreation	5	5	5	5	5	5	5	5	5
City Clerk	1	1	1	1	1	1	1	1	1
Building and Zoning	3	3	3	3	3	3	3	3	3
Other	3	3	3	3	3	3	1	1	1
Police:									
Officers	30	31	32	32	32	32	32	32	32
Civilians	12	12	13	13	13	13	13	7	5
Fire:									
Firefighters and officers	17	17	17	17	17	17	17	17	17
Public Works:									
Engineering	1	2	2	2	2	2	2	2	1
Highway	21	20	20	20	20	20	18	18	18
Water Department	34	34	34	34	34	34	31	33	35
Sewer Department	6	6	6	6	6	6	6	6	5
Electric Department	95	95	95	95	95	95	99	92	61
Total	235	236	238	238	238	238	235	224	191

Source: Various City Departments.

Note: Data for the previous ten years is unavailable.

**Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Public Safety:										
Physical arrests	532	496	514	616	732	721	721	719	775	735
Parking violations	1,019	785	1,896	2,274	3,488	3,242	3,242	3,790	2,604	3,469
Traffic violations	1,865	1,815	2,234	2,584	3,290	2,576	2,576	2,096	1,126	1,765
Fire:										
Emergency responses	1,085	1,332	1,270	1,058	745	776	776	804	693	737
Fires extinguished	23	51	64	34	44	55	55	50	50	44
Public Works										
Highways and Streets:										
Street resurfacing (miles)	9	2	-	-	1	-	-	3	1	-
Sidewalk repaired (feet)	1,901	1,250	430	580	687	1,128	1,128	2,596	1,217	1,017
Sanitation:										
Refuse collected (tons/day)	12	12	12	12	12	12	12	14	15	15
Recyclables collected (tons/day)	3	3	3	3	2	4	4	3	3	3
Water Pollution Authority:										
Average daily sewage treatment (millions of gallons)	2	2	2	2	2	2	2	2	2	2
Parks and Recreation										
Beach passes issued	2,052	2,008	1,952	1,864	1,671	1,718	1,718	1,687	2,477	1,606
Recreation:										
Summer program	392	326	282	270	275	189	189	167	110	149
Fall program	116	192	194	90	187	29	29	27	34	42
Winter program	145	126	159	73	205	53	53	98	148	158
Business-Type Activities										
Water Fund										
New connections	6	11	10	10	11	33	33	116	41	29
Water main breaks	13	6	11	11	11	16	16	16	20	12
Average daily consumption (millions of gallons)										
	5,900MGD	5,900MGD	5,800MGD	5,800MGD	5,600MGD	5,900MGD	5,900MGD	6,163MGD	6,663MGD	6,723MGD
Peak daily consumption (millions of gallons)										
	13,000MGD	13,000MGD	9,597MGD	9,597MGD	9,120MGD	8,857MGC	8,857MGD	11,800MGD	9,376MGD	9,521MGD

Source: Various City Departments.

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Parks and Recreation:										
Acreage	40	40	40	40	40	40	40	40	40	40
Playgrounds	6	6	6	6	6	6	6	6	6	6
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Basketball courts	3	3	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	6	6	6	6	6	6	6
Public Safety:										
Fire Department	2	2	2	2	2	2	2	2	2	2
Police Department:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	24	24	24	24	25
Public Works:										
Highway Department:										
Streets (miles)	29	29	29	29	29	29	29	29	29	29
Sidewalks (miles)	23	23	23	23	23	23	23	22	22	22
Water Fund										
Water mains (miles)	105	105	105	105	105	105	105	105	105	105
Fire hydrants	708	708	708	708	708	708	708	708	708	689
Storage capacity (thousands of gallons)	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000
Sewer Fund										
Sewer mains (miles)	35	35	35	35	35	35	35	35	35	35
Storm drainage (miles)	16	16	16	16	16	16	16	16	16	16
Treatment capacity (millions of gallons)	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1

Source: Various City Departments.