

TOWN OF GROTON, CONNECTICUT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED JUNE 30, 2007

TOWN OF GROTON, CONNECTICUT

Comprehensive Annual Financial Report

for

**The Fiscal Year Ended
June 30, 2007**

Prepared By:

The Finance Department

TOWN OF GROTON, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i-ix
GFOA Certificate of Achievement	x
Organization Chart	xi
Principal Officials	xii
FINANCIAL SECTION	
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual - General Fund	22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25

TOWN OF GROTON, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	27
Notes to Financial Statements	28-56

**SUPPLEMENTAL AND COMBINING INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

General Fund

Balance Sheet	57
Schedule of Budgeted and Actual Revenues - Budgetary Basis	58-60
Schedule of Expenditures and Encumbrances Compared With Appropriations - Budgetary Basis	61-62
Schedule of Board of Education Expenditures and Encumbrances Compared With Appropriations - Budgetary Basis	63

Nonmajor Governmental Funds

Combining Balance Sheet	64-66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	67-69
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Special Library Fund	70
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Golf Course Fund	71
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Sewer Operating Fund	72
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Solid Waste Fund	73
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Mumford Cove	74
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Community Events Fund	75
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Revaluation Fund	76
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Computer Replacement Fund	77
Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual - Groton Sewer District	78

TOWN OF GROTON, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

Internal Service Funds

Combining Statement of Net Assets	79
Combining Statement of Revenues, Expenses and Changes in Net Assets	80
Combining Statement of Cash Flows	81

Fiduciary Funds

Combining Statement of Net Assets - Private Purpose Trust Funds	82
Combining Statement of Changes in Net Assets - Private Purpose Trust Funds	83
Combining Statement of Net Assets - Agency Funds	84
Statement of Changes in Assets and Liabilities - Agency Funds	85

Other Schedules

Schedule of Property Taxes Levied, Collected and Outstanding - General Fund	86
Schedule of Property Taxes Levied, Collected and Outstanding - Mumford Cove District	87
Schedule of Property Taxes Levied, Collected and Outstanding - Groton Sewer District - Debt Service Fund	88
Schedule of Changes in Bond Indebtedness	89
Schedule of Expenditures and Encumbrances Compared with Appropriations - Capital Improvement Fund	90-92

TOWN OF GROTON, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

Statistical Section

Net Assets by Component	93
Changes in Net Assets	94
Fund Balance of Governmental Funds	95
Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	96
Assessed and Estimated Actual Value of Taxable Property	97
Principal Taxpayers	98
Property Tax Levies and Collections	99
Direct and Overlapping Property Tax Rates	100
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita	101
Schedule of Debt Limitation	102
Legal Debt Margin Information	103
Demographic and Economic Statistics	104
Principal Employers	105
Full-Time Employees by Function/Program	106
Operating Indicators by Function/Program	107
Capital Asset Statistics by Function/Program	108

Introductory Section



TOWN OF GROTON

DEPARTMENT OF FINANCE

Salvatore M. Pandolfo
Finance Director
(860) 441-6690

45 Fort Hill Road, Groton, Connecticut 06340-4394
Finance, Assessment, Tax - Fax (860) 441-6678
Accounting, Purchasing - Fax (860) 449-7160
E-Mail: finance@town.groton.ct.us

December 18, 2007

To: Town Manager, Members of the Town Council, Representative Town Meeting and Citizens of the Town of Groton

Connecticut State Statute requires that all municipal entities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Groton for the fiscal year ended June 30, 2007.

This Report consists of management's representations concerning the finances of the Town of Groton. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Groton has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Groton's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Groton's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Groton's financial statements have been audited by Blum, Shapiro & Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Groton for the fiscal year ended June 30, 2007, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Groton's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

John S. Philip
Assessor
(860) 441-6660

John F. Piacenza
Purchasing Agent
(860) 441-6680

Nancy L. Dytko
Tax Collector
(860) 441-6670

Cindy R. Landry
Treasurer/Accounting Manager
(860) 441-6609

The independent audit of the financial statements of the Town of Groton was part of broader federally and state mandated “Single Audits” designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Town of Groton’s separately issued Single Audit Reports. 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 Town of Groton’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government:

The Town of Groton covers approximately 38 square miles along 40 miles of coastline on Long Island Sound and is located in New London County in the southeastern section of Connecticut. It is bounded on the north by the Town of Ledyard, on the east by the Mystic River, on the west by the Thames River, and on the south by Long Island Sound. Based on the 2000 U. S. Census, the Town's population is approximately 40,000 residents. Originally part of the City of New London, the Town was incorporated May 10, 1705 and lies equidistant between New York City and Boston.

Within the Town of Groton there are two political subdivisions, the City of Groton (City) and Groton Long Point Association (GLPA). In addition, there are seven (7) special taxing districts within the Town. For the political subdivisions, the Town funds their public works budgets (City: 93% and GLPA: 100%) and their public safety budgets (City: 50% and GLPA: 32%). The special districts are organized units of government within the Town, having separate governing bodies. They were established by special acts of the State legislature for specific purposes such as fire protection. All these governmental units have individual taxing authority.

Governing Body:

The structure of the Town's government combines a modern professional approach with the traditional town meeting form. Since 1957, the Town has been governed by a Town Council-Town Manager-Representative Town Meeting (RTM) structure. The Town Charter was last revised on November 4, 1986.

The Town Council is responsible for determining policy and appointing the Town Manager to execute this policy and administer the day-to-day affairs of the Town. The Council holds public hearings on the budget and sets the tax rate. It appoints one of its nine (9) members as Mayor to serve as chairperson of its meetings and as the Town's representative at ceremonial functions. The councilors each are elected for two-year terms.

The Town Manager is appointed by and directly responsible to the Council and serves for no definite term, but at the pleasure of the Council. The Manager is responsible to the Council for the supervision and administration of Town departments. The Council also appoints the Town's independent auditor and the Town Attorney.

Services:

The Town of Groton provides a full range of services, including education, police, the construction and maintenance of highways, streets, storm and sanitary sewers and infrastructure, social services, parks and recreational activities and cultural events. Approximately 290 full-time municipal employees provide services to a community of 38 square miles and 40,000 residents.

Budgetary process:

The annual budget serves as the foundation for the Town of Groton's financial planning and control. The Town departments are required to submit requests for appropriation to the Town Manager not later than 167 days before the end of the fiscal year. The Board of Education and the political subdivisions within the Town of Groton are required to submit requests for appropriation not later than 122 days before the end of the fiscal year. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager presents this proposed budget to the council for review not later than 107 days before the end of the fiscal year. The council is required to hold at least one public hearing on the proposed budget and to adopt a final budget by no later than 21 days before the end of the fiscal year. The appropriated budget is prepared by fund and function (e.g., public works).

The Council approves a budget that it sends to the RTM for consideration and final approval. The RTM must approve the budget before the Council sets the final tax rate. In other matters, the RTM has the power of initiative to institute legislation or force reconsideration of an ordinance already adopted by the Town Council. The forty-one RTM members are elected by eight (8)-voting districts for two-year terms.

Expenditure Control:

The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council and RTM. Activities of the general fund, certain special revenue funds and the debt service fund are included in the annual appropriated budget. Project-length budgets are prepared for several special revenue funds and for the capital project fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the function level within each fund.

At the direction of the Town Manager, all Department Directors are expected to follow strict guidelines for expenditure control within the approved function appropriation. The Town Manager reserves the right to set "administrative spending authority" limits when justified to maintain the fiscal integrity of the budget. Department Directors are evaluated on budget management abilities. The Finance Department also monitors expenditures to budget through the general ledger/accounting system.

The Town maintains an encumbrance accounting system as another method of maintaining budgetary control. All purchases, except certain services as outlined in the Town's Purchasing Manual, require a purchase requisition and a purchase order. In addition, purchases over \$500 require evidence that quotations were received and that the lowest quote, consistent with quality, was selected. Town Charter requires formal competitive bids for expenditures over \$5,000. Funds are recorded as encumbered when the purchase order is issued and expenditures are recorded when the Town incurs a liability.

All encumbered operating appropriations lapse at year-end except if a program has not been completed before the end of the fiscal year. In the Capital Projects Funds, appropriations are continued until completion of the projects or five years from date of appropriation, whichever is less. Budgetary control in the Capital Projects Funds is achieved by the constraints imposed by the project's authorization or grant awards related to these funds.

Local Economy:

Groton was settled primarily by farmers, but they turned early to shipbuilding and the maritime trade to supplement their livelihood. Groton became known as the Submarine Capital of the World when the Electric Boat Division of General Dynamics delivered 74 diesel submarines to the Navy in World War II. This was followed in 1954 with the launch of the USS Nautilus, the world's first nuclear-powered submarine, now permanently berthed at Goss Cove near the Submarine Base. Today Groton is a regional center for commerce and industry while its shoreline location and its many historical sites have made the region a prime tourist attraction. The three top employers are U. S. Navy Submarine Base, Electric Boat Corporation and Pfizer Inc. As of June 2007, the Town had an unemployment rate of 4.4% as compared to the New London County rate of 4.2%, the state's average rate of 4.6% and the national average of 4.7%. New London County has an employed labor force of approximately 140,447 residents.

Grand List Increases by 49.0% Due to Revaluation: The October 1, 2006 net adjusted taxable Grand List totals \$4,050,120,685, up 49% over 2005. **Real estate** rose about 58.1%, from about \$2.22 billion to almost \$3.5 billion. The net **personal property** grand list rose 11.9%, from about \$328 million to about \$367 million. The **motor vehicles** portion of the grand list, adjusted for military exemptions, rose from \$172,163,364 in 2005 to \$175,456,545 up about 1.9%. Subsequent to the signing of the Grand List, minor adjustments were made by the Board of Assessment Appeals and the Town Council elected to phase-in the revaluation over a three year period. A more detailed analysis is presented in the Management Discussion and Analysis (MD&A) section of the CAFR.

Long-Term Financial Planning/Relevant Financial Policies:

The unreserved, undesignated fund balance in the general fund (8.3% of the total general fund expenditures) is above the Town Council's Debt Policy and Management/Fiscal Practices that were adopted in September 1993. That policy states that the unreserved undesignated fund balance shall be maintained in an amount equal to at least 5%. During the FYE 2007 budgetary process, the Town Council determined that it would be prudent to raise that minimum 5% and has embarked on a directive to maintain at least a 7.25% fund balance or higher.

The Town Charter provides for the Town Manager to propose in the annual budget to the Town Council an allocation of funds to the capital reserve fund. This fund was established for future capital and nonrecurring expenditures for the town. This allocation is to be not less than four percent of the general fund budget, less the amount necessary to defray general fund obligated debt service. This amount is subject to approval of the Town Council and Representative Town Meeting. The proposed amount of \$1,516,920 was increased by the Town Council by \$42,730 to \$1,559,650 and subsequently reduced by the RTM by \$180,184 to \$1,379,465 so that the RTM's final General Fund budget would not be greater than either the Town Manager's Proposed Budget or the Town Council's total budget figure, in compliance with Section 8.5 of the Town Charter.

Major Initiatives: For the Year Ended June 30, 2007:

Public Works Projects: In FYE 2001 the Town Council and the Representative Town Meeting approved various ordinances approving these projects. Because these projects were to be funded through general obligation bonds, they required voter approval. These four projects totaling approximately \$7.6 million were approved, at referendum on November 6, 2001. Of the four projects that were approved three (Closure of Welles Road Bulky Waste Site and the Flanders Road Transfer Station and the Town Hall Annex Sewer Line) were completed in December 2003, October 2002 and December 2003, respectively. The one remaining project and its status is:

Pleasant Valley Road South Improvements:

Pleasant Valley Road South is a major traffic artery that parallels Route 12. It is approximately 4,250 feet long varying in width from 26 feet to just over 30 feet. It serves an elementary school, several residential areas and a number of large businesses that front Route 12. The authorization appropriates approximately \$3.8 million for this project. This project was sent out to bid in March 2005 and was completed in October 2006 with final payments made in August 2007.

Major Initiatives: For the Future:

School Construction: Construction is proceeding on the three school projects which were approved by the Town of Groton voters in an April 27, 2004 referendum. These projects totaling \$91.9 million are the first phase of a three-part plan to overhaul the Town's aging schools. The referendum approved three town ordinances that appropriated \$91.9 million and authorized the issuance and sale of bonds and notes to fund the construction of two elementary schools and renovations and additions to the high school. The construction of the elementary schools, which began in August 2006, is nearing completion. The two elementary schools will be completed, and occupancy is anticipated in early January 2008. The addition

to the high school and associated site work began in October 2006. A new entry drive has been installed and will be used on an interim basis until completed in summer of 2008. The new addition is at the midpoint of construction and will be completed for opening in February 2008. After occupancy of the new addition at the high school, selected areas of the existing building will be renovated and others demolished. To complete the project, another parking lot, the remaining site work, and the renovations are all scheduled to be finished in summer 2008. At the end of this project, the facilities and educational needs of the Town will be evaluated to identify additional school enhancement projects.

Water Pollution Control Facility, Additions and Improvements: Voters of the Town of Groton approved a referendum on the November 5, 1996 ballot for additions and improvements to the Water Pollution Control Facility and Sewer System Evaluation Study. The referendum approved a Town Ordinance that appropriated \$10,388,000 and authorized the issuance and sale of bonds and notes to fund the additions and improvements. This project was delayed for about a year by a lawsuit filed by three residents concerned about the legality by the Town Council in setting the referendum date. The state's appellate court denied their appeal, and the State Supreme Court eventually dismissed the case. Design work commenced in January 1998. In June 1999 plans were submitted to the DEP along with an application for use of Clean Water Funds. DEP denied the request, and the Town was informed that if the construction plans and specifications were to include additional treatment facilities for the removal of nitrogen from the wastewater, state grants and low interest loans would be available in FYE 2000. Although the costs would increase from \$10.4 million to \$15.5 million, the use of State grants and low interest loans would not increase the Town's debt service. The Town Council and Representative Town Meeting approved the additional \$5.1 million appropriation in the spring of 2000 and a voter referendum in May of 2000 also approved the increased appropriation and borrowing authorization. It is anticipated that this project will support the wastewater treatment capability needs through the year 2015. In the process to obtain DEP approval on the state grants and loans, an analysis of the project's environmental impact had to be performed. That analysis involved a state review of the proposed project's consistency with the various environmental policies and with the States Conservation and Development Polices Plan (C&D). During the review, the state determined that the WPCF upgrade included an increase in flow capacity. The increase in flow capacity triggered a review of the Town's 20-year sewer plan to determine the sources of additional flows. The state determined that some of the areas in the Town of Groton identified to be sewered in the future were inconsistent with the C&D plan. These issues were resolved with the DEP and DEP began moving forward with State grant and loan approval process. During the 2004 State Legislative process, the Town sought a \$2.0 million grant to the town to offset inflationary cost that have resulted from the Town's negotiations with the State DEP concerning the Environmental Impact Evaluation. In June 2004, the Governor signed a bill that included \$2.0 million grant for this project. In September 2004, the Town received a copy of a letter that was sent from the Secretary of OPM to the Deputy Commission of DEP approving the Town of Groton's WPCF Upgrade EIE. In October and December 2004 the Town Council and Representative Town Meeting, respectively, passed a resolution approving the additional appropriation and extending the appropriations for additions and improvements to the WPCF in the amount of \$17.5 million.

Bid opening for the project was in May 2006. Only one bid was received and it was over budget. Market forces had outpaced the amount of funds appropriated for the project. The project was now estimated to cost \$20.9 million. The increased costs of \$3.4 million would be funded from the balances in the Sewer Operating Fund (\$1,932,000) and Sewer Capital Reserve Fund (\$418,000) and deferring several capital projects (\$1,050,000). The bonding authorization of \$15.5 million will remain unchanged. The Water Pollution Control Authority at its August 7, 2006 meeting passed a resolution requesting that the Town Council/RTM appropriate additional funds to complete the project. On August 22, 2006, the Town Council approved a resolution approving additional appropriations as listed above and extending the appropriation for additions and improvements to the Water Pollutions Control Facility. This item was referred to the Representative Town Meeting and approved unanimously at their September 13, 2006 meeting.

The project was rebid and bids were received on December 12, 2006. The project was awarded on February 22, 2007. It is scheduled to be substantially completed by October 2008, with start up completed by December 2008.

Fort Hill Homes Sewer Rehabilitation Project: Voters of the Town of Groton approved a referendum on the November 8, 2005 ballot for the rehabilitation and replacement of sewers, manholes and laterals in the Poquonnock Bridge section of town. The referendum approved a Town Ordinance that appropriated \$6,381,200 and authorized the issuance and sale of bonds and notes to fund the improvements. The financing will be secured by the Town's full faith and credit. The Town will fund the debt service for this project with revenue generated by the Town's sewer use fee rate. Bids were received in March of 2007 with the award of the first phase in April 2007. The second phase is scheduled for bid and award in early 2008. The entire project is scheduled for completion in December 2008.

Future Capital Projects Going to the Voters - November 6, 2007:

Per Section 8.12 of the Groton Town Charter, the Town Council and Representative Town Meeting approved three questions that went before the voters in the November 2007 election. The questions pertained to the authorization of long and short term financing for the Senior Center Addition and Renovations Project and the Animal Shelter Replacement Project.

Question #1, Senior Center Addition & Renovations Project for \$11.770 million would add 24,000 square feet to the existing 14,900 square-foot building that was built in 1979. It includes additional activity classrooms, a computer room, a music room, exercise and fitness room and administrative offices. Renovations and additions are planned for the kitchen facilities, entry vestibule and lobby.

Question #2, Senior Center Addition & Renovations-Aqua Therapy Facility Project would increase the amount in Question #1 by \$1.465 million to \$13.235 million for an aqua therapy area that will consist of an approximately 3,750 square-foot space and house a 22'X24' therapeutic/exercise pool designed to be 3.5' to 4' deep.

Question #3: Animal Shelter Replacement Project for \$1.385 million will replace a facility that consists of the original "dog pound" building constructed in 1957 and two additions, one in 1966 and one in 1977.

At the November 6, 2007 referendum, voters approved Questions #1 and #3.

Cash Management Policies and Practices:

The intention of the cash management process is to limit the amount of funds placed in accounts where low or no interest is paid. Cash temporarily idle during the fiscal year was invested in Municipal Bond Investors Assurance Corporation's (MBIA's) Cooperative Liquid Assets Security System (CLASS) account, and the State of Connecticut's Short-term Investment Fund (STIF). Interest rates continued to increase throughout the fiscal year. Groton's investment policy is to purchase Certificates of Deposits, if interest rates are comparable to other investment vehicles, through competitive bidding at area banks that have federal depository insurance. Concentration of certificates at any one institution is avoided by diversification. Liquidity is achieved through the use of the STIF account and the CLASS account, and bank money market accounts.

Connecticut law restricts investments of municipal funds to direct and indirect securities of the U.S. Government and deposits at banks located in Connecticut. Any uninsured and uncollateralized deposits were in institutions considered to be "qualified public depositories" covered under Connecticut General Statutes. Effective October 1, 1991, the state-wide pool for protecting public deposits was replaced by a new system of making each bank responsible for pledging collateral for its own public deposits, based on each bank's risk-based capital ratio. In addition, by Connecticut statute, a public depository may not accept deposits from any one municipality which would exceed 75% of the capital of the depository.

Risk Management:

The Town of Groton has a self-insured Worker's Compensation Program with a managed care component. Under this arrangement a Third Party Administrator (TPA) manages the claims with the Town Attorney's Office providing legal services for both Worker's Compensation and Heart and Hypertension claims.

The Town has a pro-active Employee Safety Program with an Employee/Employer Joint Safety Committee and an Executive Safety Committee meeting on a regular basis. A full-time Occupational Safety & Health Coordinator is employed to oversee the safety program and assure compliance with OSHA regulations.

Liability, property, auto and professional insurance coverages are maintained with claims coordinated through the Administrative Services Department.

Pension and Other Postemployment Benefits (OPEB):

The Town of Groton sponsors a single-employer defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the Town of Groton must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town of Groton fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the Town of Groton's conservative funding policy, the Town of Groton has succeeded as of July 1, 2005, in funding 104.3% of the present value of the projected benefits earned by employees. The overfunded amount is being systematically amortized over 10 years as part of the annual required contribution calculated by the actuary.

The Town of Groton also provides other post-employment benefits, i.e., health and dental care benefits for certain retirees and their dependents. As of the end of the last fiscal year, there were 121 retired employees receiving these benefits, which are currently financed on a pay-as-you-go basis.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 entitled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." Retiree medical plans will be required to disclose information about asset and liability levels and disclose historical contribution information. Actuarial valuations will be required to determine liability levels and show historical contribution information.

The implementation schedule requires the Town to implement the provisions of this GASB Statement and recognize the liability on its financial statements in FYE 2008. Given the magnitude of the liability and the potential to reduce future costs by establishing and beginning to contribute to a fund set aside for OPEB benefits, the Town began making general fund contributions to OPEB in FYE 2005. To date \$1,336,700 has been set aside into an OPEB special revenue fund.

In FYE 2008 the Town will set up a trust fund for OPEB contributions and establish a plan to reach the ARC funding level within a 5-year period. If the Town continues to make OPEB contributions in accordance with this plan, the actuaries estimate that the Town's OPEB liability would be about \$24 million with an ARC of \$2.19 million. The net budget impact (NBI) of the \$2.19 million ARC, is \$1.22 million, since the Town is already contributing towards retiree health benefits.

The following is an example of the plan that was presented during FYE 2008 budget deliberations. The table shows recommended General Fund Contributions to the OPEB Fund to reach the \$1.22 million level of the Net Budget Impact.

Five Year Implementation to Net Budget Impact (based on FYE 2008 Adopted Budget)			
Equal \$ increase of \$196,500 for 4 years to get to a 100% funding of Net Budget Impact (NBI) of \$1,226,000 in 5 th year			
Fiscal Year Ending	Fiscal Year Increase	Fiscal Year Contribution	Accumulated Contributions
2005	\$ 150,000	\$ 150,000	\$ 150,000
2006	-	\$ 150,000	\$ 300,000
2007	\$ 290,000	\$ 440,000	\$ 740,000
2008	\$ 156,700	\$ 596,700	\$ 1,336,700
2009	\$ 196,500	\$ 793,200	\$ 2,129,900
2010	\$ 196,500	\$ 989,700	\$ 3,119,600
2011	\$ 196,500	\$ 1,186,200	\$ 4,305,800
2012	\$ 196,500	\$ 1,382,700	\$ 5,688,500

Additional information on the Town of Groton's pension arrangements and other postemployment benefits can be found in Notes 4 and 5 in the Notes to the Financial Statements.

Debt Administration:

A sale of General Obligation Bonds, General Obligation Bond Anticipation Notes (BANs) and General Obligation Sewer BANs was conducted on October 19, 2006 with the Bonds and BANs dated November 1, 2006. The Bonds were issued for 20 years, maturing in October 2026. The Bonds are in the amount of \$16,570,000 and were used to fund a road project that was approved by the voters on November 6, 2001 and school projects that were approved by the voters on April 27, 2004. The general purpose (road) project was for Pleasant Valley Road Improvements (\$1,570,000). The school projects were for the new Catherine Kolnaski Elementary School (\$6,000,000), a new elementary school in the northeast, Northeast Academy (\$4,000,000) and for renovations and additions to Fitch High School (\$5,000,000). Six bids were received, and the award was made to Citigroup Global Markets with a true interest rate of 4.008593%.

Two BANs sales were also conducted on October 19, 2006. One BAN sale (Lot A) was issued for twelve months maturing in October 2007 in the amount of \$23,100,000 and is being used to fund school projects that were approved by the voters on April 27, 2004. The school projects pertained to the new Catherine Kolnaski Elementary School (\$7,300,000), a new Northeast Academy (\$6,100,000) and for renovations and additions to Fitch High School (\$9,700,000). Seven bids were received and the award was made to Eastern Bank (\$22,100,000 with a net interest rate @ 3.589%) and another bid was awarded to Roosevelt & Cross (\$1,000,000 with a net interest rate @ 3.4976%). The other BAN sale (Lot B) was issued for seven months maturing in June 20, 2007 in the amount of \$1,130,000 and is being used to fund the Water Pollution Control Facility's Sewer Upgrade Project. Four bids were received, and the award was made to Roosevelt & Cross with a net interest rate of 3.5945%.

At year-end, the Town had a number of debt issues outstanding. These issues, net of applicable unamortized discounts, included \$28,940,000 of general obligation bonds, \$2,105,000 of general obligation sewer bonds paid by special assessments for total bonds payable of \$31,045,000. Last fiscal year that total amount was \$17,425,000.

In September 1993, the Town Council adopted a “Debt Policy and Management/Fiscal Practices” that establishes criteria for the issuance of debt as well as setting some benchmarks on which to evaluate the Town’s level of debt. The following Town Council adopted limits guide the issuance of debt and are compared to the FYE 2007 data.

	<u>Adopted Policy</u>	<u>FYE 2007</u>
Comparison to State’s Statutory Debt Limit	not to exceed 50%	20.0%
Net Direct Indebtedness to assessed value	not to exceed 5%	2.4%
Debt Service as compared to Expenditures	not to exceed 10%	2.8%

Awards and Acknowledgements:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Groton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only and is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment for a government unit and its management. The Town of Groton has received a Certificate of Achievement for the last thirteen (13) consecutive years (FYE 1994 through FYE 2006). We believe that this report continues to conform to the Certificate of Achievement program requirement, and we are submitting it to GFOA to determine its eligibility for another certification.

Also, for the fourteenth (14) consecutive year, the GFOA presented an Award for Distinguished Budget Presentation to the Town of Groton for its annual budget, the FYE 2008 Adopted Budget. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device. The Award is the highest form of recognition in governmental budgeting.

A special thanks to the Town Manager, Department Directors and Division Supervisors for their assistance and contributions to this Report. I especially commend the members of the Finance Department, particularly, for their responsible competence and diligence in the continuation of the progressive financial activities of the Town. The preparation of this Report on a timely basis was made possible by the efficient and dedicated service of Cindy Landry, Treasurer/Accounting Manager and John Piacenza, Purchasing Agent, who is responsible for the recording and accounting of the Town’s capital assets.

Appreciation is also expressed to the Mayor, Town Council, Representative Town Meeting and all town employees for their cooperation and assistance throughout the year in matters pertaining to the financial affairs of the Town.

Respectfully submitted,



Salvatore M. Pandolfo
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Groton Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

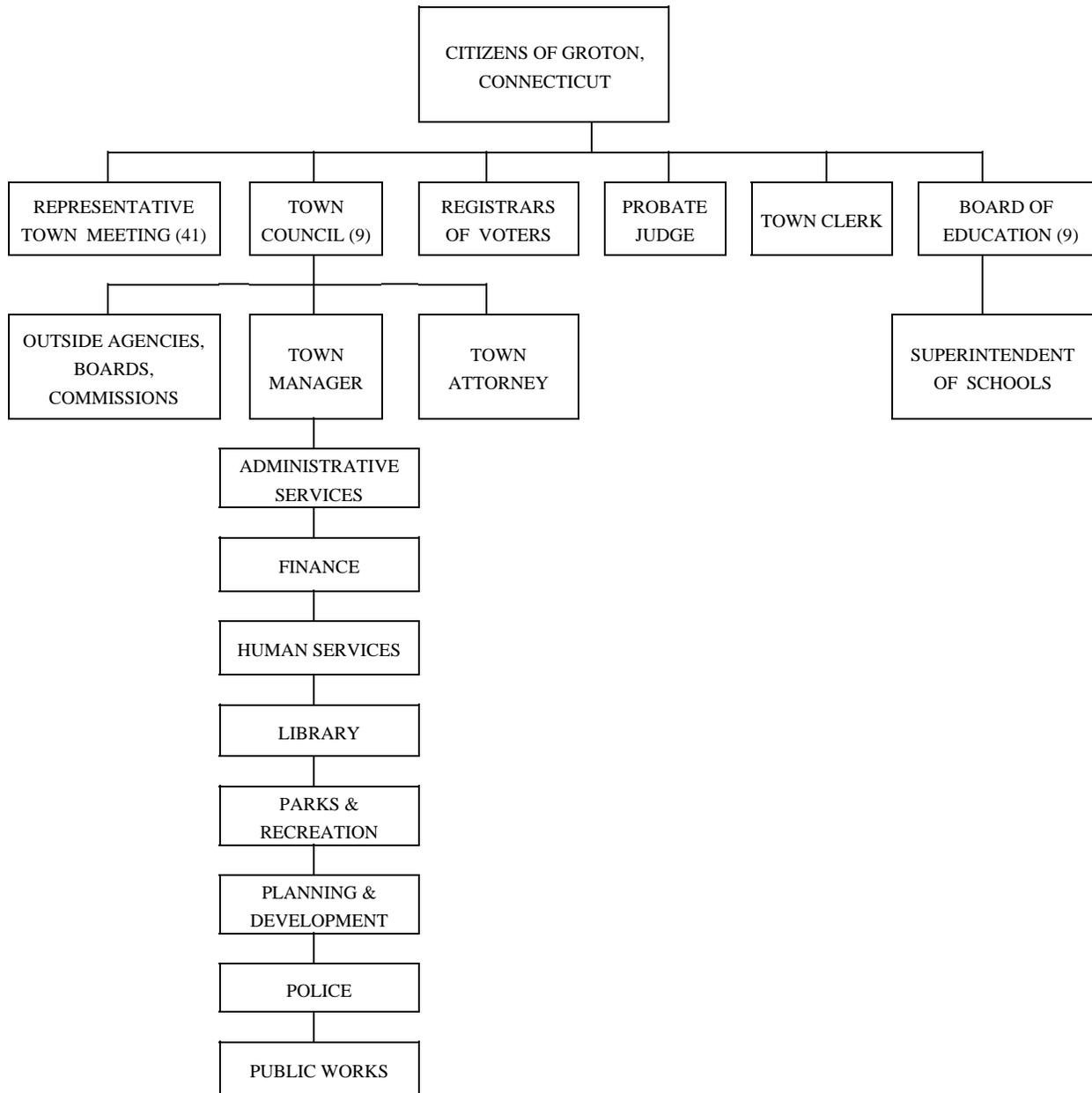


President

Executive Director

TOWN OF GROTON

ORGANIZATION CHART



TOWN OF GROTON
PRINCIPAL OFFICIALS

AS OF JUNE 30, 2007

Town Council

Harry A. Watson, Mayor
Peter J. Bartinik, Jr.
Heather Sherman Bond
Catherine Kolnaski
Frank O'Beirne
Rita M. Schmidt
John F. Scott
Paulann H. Sheets
James L. Streeter

Board of Education

Beverly H. Washington, Chairperson
Patricia Monahan Doyle
Elizabeth B. Gianacoplos
Marcia Ball Greenhalgh
Robert E. Peruzzotti
Brian M. Shirvell
Dr. Archie C. Swindell
Rita P. Volkmann
Charles Zezulka, Vice Chairperson

Appointed Officials

Mark R. Oefinger, Town Manager
Dr. James E. Mitchell, Superintendent of Schools
Eileen Duggan, Town Attorney, Suisman, Shapiro, Wool, Brennan & Gray

This page intentionally left blank.

Financial Section



Report of Independent Accountants

To the Members of the Town Council
Town of Groton, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Groton, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town of Groton, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Groton, Connecticut, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the Town of Groton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 18, 2007

TOWN OF GROTON, CONNECTICUT

Management's Discussion and Analysis

Introduction:

Management's Discussion and Analysis provides a narrative discussion of the Town's financial activities as a whole for the year ended June 30, 2007 with comparisons to the prior year, where appropriate. The information complements the data presented in the basic financial statements. Its purpose, along with the material in the Letter of Transmittal, is to enhance the reader's understanding of the Town's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights:

- The assets of the Town of Groton exceeded its liabilities at the close of the most recent fiscal year by \$144,848 (net assets). Of this amount, \$52,232 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$35,973. This increase is mainly attributable to an increase in operating and capital revenues, mainly grants and contributions.
- As of the close of the current fiscal year, the Town of Groton's governmental funds reported combined ending fund balances of \$25,782. The Town Council has an adopted policy for the maintenance of a minimum undesignated fund balance equal to 5% of the annual budget. However, during the FYE 2007 budgetary process, the town council determined that it would be prudent to raise the minimum fund balance level to 7.25% of adopted expenditures. Through the FYE 2007 budgetary process, the Town Council authorized the use of \$2,298 of fund balance to balance the General Fund budget and maintained an estimated 7.25% unreserved undesignated fund balance.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund was \$9,036 or 8.3% of total General Fund expenditures on a budgetary basis.
- The Town of Groton's total debt increased by \$27,230 (101.2%) during the current fiscal year. This was mainly due to increases (\$13,620) in the principal amounts due on bonds for general government obligation debt. Additionally bond anticipation notes for general obligation debt was increased (\$13,610) over the previous year.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the Town of Groton's basic financial statements. The Town of Groton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information and a statistical section. The statistical section provides comparisons of selected information beginning with FYE 1998 through the current audited fiscal year.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Groton's finances, in a manner similar to a private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Groton is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Uncollected taxes and earned but unused vacation leave are examples of these types of items.

The governmental activities of the Town of Groton include education, general government services, public safety, public works, planning and development, human services and community services. Property taxes, charges for services and state and federal grants finance most of these activities. Although the Town maintains no business-type activities, the Town does maintain three internal service funds that consist of the Fleet Reserve Fund, Health Insurance Fund and the Workers' Compensation Fund.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 16-17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Groton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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 government'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 government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Groton maintains twenty-nine individual nonmajor 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, the Capital Improvements Fund and the School Construction Fund, which are considered to be major funds. Twenty-three special revenue funds, two Capital Projects Funds, a Debt Service fund and three Permanent Funds are combined into aggregate funds in this presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Groton adopted an annual appropriated budget for its General Fund and, in addition, budgetary comparisons have been provided for the following nonmajor governmental funds: Special Library, Golf Course, Sewer Operating, Solid Waste, Mumford Cove, Community Events, Revaluation, Computer Replacement and the Groton Sewer District.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 18-22 of this report.

Proprietary Funds. The Town of Groton maintains three proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town of Groton's various functions. The Town of Groton uses internal service funds to account for its fleet of vehicles, health insurance and workers' compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The 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 pages 23-25 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 services to the Town's constituency. The Town has four private purpose funds, one pension trust fund and two agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the 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. Included in the notes is the information concerning the Town of Groton's funding its obligation to provide pension benefits to its employees. The Notes to the Financial Statements can be found on pages 28-56 of this report.

Other Information.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found beginning on page 57 of this report.

Government-Wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. Town of Groton governmental activity assets exceeded liabilities by \$144,847 on June 30, 2007.

**Town of Groton
Net Assets (\$000)**

	June 30, 2007	June 30, 2006
Current and Other Assets	\$ 76,568	\$ 55,994
Capital Assets	146,431	97,696
Total Assets	222,999	153,690
Long Term Liabilities	40,471	27,189
Other Liabilities	37,681	17,627
Total Liabilities	78,152	44,816
Net Assets:		
Invested in Capital Assets, Net of Related Debt	92,286	70,780
Restricted	329	330
Unrestricted	52,232	37,764
Total Net Assets	\$ 144,847	\$ 108,874

By far the largest portion of the Town of Groton's net assets (63.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Groton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Groton'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.

The remaining balance of unrestricted net assets (\$52,232) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Groton is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and proprietary activities.

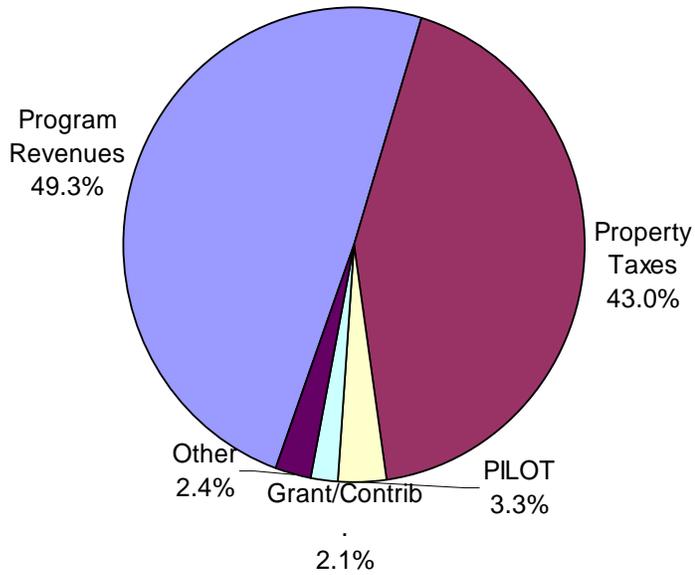
On a government-wide basis, the assets of the Town of Groton exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$144,847. This has increased from last fiscal year's restated net assets of \$108,874 due to an increase in operating and capital revenues, mainly grants and contributions. Of the Town's total net assets at June 30, 2007, \$52,232 or 36.1% is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors. This compares with last year's total unrestricted net assets of \$37,764 or 36.7%. The current year increases in investment in capital assets reflects the school construction projects and in the unrestricted assets reflects the additional revenues received.

Governmental Activities. Approximately 43% of the revenues were derived from property taxes, followed by 41% from grants and contributions, then 8% from other program revenues and finally about 2% of the Town's revenue in this fiscal year was derived from investment earnings.

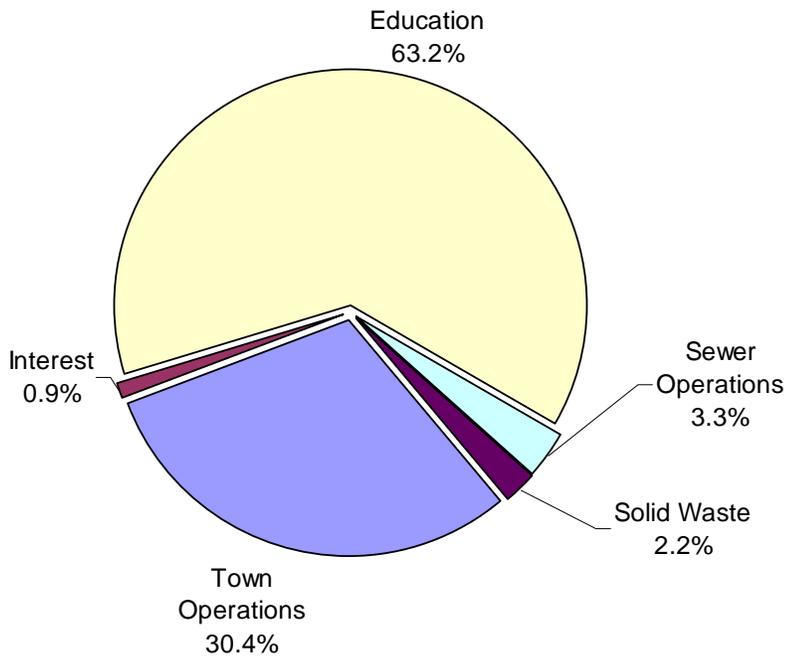
**Town of Groton
Change in Net Assets (\$000's)**

	Fiscal Years Ended	
	June 30, 2007	June 30, 2006
Program Revenues:		
Charges for Services	\$ 13,052	\$ 12,114
Operating Grants and Contributions	39,341	38,690
Capital Grants and Contributions	25,210	3,519
General revenues:		
Property Taxes	67,663	61,284
Payments in Lieu of Taxes	5,128	7,072
Grants and Contributions (not restricted)	3,263	2,785
Other-unrestricted investment earnings	3,773	2,280
Total Revenue	157,430	127,744
Expenses:		
General Government/Services	6,955	6,783
Public Safety	10,020	9,562
Public Works	9,628	12,491
Planning and Development	1,369	1,418
Human Service	2,311	2,266
Community Services	6,644	6,545
Board of Education	76,800	75,499
Sewer Operations	3,977	4,121
Solid Waste	2,642	2,652
Interest on Long Term Debt	1,111	751
Total Expenses	121,457	122,088
Increase in Net Assets	35,973	5,656
Net Assets July 1	108,874	103,218
Net Assets June 30	\$ 144,847	\$ 108,874

Town of Groton - Revenues
June 30, 2007



Town of Groton - Expenses
June 30, 2007



Major revenue factors included:

- ◆ Capital Grants were noticeably more in 2007 as the Town recognized an increase in State grants due to the three school construction projects.
- ◆ Property tax revenues recorded for fiscal year 2007 increased due to an increase of 5.4% in the October 1, 2005 Grand List and due to the Town's tax rate increasing from 22.95 mills to 24.95 mills, or 8.7%.
- ◆ Investment earnings increased by \$1,493 from the prior fiscal year to \$3,773 for the fiscal year ending June 30, 2007. The addition to interest and dividend earnings was the result of higher interest rates on investments and more funds available for investment purposes.

For Governmental Activities, 63% of the Town's expenditures relate to education, 8.2% relate to public safety, 7.9% relate to public works, 5.7% to general government/services, 5.5% to community services and the remainder relates to sewer operating, solid waste, human services and other areas.

Major expenditure factors include:

- ◆ Increases in employee wages resulting from negotiated step and general wage increases.
- ◆ Increases in utility costs associated with heating town buildings and fueling town vehicles.
- ◆ Increases associated with the Town's contribution to the retirement, heart and hypertension and the other post employment benefit liability.
- ◆ The cost of education services increased, due to negotiated wage settlements, utility costs and special education increases.

Business-Type Activities. The Town does not maintain any business-type activities at the present time.

Financial Analysis of the Government's Funds:

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

Governmental Funds. The focus of the Town of Groton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Groton's financing requirements. In particular, unreserved undesignated 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 Town of Groton's governmental funds reported combined ending fund balances of \$25,782, a decrease of \$1,352 in comparison with the prior year. Of this amount, \$(10,427) constitutes unreserved fund balance mainly due to a timing issue with the receipt of state grants on the school projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$35,205), or 2) for long-term loans and trust principal (\$1,003).

General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$9,036, which is included in the total fund balance of \$14,826. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 8.3% of total general fund expenditures, while total fund balance represents 13.6% of that same amount.

The total fund balance of the Town of Groton's General Fund increased by \$1,800 during the current fiscal year. The unreserved undesignated fund balance decreased by \$121. Key factors in the total fund balance increase are as follows:

- ◆ During the FYE 2007 budget development process it was anticipated that \$2,298 of fund balance would be needed to balance the FYE 2007 budget. However, that amount was not required.
- ◆ An additional \$709 in General Property Taxes or 1.1% over budget.
- ◆ An additional \$220 in Revenue from Investments or 18.6% over budget.
- ◆ An additional \$2,158 in Federal Grants or 66.1% over budget.
- ◆ All of those revenues over budget helped offset a reduction of \$367 in State Grants or 1.1% under budget.
- ◆ Additionally, expenditures for Town Government came in under budget by \$656.
- ◆ Contingency funds of \$248 were not transferred to other functions and remained unspent.

Capital Improvements Fund. This fund has a total fund balance of \$9,248, up from \$6,958 in the prior year. The increase is mainly explained by the receipt of \$382 from the State of Connecticut, investment income of \$530, bond proceeds of \$1,570, a transfer from the General Fund and Sewer Operating Funds in the amount of \$4,168 and net capital outlays of \$4,214.

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

Unrestricted net assets amounted to \$1,057 for the Fleet Reserve Fund, \$5,242 for the Health Insurance Fund and a negative \$619 for the Workers' Compensation Fund that includes the liability for heart and hypertension claims. The total increase in net assets for the internal service funds was \$2,413 mainly due to increases in the Fleet Reserve Fund, Health Insurance Fund and a reduction in the negative amount associated with the liability for heart and hypertension claims.

General Fund Budgetary Highlights:

There are no differences between the original budget and the final amended budget because all transfers occurred from the Contingency function that is appropriated within the General Fund.

During the year, actual revenues and other financing sources on a budgetary basis were \$110,496, which exceeded budgetary estimates by \$2,819. The majority of this increase can be attributed to additional tax revenues (\$709), investment income (\$220), and federal assistance associated with pupil impact aid (\$2,158). State revenues were under budget by \$367 which was mainly due to State revenues associated with the manufacturing and machinery grant coming in under the budget by \$388.

Actual expenditures on a budgetary basis and other financing uses totaled \$108,969; with actual revenues totaling \$110,496, revenues exceeded expenditures on a budgetary basis by \$1,527. The fiscal year 2006 audit had a designation of fund balance in the amount of \$2,298 to support FYE 2007 operations but was not required. Actual expenditures were under budget by \$1,006 with the town government returning about \$656 and with \$248 left unspent in the Contingency function.

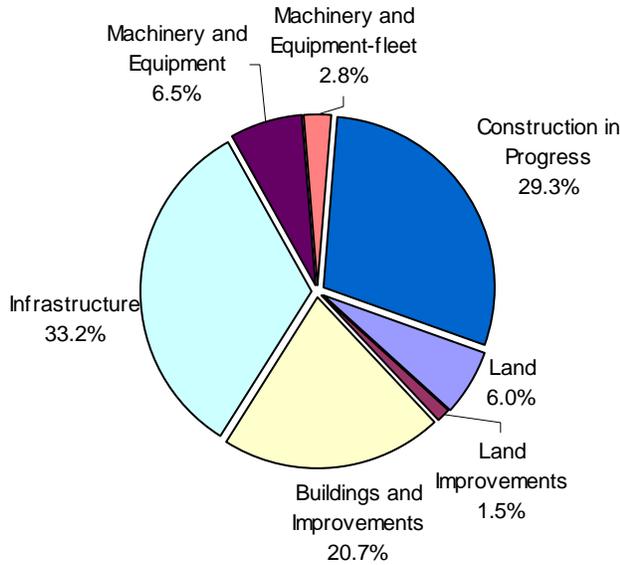
Capital Asset and Debt Administration:

Capital Assets. The Town of Groton's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$229,158. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the Town of Groton's investment in capital assets for the current fiscal year was 29.3% mainly due to the school construction projects.

**Town of Groton, Connecticut
Capital Assets (\$000's)**

	June 30, 2007		June 30, 2006
Land	\$ 13,836	\$	13,834
Land Improvements	3,543		3,267
Buildings and Improvements	47,344		46,209
Infrastructure	76,176		74,365
Machinery and Equipment	14,793		14,949
Machinery and Equipment - Fleet	6,341		6,151
Construction in Progress	67,126		18,469
 Total	 \$ 229,159	 \$	 177,244

Town of Groton - Capital Assets
June 30, 2007



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

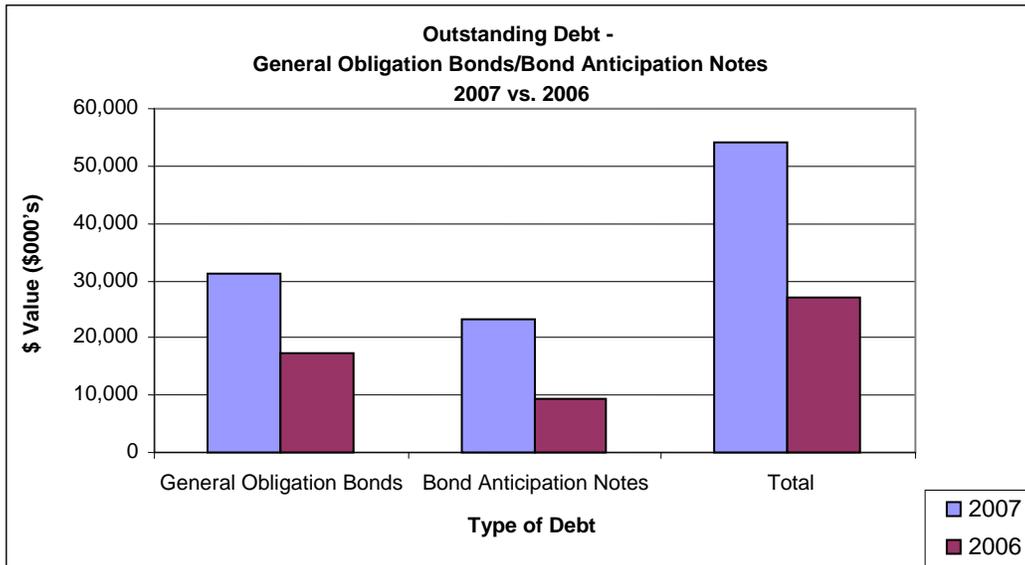
- Regarding bonded projects, the reconstruction of Pleasant Valley Road South with the installation of concrete sidewalks, storm drainage system and curbing was completed with the expenditure of \$860.
- Regarding the use of the State's Local Capital Improvement Project funds, the Police Station improvement reached \$55 and the Human Services Building renovations reached \$210.
- Regarding the use of local capital funds:
 - Water Pollution Control Facility repairs (maintain exteriors of buildings as well as the interior structural components) reached \$126,
 - Water Pollution Control Facility Upgrade reached \$1,623,
 - Senior Center Improvement pertaining to bringing the conceptual design forward through design development reached \$192,
 - Fitch High School improvements for bleacher and gym floor replacement reached \$269,

Additional information on the Town of Groton's capital assets can be found in Note 3D on pages 43-44 of this report.

Outstanding Debt. At the end of the current fiscal year, the Town of Groton had total debt outstanding of \$54,145. Of this amount \$52,040 comprises debt backed by the full faith and credit of the government and \$2,105 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

**Town of Groton, Connecticut
Outstanding Debt (\$000's)
General Obligation Bonds/Bond Anticipation Notes**

	Governmental Activities	
	June 30, 2007	June 30, 2006
General Obligation Bonds	\$ 31,045	\$ 17,425
Bond Anticipation Notes	23,100	9,490
Totals	\$ 54,145	\$ 26,915



The Town of Groton's general obligation bonds have increased \$13,620. The total debt including bond anticipation notes increased \$27,230 or 101.2% during the current fiscal year mainly due to additional bonds issued for the three school projects. Additional BANs were also issued for the three school projects.

The Town of Groton maintains a "AA-" rating from Standard & Poor's and Fitch and a "Aa3" rating from Moody's for general obligation debt.

The overall statutory debt limit for the Town of Groton is equal to seven times annual receipts from taxation or \$545. As of June 30, 2007, the Town recorded total indebtedness of \$109 related to Governmental Activities, well below its statutory debt limits.

Additional information on the Town of Groton's long-term debt can be found in Note 3H on pages 46-47 of this report.

Economic Factors and Next Year's Budgets and Rates:

- As of June 2007 the Town had an unemployment rate of 4.4% as compared to the New London County rate of 4.2%, the state's average rate of 4.6% and the national average of 4.7%.
- New London County has an employed labor force of approximately 140,447 residents.
- Inflationary trends in the region compare similarly to national indices.

Grand List Increases by 49.0% due to Revaluation:

The October 1, 2006 net adjusted taxable Grand List signed February 28, 2007 totals \$4,050,120,685, up 49.0% over 2005. Although the personal property portion of the grand list rose significantly, most of the increase is due to a record real estate market run-up in the years prior to and during the 2006 Grand List general real estate revaluation.

Real estate rose about 58.1%, from about \$2.22 billion to about \$3.5 billion. In aggregate, gross residential real estate assessments rose almost 73%, from about \$1.34 billion to about \$2.32 billion. Gross commercial real estate rose about 52.4% to \$430,796,657. Industrial property, including Pfizer and EB, rose about 21.9%, to \$578,134,410, and apartments of four units or more rose about 56.8% to \$170,308,082. About 65 single-family homes, 7 two-family homes and 30 residential condominium units were either started or newly completed for the October 1, 2006 Grand List. Assessments on the new residential buildings totaled about \$19.1 million. Assessment penalties totaling about \$8.5 million were imposed on 84 commercial parcels in 2006 for failure to return income and expense statements by June 1.

The net **personal property** grand list rose 11.9%, from about \$328 million to about \$367 million. The gross personal property grand list also rose this year, mostly due to continuing remodeling at Pfizer. Reimbursed exemptions totaling 29% of the gross personal property grand list fell slightly this year to \$155,123,590. Personal property assessment penalties continue to rise. Nonfilers and late filers are subject to a 25% mandatory assessment penalty. This year, penalized accounts rose 14% to 673. Assessment penalties rose to \$3,262,390, up 24% from last year

The **motor vehicles** portion of the grand list, adjusted for military exemptions, rose from \$172,163,364 in 2005 to \$175,456,545 this year, up just 1.9%. Despite the fact that the motor vehicle portion of the grand list grew in value, there were 38 fewer motor vehicles registered in town this year.

Residential real estate's share of the adjusted net grand list rose 16.3%, from about 49% in 2005 to 57% now. This is the classic "shift," where residential real estate typically assumes a greater portion of the overall local property tax burden following a revaluation. Automobiles, on the other hand, shed 31% of their pre-revaluation tax burden, falling to just shy of 5% of the adjusted net grand list. Despite the fact that the assessed value of business personal property rose substantially, its portion of the grand list fell more than 29%, to 9.1% of the entire net grand list. Tax shifts to residential real estate tend to be more pronounced in communities with large industrial tax bases with a large amount of business personal property, which depreciates until it is replaced.

Subsequent to the signing of the Grand List, the Town Council elected to phase-in the revaluation over a three-year period. That action reduced the increase in the Grand List from 49.0% to 17.6% for the first year of the phase-in.

Other Information:

During the fiscal year ended June 30, 2007, the Town of Groton received 46% of its total revenues from Intergovernmental sources, i.e., the State of Connecticut and the Federal Government. With the completion of operations, the General Fund's unreserved fund balance for FYE 2007 is at 8.3% which is above the minimum acceptable level by bond rating agencies. With an overwhelming reliance on property taxes, 60.1% of the current year revenues are derived from property taxes, any reduction in other revenues would necessitate either a use of a portion of the fund balance, a property tax increase, or a reduction in services in FYE 2008 or some combination of all three.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$12,979. The Town Council has designated and appropriated \$3,943 to balance the 2008 fiscal year budget.

The Golf Course Fund increased fees by about 3% for all levels of play. These increases were necessary to begin reimbursing the General Fund for funding the Golf Fund's deficit that materialized in FYE 2003. The Sewer Operating Fund did not increase its user rates for individuals and industrial/commercial users.

Requests for Information:

This financial report is designed to provide a general overview of the Town of Groton'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, Groton Town Hall, 45 Fort Hill Road, Groton, CT 06340.

Basic Financial Statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 70,558,368
Investments	55,709
Receivables (net of allowances for collection losses):	
Property taxes	1,816,329
Special assessments	161,063
Accounts receivable	1,142,400
Federal and state governments	559,844
Other assets	26,107
Noncurrent assets:	
Capital assets, nondepreciable	80,961,301
Capital assets, net of accumulated depreciation	65,469,436
Pension assets	1,223,406
Due from State	452,703
Other receivables	242,977
Restricted assets:	
Cash	244,963
Investments	84,530
Total assets	<u>222,999,136</u>
Liabilities:	
Accounts payable and accrued liabilities	13,916,753
Unearned revenue	663,459
Bond anticipation notes payable	23,100,000
Noncurrent liabilities:	
Due within one year	4,783,981
Due in more than one year	35,687,347
Total liabilities	<u>78,151,540</u>
Net Assets:	
Investment in capital assets, net of related debt	92,285,747
Restricted for:	
Trust, nonexpendable	329,493
Unrestricted	<u>52,232,356</u>
Total Net Assets	<u><u>\$ 144,847,596</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Capital Improvements Fund	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 19,753,220	\$ 10,635,495	\$ 21,952,116	\$ 8,992,655	\$ 61,333,486
Investments				140,239	140,239
Receivables, net:					
Property taxes	1,547,452			18,055	1,565,507
Assessments		6,072		154,991	161,063
Intergovernmental				327,278	327,278
Accounts receivable	105,832			1,455	107,287
Other				1,035,113	1,035,113
Due from other funds	1,225,334				1,225,334
Other assets	5,704			20,403	26,107
Total Assets	\$ 22,637,542	\$ 10,641,567	\$ 21,952,116	\$ 10,690,189	\$ 65,921,414
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,235,248	\$ 1,149,713	\$ 5,049,537	\$ 1,037,207	\$ 13,471,705
Due to State				48,646	48,646
Due to other funds		236,990	108,995	879,349	1,225,334
Bond anticipation note payable			23,100,000		23,100,000
Deferred revenues	1,575,627	6,072		711,606	2,293,305
Total liabilities	7,810,875	1,392,775	28,258,532	2,676,808	40,138,990
Fund balances:					
Reserved for:					
Encumbrances	1,846,901	536,759	32,254,497	567,743	35,205,900
Equipment				674,054	674,054
Trust principal				329,493	329,493
Unreserved, reported in:					
General fund	12,979,766				12,979,766
Special revenue funds				4,281,537	4,281,537
Capital projects funds		8,712,033	(38,560,913)	(692,423)	(30,541,303)
Debt service fund				2,787,781	2,787,781
Permanent fund				65,196	65,196
Total fund balances	14,826,667	9,248,792	(6,306,416)	8,013,381	25,782,424
Total Liabilities and Fund Balances	\$ 22,637,542	\$ 10,641,567	\$ 21,952,116	\$ 10,690,189	\$ 65,921,414

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2007

Amounts reported for governmental activities in the statement of net assets (page 16) are different because of the following:

Fund balances - total governmental funds (page 18)	\$ 25,782,424
--	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 222,818,021	
Less accumulated depreciation	(79,292,009)	
Net capital assets		143,526,012

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Pension assets	1,223,406
Property tax receivables greater than 60 days	1,629,846
Interest receivable on property taxes	437,336
Receivable from the state for school construction projects	685,269

Internal service funds are used by management to charge the costs of fleet management, health benefits and workers compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	8,584,894
---	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(31,045,000)
Interest payable on bonds	(364,163)
Compensated absences	(2,149,828)
Landfill closure costs	(3,462,600)

Net Assets of Governmental Activities (page 16)	\$ 144,847,596
---	----------------

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and lien fees	\$ 66,389,842			\$ 1,186,100	\$ 67,575,942
Assessments		6,073		55,814	61,887
Licenses and permits	378,273				378,273
Intergovernmental - state	38,158,060	382,406	23,170,525	4,382,146	66,093,137
Interest on investments	1,405,749	529,856	1,001,542	339,511	3,276,658
Intergovernmental - federal	5,422,401			746,836	6,169,237
Charges for current services	1,699,440			2,616,672	4,316,112
Schools, library and recreation fees	341,499				341,499
Sewer use charges				4,659,486	4,659,486
Solid waste management charges				2,877,959	2,877,959
Other revenue	438,660	22,638	97,989	829,412	1,388,699
Total revenues	<u>114,233,924</u>	<u>940,973</u>	<u>24,270,056</u>	<u>17,693,936</u>	<u>157,138,889</u>
Expenditures:					
Current:					
General government	789,503			715,174	1,504,677
General services	4,263,014				4,263,014
Public safety	6,083,543			239,867	6,323,410
Public works	6,579,008				6,579,008
Planning and development	1,037,790				1,037,790
Health and human services	697,025			131,754	828,779
Community services	4,161,420			1,579,713	5,741,133
Education	72,450,322			4,347,318	76,797,640
Subdivisions	4,719,027				4,719,027
Sewer operations				3,514,978	3,514,978
Solid waste management				2,626,356	2,626,356
Nondepartmental	4,931,331				4,931,331
Outside agencies	1,662,697				1,662,697
Debt service	3,070,530			846,053	3,916,583
Capital outlay		4,214,011	44,256,372	1,518,949	49,989,332
Total expenditures	<u>110,445,210</u>	<u>4,214,011</u>	<u>44,256,372</u>	<u>15,520,162</u>	<u>174,435,755</u>
Revenue over (under) Expenditures	<u>3,788,714</u>	<u>(3,273,038)</u>	<u>(19,986,316)</u>	<u>2,173,774</u>	<u>(17,296,866)</u>
Other Financing Sources (Uses):					
Bond proceeds		1,570,000	15,000,000		16,570,000
Transfers in	648,008	4,168,486		805,743	5,622,237
Transfers out	(2,635,872)	(175,000)		(3,437,029)	(6,247,901)
Total other financing sources (uses)	<u>(1,987,864)</u>	<u>5,563,486</u>	<u>15,000,000</u>	<u>(2,631,286)</u>	<u>15,944,336</u>
Net Change in Fund Balances	1,800,850	2,290,448	(4,986,316)	(457,512)	(1,352,530)
Fund Balances at Beginning of Year	<u>13,025,817</u>	<u>6,958,344</u>	<u>(1,320,100)</u>	<u>8,470,893</u>	<u>27,134,954</u>
Fund Balances at End of Year	<u>\$ 14,826,667</u>	<u>\$ 9,248,792</u>	<u>\$ (6,306,416)</u>	<u>\$ 8,013,381</u>	<u>\$ 25,782,424</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of activities (page 17) are different because of the following:

Net change in fund balances - total governmental funds (page 20) \$ (1,352,530)

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.

Capital outlay	52,687,088
Depreciation expense	(3,828,911)
Loss on disposal of capital assets	(154,023)

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

Property taxes collected after 60 days	136,573
Interest income on property taxes	(49,134)
Intergovernmental revenue on school bonds	(301,940)
Donated capital assets	1,900

Change in pension assets (48,808)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Accrued interest	(144,559)
Principal payments on bonds	2,950,000
Bond proceeds	(16,570,000)
Landfill closure payments	168,200

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.

Change in compensated absences 66,295

The net expense of certain activities of internal service funds is reported with governmental activities 2,413,443

Change in Net Assets of Governmental Activities (page 17) \$ 35,973,594

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 65,705,419	\$ 65,705,419	\$ 66,414,732	\$ 709,313
Licenses and permits	388,268	388,268	378,274	(9,994)
Interest on investments	1,185,000	1,185,000	1,405,749	220,749
Intergovernmental - Federal	3,264,000	3,264,000	5,422,401	2,158,401
Intergovernmental - State	34,114,645	34,114,645	33,747,637	(367,008)
Charges for current services	1,722,077	1,722,077	1,699,183	(22,894)
Schools, library and recreation fees	379,380	379,380	341,499	(37,881)
Other revenue	270,094	270,094	439,013	168,919
Total revenues	107,028,883	107,028,883	109,848,488	2,819,605
Expenditures:				
Current:				
General government	944,354	946,054	811,102	134,952
General services	4,428,832	4,428,832	4,299,245	129,587
Public safety	5,997,681	6,061,681	6,061,388	293
Public works	6,704,292	6,729,292	6,725,013	4,279
Planning and development	1,192,692	1,192,692	1,031,043	161,649
Health and human services	705,771	716,671	699,764	16,907
Community services	4,392,029	4,392,029	4,258,124	133,905
Education	68,073,295	68,073,295	68,064,035	9,260
Subdivisions	4,719,027	4,719,027	4,719,027	-
Nondepartmental	5,355,892	5,254,292	4,931,331	322,961
Outside agencies	1,668,697	1,668,697	1,662,697	6,000
Debt service	3,156,815	3,156,815	3,070,530	86,285
Total expenditures	107,339,377	107,339,377	106,333,299	1,006,078
Excess (Deficiency) of Revenues over Expenditures	(310,494)	(310,494)	3,515,189	3,825,683
Other Financing Sources (Uses):				
Transfers in	648,008	648,008	648,008	-
Transfers out	(2,635,872)	(2,635,872)	(2,635,872)	-
Total other financing uses	(1,987,864)	(1,987,864)	(1,987,864)	-
Net Change in Fund Balance	\$ (2,298,358)	\$ (2,298,358)	1,527,325	\$ 3,825,683
Fund Balance at Beginning of Year			12,054,545	
Encumbrances Cancelled			59,528	
Fund Balance at End of Year			\$ 13,641,398	

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007

	Governmental Activities Internal Service Funds
Assets:	
Current assets:	
Cash and cash equivalents	\$ 9,469,835
Accounts receivable	56,473
Property and equipment, net	<u>2,904,725</u>
Total assets	<u>12,431,033</u>
Liabilities:	
Current liabilities:	
Accounts payable	32,239
Claims incurred but not reported	<u>1,274,528</u>
Total current liabilities	<u>1,306,767</u>
Noncurrent liabilities:	
Claims incurred but not reported, net of current portion	<u>2,539,372</u>
Total liabilities	<u>3,846,139</u>
Net Assets:	
Invested in capital assets	2,904,725
Unrestricted	<u>5,680,169</u>
Total Net Assets	<u>\$ 8,584,894</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 17,467,373
Other revenue	365,944
Total operating revenues	<u>17,833,317</u>
Operating Expenses:	
Operating expenses	1,483,196
Claims	13,095,609
Depreciation	584,703
Administration	1,320,461
Total operating expenses	<u>16,483,969</u>
Operating Income	<u>1,349,348</u>
Nonoperating Revenues and Expenses:	
Interest on investments	504,494
Loss on disposal of capital assets	(66,063)
Total nonoperating revenues and expenses	<u>438,431</u>
Income Before Transfers	1,787,779
Transfers In	<u>625,664</u>
Change in Net Assets	2,413,443
Net Assets at Beginning of Year	<u>6,171,451</u>
Net Assets at End of Year	<u><u>\$ 8,584,894</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 17,828,505
Cash paid to vendors	(1,500,487)
Cash paid to beneficiaries	(14,519,822)
Net cash provided by operating activities	<u>1,808,196</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of property and equipment	(680,239)
Cash Flows from Noncapital Financing Activities:	
Transfers in	625,664
Cash Flows from Investing Activities:	
Interest on investments	<u>504,494</u>
Net Increase in Cash and Cash Equivalents	2,258,115
Cash and Cash Equivalents - Beginning of Year	<u>7,211,720</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 9,469,835</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 1,349,348
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	584,703
Changes in assets and liabilities:	
Increase in accounts receivable	(4,813)
Decrease in accounts payable	(17,289)
Increase in claims payable	<u>(103,753)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,808,196</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 273,741	\$ 2,115,150
Investments, at fair value:			
Mutual funds	86,106,725		
Receivable	7,424		
Total assets	<u>86,114,149</u>	<u>273,741</u>	<u>2,115,150</u>
Liabilities:			
Due to student groups			234,338
Due to employees/others	1,987	172	
Due to contractors/developers			1,880,812
Total liabilities	<u>1,987</u>	<u>172</u>	<u>2,115,150</u>
Net Assets:			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 86,112,162</u>	<u>\$ 273,569</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 872,005	\$
Plan members	1,134,439	
Total contributions	<u>2,006,444</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	5,078,705	
Interest and dividends	6,240,465	12,732
	<u>11,319,170</u>	<u>12,732</u>
Less investment expenses:		
Investment management fees	289,902	3,000
Net investment income	<u>11,029,268</u>	<u>9,732</u>
Total additions	13,035,712	9,732
Deductions:		
Benefits	<u>5,044,977</u>	<u>12,648</u>
Change in Net Assets	7,990,735	(2,916)
Net Assets Held in Trust - Beginning of Year	<u>78,121,427</u>	<u>276,485</u>
Net Assets Held in Trust - End of Year	<u>\$ 86,112,162</u>	<u>\$ 273,569</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Groton, Connecticut (the Town) was incorporated in 1705. The Town operates under a Council/Representative Town Meeting/Manager form of government and provides the following services as authorized by its Charter: public safety, public works, planning and development, human services, community services, education, sewer and solid waste disposal, and general governmental services. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies used by the Town.

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. These criteria have been considered, and there are no agencies or entities which should be presented with the Town.

B. Basis of Presentation

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements, the exception being interfund services provided and used. These services are not eliminated in the process of consolidation.

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. Indirect expenses were also classified to the appropriate functions. 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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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 are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, when levied for, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town, or specifically identified.

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.

The Town reports the following major governmental funds.

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

The *Capital Improvements Fund* accounts for individual capital project authorizations, other than those accounted for in the Sewer Construction Fund.

The *School Construction Fund* accounts for projects associated with construction, renovations and additions for Groton school facilities that have been authorized by voter referendum.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Additionally, the Town reports the following fund types:

Internal Service Funds are used to account for employee health insurance, workers' compensation insurance and for the use and replacement of motor vehicles provided to other departments of the Town.

Private Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

The *Pension Trust Fund* is used to account for the accumulation of resources to be used for retirement benefits.

Agency Funds account for monies held as a custodian for student groups and contractors/developers.

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

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

C. Cash Equivalents

The Town considers all highly liquid investments and those with original maturities of 90 days or less when purchased to be cash equivalents.

D. Investments

Investments are recorded at fair value based on quoted market prices.

E. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building improvements	20
Distribution and collection systems	50-100
Public domain infrastructure	50
System infrastructure	30
Land improvements	20
Machinery and equipment	5-20

In the governmental fund financial statements, capital outlay (assets) are reported as expenditures and no depreciation is recorded.

F. Compensated Absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies and vests according to such contracts and policies. Sick leave and vacation leave expenditures are recognized in the governmental fund financial statements in the current year only if they have matured, for example, as a result of employee resignations and retirements.

Vacation and sick leave expenses to be paid in future periods are accrued when earned in the government-wide and proprietary fund financial statements.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

A summary of the provisions in certain union contracts is as follows:

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>
Nonunion Employees	<p>15 days per year. Accumulated up to 250 days.</p> <p>Accrued sick leave in excess of 250 days on June 30 is paid out annually in the ratio of 3 days to 1.</p> <p>Payment upon retirement: If employee has a minimum of 100 days accumulated - all accumulated sick leave shall be paid at the rate of 4 sick days equal to 1 day's pay at rate of pay at time of retirement.</p> <p>Employees not participating in the Town of Groton Retirement plan providing they have a minimum of 100 days accumulated - accumulated sick leave paid at the rate of 2 sick days equal to 1 day's pay at rate of pay at time of retirement.</p>	<p>< 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>2 additional days are accrued every July 1st.</p> <p>Employees may carry over leave balances up to twice the number of days accrued the previous year.</p> <p>Each June 30th, employees with balances exceeding two years of accruals may convert up to 11 days of excess leave to cash provided they have taken a minimum of 15 days during the fiscal year.</p>
Nonunion Police Officers	<p>Officers retiring with a minimum of 100 accumulated hours are eligible for payment of accumulated sick days up to a maximum of 225 days under either of the following options:</p> <p>a. At the rate of 3/8 of accumulated sick leave with payment subject to retirement withholding and included in average annual pay for the purpose of calculating retirement benefits.</p> <p style="text-align: center;">OR</p> <p>b. At the rate of 3/4 of accumulated sick leave with said payment not subject to retirement withholding and not included in average annual pay for the purpose of calculating retirement benefits.</p>	<p>Upon retirement, officers receive full credit for any accumulated annual leave or paid holidays.</p>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>												
Groton Municipal Employees Association (MEA)	<p>Employees hired before January 1, 2006 accrue 15 days per year up to 200 days.</p> <p>Employees hired after December 31, 2005 accrue 12 days per year. Accumulated up to 200 days.</p> <p>Accrued sick leave in excess of 200 on June 30 is paid out annually at the rate of 3 sick days to 1 day's pay up to 250 days.</p> <p>After vesting (5 years of service), employees with a minimum of 100 days up to 200 days receive 75% of their accrued sick time (maximum of 75 days) at retirement.</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">< 5 years</td> <td style="width: 10%; text-align: center;">=</td> <td style="width: 15%;">12 days</td> </tr> <tr> <td>5 - 10 years</td> <td style="text-align: center;">=</td> <td>15 days</td> </tr> <tr> <td>10 - 15 years</td> <td style="text-align: center;">=</td> <td>18 days</td> </tr> <tr> <td>> 15 years</td> <td style="text-align: center;">=</td> <td>24 days</td> </tr> </table> <p>Employees may carry over one year worth of accruals each June 30th (can be extended by Director of Administrative Service approval).</p>	< 5 years	=	12 days	5 - 10 years	=	15 days	10 - 15 years	=	18 days	> 15 years	=	24 days
< 5 years	=	12 days												
5 - 10 years	=	15 days												
10 - 15 years	=	18 days												
> 15 years	=	24 days												
Groton Police Union (AFSCME)	<p>Employees with less than 5 years of service accrue 12 days. Employees with more than 5 years of service accrue 15 days.</p> <p>Hire date on or before July 1, 1996 - Accumulate up to 275 days.</p> <p>Hire date after July 1, 1996 - Accumulate up to 225 days.</p> <p>Upon retirement - any officer with at least 100 days accumulated can receive:</p> <p style="margin-left: 20px;">a. At the rate of 3/8 of accumulated sick leave with payment subject to retirement withholding and included in average annual pay for the purpose of calculating retirement benefits.</p> <p style="text-align: center; margin-left: 40px;">OR</p> <p style="margin-left: 20px;">b. At the rate of 3/4 of accumulated sick leave with said payment not subject to retirement withholding and not included in average annual pay for the purpose of calculating retirement benefits.</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">< 5 years</td> <td style="width: 10%; text-align: center;">=</td> <td style="width: 15%;">12 days</td> </tr> <tr> <td>5 - 10 years</td> <td style="text-align: center;">=</td> <td>15 days</td> </tr> <tr> <td>10 - 15 years</td> <td style="text-align: center;">=</td> <td>18 days</td> </tr> <tr> <td>> 15 years</td> <td style="text-align: center;">=</td> <td>24 days</td> </tr> </table> <p>Accrued leave must be taken before March 31st of the 2nd calendar year after the year it was accrued (can be extended to September 30 with approval of Town Manager and Chief of Police).</p>	< 5 years	=	12 days	5 - 10 years	=	15 days	10 - 15 years	=	18 days	> 15 years	=	24 days
< 5 years	=	12 days												
5 - 10 years	=	15 days												
10 - 15 years	=	18 days												
> 15 years	=	24 days												

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>
Groton Public Works Union (USA)	<p>Employees with less than 5 years of service accrue 12 days per year. Accumulate up to 200 days.</p> <p>Employees with 5 or more years of service accrue 15 days per year. Accumulate up to 200 days.</p> <p>The difference between 100 days and up to 200 days accumulated is paid out at retirement up to the maximum of 100 days. No pay out for individuals with less than 100 days accumulated.</p> <p>Sick leave accrued in excess of 200 days shall be converted to cash at a ratio of 5 to 1 each June 30th.</p>	<p>< 5 years = 12 days 5 - 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>Accrued leave must be taken before June 30th of the year following the year in which it is accrued (a six-month extension can be granted).</p>
Groton Supervisors Union (AFSCME)	<p>12 days per year. Accumulate up to 200 days.</p> <p>The difference between 100 days and up to 200 days accumulated is paid out at retirement. No pay out for individuals with less than 100 days accumulated.</p> <p>Sick leave accrued in excess of 200 days shall be converted to pay at a ratio of 3 to 1 each June 30th.</p>	<p>< 5 years = 12 days 5 - 10 years = 15 days 10 - 15 years = 18 days > 15 years = 24 days</p> <p>Accrued leave must be taken before December 31st of the calendar year following the year in which it accrued (can be extended to June 30 with Town Manager approval).</p>
Groton BOE Paraprofessionals Union	<p>15 days per year. Accumulate up to 150 days.</p> <p>No provision for pay out of accumulated days at retirement.</p>	<p>No provisions.</p>
Groton BOE Teachers Union	<p>15 days per year. Accumulate up to 165 days.</p> <p>No provision for pay out of accumulated days at retirement.</p>	<p>No provisions.</p>
Groton BOE Administrators Union	<p>15 days per year. Accumulate up to 165 days.</p> <p>No provision for pay out of accumulated days at retirement.</p>	<p>No provisions.</p>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

<u>UNION</u>	<u>SICK PAY</u>	<u>VACATION</u>
Groton BOE Secretaries Union	15 days per year. Accumulate up to 150 days. No provision for pay out of accumulated days at retirement.	No provisions.
Groton BOE Custodians Union	15 days per year. Accumulate up to 162 days. No provision for pay out of accumulated days at retirement.	< 5 years = 10 days 5 - 14 years = 15 days > 14 years = 20 days All vacation accrued as of July 1 of any calendar year must be taken prior to July 31 of the following year (13 months).
Groton BOE Nonunion: Superintendent	20 days per year. Accumulate up to 165 days.	25 days per year.
Central Office Administrators	18 days per year. Accumulate up to 165 days.	22 days per year.
Central Office Clerical	18 days per year. Accumulate up to 165 days. No provision for pay out of accumulated days at retirement.	< 5 years = 10 days 5-13 years = 15 days > 14 years = 20 days All vacation accrued as of July 1, of any calendar year must be taken prior to July 31 of the following year (13 months).

G. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

H. Pension Accounting

Pension Trust Fund

The Pension Trust Fund is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings.

Governmental Funds

The net pension obligation (asset), the cumulative difference between annual pension cost and the Town'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. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The net pension asset is recorded in the government-wide financial statements.

Funding Policy

The Town funds the contributions to its pension plan based on the actuarially required calculation.

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

J. Fund Equity and Net Assets

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

Invested in Capital Assets, Net of Related Debt - This category includes all capital assets, including infrastructure, less accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted Net Assets - This category includes net assets with restrictions externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category represents the net assets of the Town which are not restricted for any project or other purpose by third parties.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

In the fund financial statements, fund balances of governmental funds are classified in the following categories:

Reserved Fund Balance - Indicates that portion of fund equity which has been legally segregated for specific purposes.

Designated Fund Balance - Indicates that portion of fund equity for which the Town has made tentative plans.

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

K. Property Taxes

Property taxes are assessed as of October 1, levied on the following July 1, and billed and due in two installments, July 1 and January 1. Taxes less than \$50 are due in full on July 1. Motor vehicle taxes are due in one installment on July 1, and supplemental motor vehicles taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are filed by the last day of the fiscal year.

L. Accounting Estimates

The preparation of 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, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Prior to April 1, the Town Manager submits proposed budgets for the General Fund, Special Revenue Funds (including Special Library Fund, Golf Course Fund, Sewer Operating Fund, Solid Waste Fund, Mumford Cove Fund, Community Events Fund, Revaluation Fund and Computer Replacement Fund) and the Debt Service (Groton Sewer District) Fund to the Town Council.

After one public hearing and numerous public meetings, the Town Council recommends these budgets as revised to the Representative Town Meeting (RTM). At the RTM's annual Town meeting which must be held not later than thirty-six (36) days before the close of the prior fiscal year, the RTM takes final action on each function's budget. These balances become the legal level of control. The Town Council must authorize all transfers of legally budgeted amounts

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

between functions with RTM authorization required on all transfers over \$2,000. In this process, function budget accounts serve as the legal level of control. Transfers within functions are not necessary. Additional appropriations may only be made by the Town Council and RTM in accordance with Town Charter provisions. For the year ended June 30, 2007, there were no additional appropriations.

Formal budgetary integration of these budgets is employed as a management control device in the General Fund. Formal budgetary integration is not employed in other funds (other than the Special Revenue Funds listed above) because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

All unencumbered appropriations lapse at year-end except for those in the Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year but cannot exceed five (5) years.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major differences between the budget and GAAP bases are as follows:

- Taxes collected within 60 days subsequent to June 30 are recognized as revenue for GAAP purposes during the current year compared to recognition in the year received for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year whereas they are shown as a reservation of fund balance on a GAAP basis of accounting.
- State of Connecticut payments on behalf of the Town teachers for the State teacher retirement system are reported for GAAP purposes only.
- For budgetary purposes, the Town does not recognize payroll expenditures which had been incurred but had not yet been paid out at June 30. Such amounts were recorded for GAAP purposes.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in the financial statements in conformity with GAAP. A reconciliation of these differences at June 30, 2007 follows:

	General Fund	
	Revenues and Transfers	Expenditures and Transfers
GAAP basis	\$ 114,881,932	\$ 113,081,082
Property tax revenue receivable:		
June 30, 2006	235,391	
June 30, 2007	(210,404)	
Allowance for collection losses:		
June 30, 2006		220,000
June 30, 2007		(220,000)
Encumbrances:		
June 30, 2006		(1,510,100)
June 30, 2007		1,846,901
State on-behalf payments for teacher retirement	(4,410,423)	(4,410,423)
Accrued wages:		
June 30, 2006		613,747
June 30, 2007		(652,036)
Non-GAAP budgetary basis	\$ <u>110,496,496</u>	\$ <u>108,969,171</u>

A reconciliation of the fund balance on a GAAP basis to budgetary basis is as follows:

GAAP - Fund Balance	\$ 14,826,667
Encumbrances	(1,846,901)
GAAP accruals not recognized for budget	<u>661,632</u>
Budgetary - Fund Balance	<u>\$ 13,641,398</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

B. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2007:

Major Funds:	
School Construction	\$ (6,306,416)
Nonmajor Special Revenue:	
Golf Course	(96,589)
Capital Projects:	
Sewer Construction	(692,423)
Sewer Line Infrastructure Repair	(405,492)
Internal Service:	
Workers' Compensation	(619,678)

Capital Projects Funds deficit will be eliminated through future permanent financing. The Internal Service Fund deficit will be funded on a current basis with future premiums. The Golf Course Fund deficit will be eliminated through Town Council action, either by implementing a deficit funding plan or absolving the deficit through funding from the General Fund, or a combination of the two.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits will not be returned. The Town does not have a deposit policy for custodial credit risk; however, the deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$14,078,516 of the Town's bank balance of \$14,497,863 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,238,633
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>5,839,883</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 14,078,516</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Investments

As of June 30, 2007, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
			<u>Less than 1 year</u>	<u>1 - 10</u>	<u>More Than 10</u>
Money market funds	n/a	\$ 72,050	\$ 72,050	\$	\$
SEI Instl. Core Fixed Income Funds	n/a	38,741,742	38,741,742		
SEI Instl. Large Cap Funds	n/a	32,527,700	32,527,700		
SEI International Equity Fund	n/a	9,636,914	9,636,914		
SEI Instl. Small Cap Fund	n/a	5,128,319	5,128,319		
Common Stock	n/a	15,453	15,453		
Mutual funds	n/a	124,786	124,786		
State of CT STIF	AAA	20,492,511	20,492,511		
MBIA Class Plus	AAA	41,249,842	41,249,842		
Total		\$ 147,989,317	\$ 147,989,317	\$ -	\$ -

Investment Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. Both the State of Connecticut STIF and the MBIA Class investments are 2a-7 like pools.

Credit Risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk - The Town places no limit on the amount invested in any one issuer. More than 5% of the Town's investments are invested as follows:

<u>Investment</u>	<u>Percentage</u>
SEI Instl. Core Fixed Income	45%
SEI Instl. Large Cap Fund	38
SEI International Equity Fund	11
SEI Instl. Small Cap fund	6

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Town's investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer's Short-Term Investment Fund (STIF) and MBIA Class Plus Investment. The value of the position in the pools is the same as the value of the pool shares. Regulatory oversight for the State Treasurer's STIF is provided quarterly by the

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Investment Advisory Council and the Treasurer’s Cash Management Board. Regulatory oversight for MBIA Class Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in “derivative” securities; certificates of deposit; repurchase agreements; and obligations of the United States and agencies of the federal government.

Deposits and investments for retirement funds are disclosed in Note 4.

B. Endowments Received

	<u>Williams Library Trust</u>	<u>Julia Bill Library Trust</u>	<u>Rispoli Scholarship</u>	<u>Total</u>
Original principal received	\$ 101,950	\$ 27,543	\$ 200,000	\$ 329,493
Net appreciation on investments	<u>40,256</u>	<u>24,940</u>	<u>2,580</u>	<u>67,776</u>
Total Value	<u>\$ 142,206</u>	<u>\$ 52,483</u>	<u>\$ 202,580</u>	<u>\$ 397,269</u>

The original principal received remains in the net assets and is restricted for the trust principal. The net appreciation on investments is included in unrestricted net assets and is spent based on the original criteria established by the trust. The Town’s policy is to spend only investment income for the purposes of the trust.

C. Fund Receivables

Receivables at June 30, 2007, including the applicable allowances for collection losses, are as follows:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Property taxes	\$ 1,767,452	\$	\$ 21,555	\$ 1,789,007
Assessments		6,072	159,849	165,921
Intergovernmental			327,278	327,278
Accounts receivable	105,832		1,455	107,287
User fees receivable			<u>1,335,113</u>	<u>1,335,113</u>
Gross receivables	<u>1,873,284</u>	<u>6,072</u>	<u>1,845,250</u>	<u>3,724,606</u>
Allowance for collection losses	<u>(220,000)</u>		<u>(308,358)</u>	<u>(528,358)</u>
Net Receivables	<u>\$ 1,653,284</u>	<u>\$ 6,072</u>	<u>\$ 1,536,892</u>	<u>\$ 3,196,248</u>

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund:		
Delinquent property taxes receivable	\$ 1,557,052	\$
Property taxes paid in advance		18,575
Capital Improvements Fund:		
Delinquent assessments receivable	6,072	
Nonmajor Governmental Funds:		
Delinquent assessments receivable	66,722	
Various education grants		644,884
	\$ 1,629,846	\$ 663,459

D. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 13,833,831	\$ 1,900	\$	\$ 13,835,731
Construction in progress	18,469,059	49,379,720	723,209	67,125,570
Total capital assets not being depreciated	32,302,890	49,381,620	723,209	80,961,301
Capital assets being depreciated:				
Land improvements	3,266,983	275,985		3,542,968
Buildings and improvements	46,209,382	1,747,161	612,175	47,344,368
Machinery and equipment	14,948,792	195,656	351,418	14,793,030
Machinery and equipment - fleet	6,151,149	680,239	490,416	6,340,972
Infrastructure	74,364,579	1,811,775		76,176,354
Total capital assets being depreciated	144,940,885	4,710,816	1,454,009	148,197,692
Less accumulated depreciation:				
Land improvements	2,380,087	78,254		2,458,341
Buildings and improvements	23,619,894	968,678	474,741	24,113,831
Machinery and equipment	11,091,669	612,797	334,829	11,369,637
Machinery and equipment - fleet	3,275,897	584,703	424,353	3,436,247
Infrastructure	39,181,018	2,169,182		41,350,200
Total accumulated depreciation	79,548,565	4,413,614	1,233,923	82,728,256
Total capital assets being depreciated, net	65,392,320	297,202	220,086	65,469,436
Net Capital Assets	\$ 97,695,210	\$ 49,678,822	\$ 943,295	\$ 146,430,737

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Governmental Activities:	
General government services	\$ 70,099
Public safety	18,708
Public works, including depreciation of general infrastructure assets	2,351,790
General services	279,714
Community services	26,210
Education	487,323
Sewer operating	547,310
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of assets	584,703
Golf Course	35,176
Special Library	12,581
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ <u><u>4,413,614</u></u>

Construction Commitments

The Town has the following construction commitments as of June 30, 2007:

	<u>Project Amount</u>
WPCF Projects:	
Burgess Park Pump Station Improvements	\$ 105,979
Motor Control Center #3 Replacement at WPCF	4,636
WPCF Upgrade	11,548,230
Poquonnock River Pump Station Improvements	3,478
Roads/Streets/Sidewalks	
Deerfield Area	25,000
Crystal Lake Road and Military Highway	7,950
Riverview Ave	5,154
School Street RR Crossing (costs not covered by grant)	88,349
West Mystic Ave Resurfacing	3,520
Building Improvements/Modifications	
Fitch High School	20,802,090
Kolnaski Elementary	4,879,081
Northeast Academy	3,481,101
Par 4 Restroom Improvements	12,000
Police Station Partial Re-roofing	2,526
Town Hall Front Entrance Improvements	47,200
Wm Seely School Building	19,000

The commitments are being financed with capital reserve and sewer sinking fund monies, general obligation bonds, and state and federal grants.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

E. Interfund Receivables, Payables and Transfers

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	\$ 236,990
	School Construction Fund	108,995
	Nonmajor governmental funds	879,349
		\$ 1,225,334
		\$ 1,225,334

The balance of \$1,225,334 due from other funds represents amounts committed to the General Fund from various special revenue and capital project funds.

Interfund Transfers

Interfund transfers during the year ended June 30, 2007 were as follows:

	Transfers In				Total Transfers Out
	General Fund	Capital Improvements Fund	Nonmajor Funds	Fleet Reserve Fund	
Transfers out:					
General Fund	\$	\$ 1,379,465	\$ 630,743	\$ 625,664	\$ 2,635,872
Capital Improvements Fund			175,000		175,000
Nonmajor funds	648,008	2,789,021			3,437,029
Total Transfers In	\$ 648,008	\$ 4,168,486	\$ 805,743	\$ 625,664	\$ 6,247,901

Transfers are used to account for revenues collected mainly in the General Fund and appropriated to other funds to finance various programs, i.e., Capital Projects, Revaluation, Community Events, OPEB and Fleet, all in accordance with budget authorizations. The purpose of the “transfer in” in the General Fund was to record revenues received from other funds pertaining to services provided to them by General Fund functions that were determined by the cost allocation plan. “Transfers out” of nonmajor governmental funds consisted primarily of budget transfers for the replacement of capital assets in the Sewer Operating Fund.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

F. Leases

Operating Leases

The Town leases buildings under noncancelable operating leases. The total costs for such leases were \$22,076 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2008	\$ 22,474
2009	12,286
2010	12,286
2011	12,286
2012	12,286
Thereafter	86,005

The Town also leases various buildings to outside parties for a bargain lease price.

G. Bond Anticipation Notes Payable

Bond anticipation note transactions for the year ended June 30, 2007 were as follows:

Outstanding, June 30, 2006	\$ 9,490,000
New borrowings	30,855,000
Repayments	<u>(17,245,000)</u>
Outstanding, June 30, 2007	<u>\$ 23,100,000</u>

The Town issued bond anticipation notes in order to fund school construction projects. The bond anticipation notes outstanding at June 30, 2007 bear interest at 4.00% and mature on October 30, 2007.

H. Long-Term Debt

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 17,425,000	\$ 16,570,000	\$ 2,950,000	\$ 31,045,000	\$ 3,230,000
Landfill post-closure monitoring	3,630,800		168,200	3,462,600	170,000
Compensated absences	<u>2,216,123</u>	<u>216,040</u>	<u>282,335</u>	<u>2,149,828</u>	<u>109,454</u>
Long-Term Liabilities	<u>\$ 23,271,923</u>	<u>\$ 16,786,040</u>	<u>\$ 3,400,535</u>	<u>\$ 36,657,428</u>	<u>\$ 3,509,454</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Included in long-term liabilities is the estimated obligation for employee compensated absences aggregating \$2,149,828 as of June 30, 2007. The liability will be funded through the General Fund and other appropriate funds.

All bonds are general obligation debt of the Town and are secured by the general revenue raising powers of the Town. However, it is management's intention that all sewer bonds be serviced by the taxes and assessments of the Groton Sewer District which are accounted for in the Debt Service Fund.

The Town's general obligation bonds bear interest at rates from 2% to 6.9% and mature as follows:

<u>Fiscal Year</u>	<u>Groton General Fund</u>		<u>Groton Sewer District</u>	
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2008	\$ 2,715,000	\$ 1,140,274	\$ 515,000	\$ 80,593
2009	2,695,000	1,014,399	510,000	59,231
2010	2,195,000	903,961	450,000	39,000
2011	1,740,000	818,824	210,000	25,200
2012	1,735,000	752,136	210,000	16,800
2013-2017	7,485,000	2,866,299	210,000	8,400
2018-2022	5,425,000	1,552,589		
2023-2027	4,950,000	476,794		
	<u>\$ 28,940,000</u>	<u>\$ 9,525,276</u>	<u>\$ 2,105,000</u>	<u>\$ 229,224</u>

At June 30, 2007, the Town has available from the State of Connecticut \$685,269 of school bond principal subsidies due in installments through 2010.

During the year the Town entered into a project loan agreement with the State of Connecticut for a Clean Water Project. As of June 30, 2007, the Town had not yet drawn down on the \$9,361,766 approved amount.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Total authorized but unissued long-term debt at June 30, 2007 consists of the following:

	Bonds Authorized Unissued
Design and Construction of Sanitary Sewer Program	\$ 687,121
Improvements to Sewage Pumping Stations	99,000
Fort Hill Water Extension and Improvements	245,000
Public Safety Communications/Facility Improvements	8,600
WPCF Additions/Improvements and Sewer System Evaluation	11,915,695
S. Pleasant Valley Road	951,736
Welles Road Bulky Waste Closure	415,500
Flanders Road Transfer Station	75,250
Annex Complex and Sewer Line	188,000
Northeast Academy - Demolition/New Construction	3,458,276
Kolnaksi Elementary School Construction	2,808,634
Fitch Sr. - Phase I	20,304,996
Forth Hill Homes	6,381,200
	\$ 47,539,008

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

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 175,447,768	\$ 18,448,794	\$ 156,998,974
Schools	350,895,537	66,269,637	284,625,900
Sewers	292,412,947	24,609,016	267,803,931
Urban renewal	253,424,554		253,424,554
Pension deficit	233,930,358		233,930,358

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation including coterminous municipalities, or \$545,837,502. All long-term debt obligations are retired through General Fund and Debt Service Fund appropriations.

Indebtedness, in accordance with State statutes, includes long-term debt outstanding in addition to the amount of bonds authorized and unissued against which bonds have been issued to partially finance the project or bond anticipation notes are issued and outstanding. Additionally, underlying debt of \$9,029,708 is included in the calculation of indebtedness. Bonds authorized and unissued amounted to \$47,539,008 at June 30, 2007. School indebtedness is net of school building grants of \$685,269.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

I. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the Town to place a final cover on two landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. One of the Town's municipal solid waste landfills stopped accepting waste in 1994. The remaining postclosure costs for this site are estimated to be \$1,928,500 (\$101,500 per year for 19 years). The other landfill site stopped accepting waste in the fall of 2001 and its remaining postclosure cost is \$1,534,100 (\$66,700 for 23 years). Actual costs may be higher due to inflation, changes in technology or changes in regulations.

4. PUBLIC EMPLOYEE RETIREMENT SYSTEM

A. Plan Description and Provisions

All Town employees, (nonunion choose an election at hire) except certified members of the Board of Education, participate in the Town of Groton Retirement System (TGRS), a single-employer defined benefit pension plan administered by the Retirement Board. TGRS provides retirement, disability and death benefits to plan members and beneficiaries. The charter provides the Town Council with the authority to establish and amend benefit provisions, by ordinance, through the Retirement Board. The Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. Stand-alone financial statements are not available.

Under the plan, all full-time employees hired are eligible. Employees are 100% vested after 10 years of service, except Firefighters who are 50% vested after 10 years with 3.3% additional after each of the next 15 years, and the General Government Nonbargaining, GMEA, AFSME and Steelworkers groups who are 100% vested after 5 years of service. Benefits are calculated as follows:

Board of Education - School Secretaries: 1.25% of average annual pay for service years prior to 1989, 1.85% for service years between 1989 and 2001, and 2% for service years after 2001 (for highest paid 5 years of last 7 years) times the number of years of participation.

Board of Education - Custodians/Maintenance: 1.25% of average annual pay (highest 3 years) times years of service before July 1, 1989 and 1.85% of average annual pay (highest 3 years) times years of service after June 30, 1989 and for those retiring after June 30, 2003, 2% of average annual pay times number of continuous years of service after June 30, 2001. No more than 25 years shall be credited at 2% and 1.85% with all additional years credited at 1.25%.

GMEA: 2% of average annual pay (for highest 3 years) times the number of years of continuous service up to 25 years of service and 1.25% of average annual pay times years of continuous service in excess of 25.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Board of Education - Administrative: 2% of average annual pay (for highest 3 years) times the number of years of continuous service up to 25 years of service and 1.25% of average annual pay times years of continuous service in excess of 25.

General Government AFSCME: 2% of average annual pay (for highest 3 years) times the number of years of continuous service, up to 25 years of service and 1.25% of average annual pay times years of continuous service in excess of 25. Benefit is reduced by 2% for each year of age or service that the sum of age and years of service is less than 85.

General Government Nonbargaining: 2% of average annual pay (for highest paid 3 years out of last 5 years) times the number of years of continuous service up to 30 years of service and 1.25% of average annual pay times years of continuous service in excess of 30. The Rule of 85 (sum of age and years of service) may be applied if under 60 and the Rule of 75 may be applicable if over the age of 60.

Steelworkers: 2% of average annual pay (for highest 3 years) times the number of years of continuous service, up to 30 years of service and 1.5% of average annual pay times years of continuous service in excess of 30.

Firefighters: 2.75% of average annual pay (highest paid 4 years) times years of continuous service up to 30 years.

Union Police Officers: 2.667% of average annual pay (highest paid 5 years) times the number of years of continuous service up to 30 years of service.

Nonunion Police Officers: 2.667% of average annual pay (highest paid 3 years) times the number of years of continuous service up to 30 years of service.

Maximum benefits are 66-2/3% of average annual pay for members other than Police Officers, Firefighters and General Government Nonbargaining employees. Maximum benefits are 75% of average annual pay for Firefighters and General Government Nonbargaining and 80% for Union and Nonunion Police Officers.

B. Funding Policy

Employees other than Police Officers and Firefighters are required to contribute 4% of pay to the Plan. Union and Nonunion Police Officers contribute 7.5% and Firefighters 6.5%.

Contributions of nonvested employees are returned with interest, if applicable, upon termination or death prior to retirement. The Town funds at least the actuarially determined amounts.

Benefits and contributions are established by the Town and may be amended only by the Town Council subject to the terms of collective bargaining agreements with certain unions.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

At July 1, 2006, TGRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	174
Terminated employees entitled to benefits but not yet receiving them	20
Active plan members	<u>420</u>
Total	<u><u>614</u></u>

C. Method Used to Value Investments

Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchange of investments are recognized on the transaction date. Investments in any organization that represent 5% or more of net assets available for benefits are as follows:

SEI Instl. Core Fixed Income	\$ 38,741,742
SEI Instl. Large Cap Fund	32,527,700
SEI International Equity Fund	9,636,914
SEI Inst. Small Cap Fund	5,128,319

D. Annual Pension Cost and Net Pension Obligation (Asset)

The Town's annual pension cost and net pension obligation (asset) to the TGRS for the current year were as follows:

Annual required contribution	\$ 848,582
Interest on net pension obligation	(104,958)
Adjustment to annual required contribution	<u>177,189</u>
Annual pension cost	920,813
Contributions made	<u>872,005</u>
Increase in net pension obligation	48,808
Net pension asset, July 1, 2006	<u>(1,272,214)</u>
Net Pension Asset, June 30, 2007	<u><u>\$ (1,223,406)</u></u>

TOWN OF GROTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

The following is a summary of certain significant actuarial assumptions and other information:

Actuarial valuation date	July 1, 2006
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	10 years, open
Asset valuation method	5-year smoothed market value
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases	3.25% to 6.25% (varies by age and group)
Cost-of-living adjustments	none

*includes an inflation rate of 3.25%

E. Trend Information

<u>Fiscal Year End</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/05	\$ 344,236	81.6%	\$ (1,348,793)
6/30/06	610,775	87.5	(1,272,214)
6/30/07	920,813	94.7	(1,223,406)

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

F. Schedule of Funding Progress and Schedule of Employer Contributions

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Excess (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess Funded AAL as a % of Covered Payroll ((a-b)/c)
7/1/01	\$ 75,934,000	\$ 56,132,000	\$ 19,802,000	135.3%	\$ 19,405,000	102.0%
7/1/02	74,214,000	60,552,000	13,662,000	122.6	20,175,000	67.7
7/1/03	77,314,000	65,474,000	11,840,000	118.1	20,374,000	58.1
7/1/04	76,643,163	68,246,938	8,396,225	112.3	20,256,214	41.5
7/1/05	76,641,258	71,217,521	5,423,737	107.6	20,531,996	26.4
7/1/06	78,791,829	75,542,546	3,249,283	104.3	21,603,225	15.0

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/02	\$ -	N/A
6/30/03	-	N/A
6/30/04	-	N/A
6/30/05	264,070	106.0%
6/30/06	534,196	100.0%
6/30/07	848,582	103.0%

G. Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained the age 60 and has accumulated 20 years of credited service in the public schools of Connecticut or has attained any age and has accumulated 35 years of credited services, at least 25 of which are service in the public schools of Connecticut. The financial statements of the plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$4,410,423 for the year ended June 30, 2007.

5. OTHER INFORMATION

A. Commitment for Postemployment Benefits Other than Pension Benefits

In addition to pension benefits described in Note 4, the Town provides postretirement health care benefits based on the following guidelines for each specific group of Town employees:

- AFSCME:** Eligible at age 55 - sliding scale based on sum of years of service and age, with sum of 85; 90% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital and medical/surgical coverage and prescription drug rider.
- Nonunion:** Eligible at age 55 - 80% of premiums paid by the Town, 50% of premiums paid by the Town for spouses. Age 65; 100% premium paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical, prescription drug and dental coverage.
- GMEA:** Eligible at age 55 - 0% of premiums paid by the Town, 0% of premiums paid by the Town for spouses; eligible at age 57 - 85% of premiums paid by the Town benefits; 15% of premiums paid by the Town for spouses; eligible at age 65 - 89% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical coverage. Employee only eligible for prescription and dental coverage.
- Police:** Eligible at age 45 - 25% of premiums paid by the Town, 25% of premiums paid by the Town for spouses; eligible at age 50 - 50% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; eligible at age 60 - 75% of premiums paid by the Town, 75% of premiums paid by the Town for spouses; eligible at age 65 - 90% of premiums paid by the Town, 90% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical coverage and prescription drug and dental coverage.
- Steelworkers:** Only employees hired before 7/1/05 are eligible at age 55 normal retirement; Option 1 - 80% of premiums paid by the Town; 50% of premiums paid by the Town for spouses; at age 60 - 85% of premiums paid by the Town; 50% of premiums paid by the Town for spouses; age 65 - 90% of premiums paid by the Town; 50% of premium of premiums paid by Town for spouses; benefits include hospital and medical/surgical coverage including prescription and

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

dental coverage. Option 2 - eligible at age 55 - 100% of premiums paid by the Town, 50% of premiums paid by Town for spouses; benefits include hospital, medical/surgical coverage. Employee responsible for 100% of premiums for prescription and dental, if chosen.

The Town’s contributions are financed and expensed on a pay-as-you-go basis from the General Fund. The amount of postretirement health care expenditures for the year ended June 30, 2007 was \$741,226 for 121 retirees. These benefit payments are in accordance with Council approved contract provisions which stipulate Town and retiree premium contributions.

B. Risk Management

The Town is exposed to various risks of loss including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and medical; and natural disasters. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risks for workers’ compensation and employee health and medical claims. Under the Town’s current policy, the Health Insurance Fund covers all employee claims up to \$200,000 per claim with a stop-loss policy covering amounts exceeding the limit. The Town also purchases aggregate stop-loss coverage for claims in excess of 125% of expected claim level, which approximates \$10.1 million. The Workers’ Compensation Fund covers claims associated with work-related injuries. The Town purchases commercial insurance for claims in excess of coverage provided by the Workers’ Compensation Fund with an individual claim maximum of \$300,000 and a \$1,000,000 aggregate maximum per year. Town management has estimated a liability using actuarial methods at June 30, 2007 for claims incurred but not reported to be \$1,140,830 in the Health Insurance Fund and \$2,673,070 in the Workers’ Compensation Fund, which includes heart and hypertension of \$1,764,302. The estimate for claim liability also includes amounts for incremental claim adjustment expenses. Changes in the claims liability were as follows:

	<u>Liability July 1,</u>		<u>Current Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>		<u>Due Within One Year</u>
<u>Health Insurance Fund</u>									
2006-2007	\$ 1,177,622	\$	12,648,647	\$	12,685,439	\$	1,140,830	\$	1,140,830
2005-2006	884,206		13,145,755		12,852,339		1,177,622		1,177,622
<u>Workers’ Compensation Fund</u>									
2006-2007	\$ 2,739,972	\$	446,962	\$	513,864	\$	2,673,070	\$	133,698
2005-2006	3,011,940		451,178		723,146		2,739,972		136,843

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

C. Contingencies

The Town is currently involved in several litigation matters. In the estimation of the Town's management and legal counsel, the final settlement of these matters will not materially affect the financial condition of the Town.

D. Concentration of Taxes

The Town's two largest taxpayers, based on the October 2005 grand list, comprise 25.17% of the net taxable grand list of the Town and approximately 15.40% of the total General Fund revenues for the year ended June 30, 2007.

E. Subsequent Event

On October 24, 2007, the Town held a bond and note sale and issued the following:

- \$15,500,000 of General Obligation Bonds dated October 15, 2007. The bonds bear interest at rates ranging from 3.75% to 5.50% and mature on October 1, 2027.
- \$3,000,000 of General Obligation Sewer Bonds dated October 15, 2007. These bonds bear interest at rates ranging from 3.625% to 5.50% and mature on October 1, 2027.
- \$8,925,000 of General Obligation Bond Anticipation Notes dated October 30, 2007. These notes bear interest at 3.75% and mature on October 29, 2008.
- \$1,500,000 of General Obligation Sewer Bond Anticipation Notes dated October 30, 2007. These notes bear interest at 3.75% and mature on October 29, 2008.

F. Restatement-Capital Assets

Donated capital assets in the amount of \$6,063,936 were inadvertently omitted from capital assets during the fiscal year ending June 30, 2006. The effect of this restatement is an increase in capital assets and beginning net assets of governmental activities of \$6,063,936.

G. Pronouncement Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2007 that have effective dates that may impact future financial presentations.

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in June 2004, will be effective for the Town beginning with its year ending June 30, 2008. This statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

**Supplemental and Combining
Fund Statements and Schedules**

General Fund

TOWN OF GROTON, CONNECTICUT

GENERAL FUND

BALANCE SHEET

JUNE 30, 2007 WITH COMPARATIVE TOTALS FOR 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 19,753,220	\$ 18,954,394
Property taxes receivable, net	1,547,452	1,455,481
Other receivables	1,331,166	281,513
Prepaid expenditures and other assets	<u>5,704</u>	<u>5,951</u>
Total Assets	<u>\$ 22,637,542</u>	<u>\$ 20,697,339</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 6,235,248	\$ 6,219,436
Deferred revenue - taxes	<u>1,575,627</u>	<u>1,452,086</u>
Total liabilities	<u>7,810,875</u>	<u>7,671,522</u>
Fund Balances:		
Reserved for encumbrances	1,846,901	1,569,628
Designated for subsequent year budget	3,943,110	2,298,358
Unreserved, undesignated	<u>9,036,656</u>	<u>9,157,831</u>
Total fund balance	<u>14,826,667</u>	<u>13,025,817</u>
Total Liabilities and Fund Balance	<u>\$ 22,637,542</u>	<u>\$ 20,697,339</u>

TOWN OF GROTON, CONNECTICUT

**GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL REVENUES -
BUDGETARY BASIS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Property Taxes (Including Interest and Lien Fees)	\$ 65,705,419	\$ 65,705,419	\$ 66,414,732	\$ 709,313
Licenses and Permits:				
Building permits	367,518	367,518	357,408	(10,110)
Sporting licenses	2,200	2,200	2,106	(94)
Dog licenses	2,100	2,100	7,007	4,907
Other licenses and permits	16,000	16,000	10,656	(5,344)
Building permits - education fee	150	150	353	203
State land use fees	300	300	744	444
Total licenses and permits	<u>388,268</u>	<u>388,268</u>	<u>378,274</u>	<u>(9,994)</u>
Interest on Investments	<u>1,185,000</u>	<u>1,185,000</u>	<u>1,405,749</u>	<u>220,749</u>
Intergovernmental - State:				
General:				
Town aid road	196,463	196,463	193,218	(3,245)
Nuclear safety drill	28,000	28,000	24,585	(3,415)
Highway illumination	1,619	1,619	1,619	-
Telephone access	350,000	350,000	247,110	(102,890)
PILOT Enterprise zone	274,562	274,562	275,701	1,139
PILOT manufacturing machinery and equipment	3,259,592	3,259,592	2,871,070	(388,522)
PILOT - state and tax exemptions	1,978,298	1,978,298	1,981,317	3,019
TVCCA - supp. housing program	8,000	8,000	9,000	1,000
Youth Service Bureau	31,000	31,000	31,417	417
Pequot/Mohegan funds	2,352,394	2,352,394	2,287,904	(64,490)
Regional Community Incentive	118,000	118,000	126,932	8,932
Miscellaneous state grants	4,000	4,000	9,814	5,814
Board of Education:				
Education cost sharing	23,281,173	23,281,173	23,258,804	(22,369)
Adult education	92,566	92,566	92,100	(466)
Instruction for the blind	40,000	40,000	42,909	2,909
Special education	1,192,390	1,192,390	1,255,872	63,482
Transportation - private school	41,177	41,177	141,271	100,094
Transportation	510,013	510,013	487,044	(22,969)
School building grants	301,940	301,940	301,940	-
Bond interest subsidy	33,458	33,458	33,686	228
Nonpublic pupil services	20,000	20,000	26,956	6,956
Miscellaneous state grants			47,368	47,368
Total State of Connecticut	<u>34,114,645</u>	<u>34,114,645</u>	<u>33,747,637</u>	<u>(367,008)</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

**GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL REVENUES -
BUDGETARY BASIS (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental - Federal:				
Pupil impact aid	\$ 3,250,000	\$ 3,250,000	\$ 5,412,753	\$ 2,162,753
Emergency management	14,000	14,000	9,648	(4,352)
Total federal government	<u>3,264,000</u>	<u>3,264,000</u>	<u>5,422,401</u>	<u>2,158,401</u>
Charges for Current Services:				
Planning Commission fees	30,000	30,000	20,250	(9,750)
Recording instruments	300,000	300,000	229,955	(70,045)
Conveyance tax	1,100,000	1,100,000	1,137,403	37,403
Planning department - other	3,000	3,000	2,792	(208)
Collection subdivisions taxes	78,654	78,654	79,014	360
Accident reports	1,500	1,500	1,518	18
Dispatch/paramedics services	1,000	1,000	1,000	-
North Stonington - dispatch	35,610	35,610	35,610	-
Playground aides - Board of Education	10,000	10,000	22,612	12,612
Housing Authority shelter rent	46,225	46,225	42,247	(3,978)
Coordinated Medical Emergency Director	12,000	12,000	22,185	10,185
Police youth service - Board of Education	56,400	56,400	56,400	-
Board of Education - FHS/ground mowing	39,488	39,488	39,488	-
GIS - revenue	4,000	4,000	3,811	(189)
Vital statistics	4,200	4,200	4,898	698
Total charges for current services	<u>1,722,077</u>	<u>1,722,077</u>	<u>1,699,183</u>	<u>(22,894)</u>
Schools, Library and Recreation:				
Tuition from other towns	70,000	70,000	92,181	22,181
Other school receipts	110,000	110,000	53,592	(56,408)
Library fines	22,000	22,000	19,651	(2,349)
Lost and damaged book fees	3,500	3,500	2,547	(953)
Senior Center fees	44,000	44,000	51,485	7,485
Park concession and rental	3,000	3,000	1,000	(2,000)
Other recreational receipts	43,580	43,580	38,131	(5,449)
Library - copier fees	9,000	9,000	7,645	(1,355)
Library fees	11,000	11,000	9,398	(1,602)
Park rentals	3,300	3,300	2,622	(678)
Playground fees	60,000	60,000	63,247	3,247
Total schools, library and recreation	<u>379,380</u>	<u>379,380</u>	<u>341,499</u>	<u>(37,881)</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

**GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL REVENUES -
BUDGETARY BASIS (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Revenue:				
Court fines	\$ -	\$ -	\$ 7,260	\$ 7,260
Parking tickets	10,000	10,000	1,882	(8,118)
Welfare - local receipts	1,000	1,000	-	(1,000)
Aircraft registration fees	24,280	24,280	23,260	(1,020)
Lease fees	57,864	57,864	63,603	5,739
Land record copies	30,000	30,000	27,911	(2,089)
Vital copies	26,000	26,000	29,515	3,515
Miscellaneous	7,250	7,250	127,830	120,580
Dog warden - sold and redeemed	5,000	5,000	3,750	(1,250)
Public Works Disposal fees	103,900	103,900	149,357	45,457
Returned check fees	1,800	1,800	1,280	(520)
Sale of capital assets	500	500	1,540	1,040
Finance Dept. copies	2,500	2,500	1,825	(675)
Total other revenue	<u>270,094</u>	<u>270,094</u>	<u>439,013</u>	<u>168,919</u>
Other Financing Sources:				
Transfers in:				
Golf course	61,813	61,813	61,813	-
Sewer/landfill services	491,349	491,349	491,349	-
Sewer District	94,846	94,846	94,846	-
Total other financing sources	<u>648,008</u>	<u>648,008</u>	<u>648,008</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>\$ 107,676,891</u>	<u>\$ 107,676,891</u>	<u>\$ 110,496,496</u>	<u>\$ 2,819,605</u>

TOWN OF GROTON, CONNECTICUT

**GENERAL FUND SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS - BUDGETARY BASIS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Legislative policy	\$ 60,640	\$ 60,640	\$ 48,913	\$ 11,727
Voter registration	104,847	106,547	107,493	(946)
Judicial services	18,925	18,925	13,588	5,337
Town Clerk	414,942	414,942	368,137	46,805
Legal services	345,000	345,000	272,971	72,029
Total general government	<u>944,354</u>	<u>946,054</u>	<u>811,102</u>	<u>134,952</u>
General Services:				
Executive management	375,365	375,365	375,232	133
Financial administration	1,340,298	1,340,298	1,338,230	2,068
Administrative services	2,713,169	2,713,169	2,585,783	127,386
Total general services	<u>4,428,832</u>	<u>4,428,832</u>	<u>4,299,245</u>	<u>129,587</u>
Public Safety:				
Police services	<u>5,997,681</u>	<u>6,061,681</u>	<u>6,061,388</u>	<u>293</u>
Public Works	<u>6,704,292</u>	<u>6,729,292</u>	<u>6,725,013</u>	<u>4,279</u>
Planning and Development Services	<u>1,192,692</u>	<u>1,192,692</u>	<u>1,031,043</u>	<u>161,649</u>
Human Services:				
Human services	<u>705,771</u>	<u>716,671</u>	<u>699,764</u>	<u>16,907</u>
Community Services:				
Parks and recreation	2,564,389	2,564,389	2,498,288	66,101
Library	1,827,640	1,827,640	1,759,836	67,804
Total community services	<u>4,392,029</u>	<u>4,392,029</u>	<u>4,258,124</u>	<u>133,905</u>
Nondepartmental:				
Insurance and claims	587,600	587,600	516,765	70,835
Contingency	350,000	248,400		248,400
Self-funded plans	4,418,292	4,418,292	4,414,566	3,726
Total nondepartmental	<u>5,355,892</u>	<u>5,254,292</u>	<u>4,931,331</u>	<u>322,961</u>
Education	<u>68,073,295</u>	<u>68,073,295</u>	<u>68,064,035</u>	<u>9,260</u>
Debt Service:				
Town	2,107,285	2,107,285	2,079,128	28,157
Board of Education	1,049,530	1,049,530	991,402	58,128
Total debt service	<u>3,156,815</u>	<u>3,156,815</u>	<u>3,070,530</u>	<u>86,285</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

**GENERAL FUND SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS - BUDGETARY BASIS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Outside Agencies:				
Regional agencies	\$ 95,253	\$ 95,253	\$ 95,253	\$ -
Ambulance services	118,065	118,065	117,065	1,000
Health services - cultural agencies	1,243,565	1,243,565	1,238,565	5,000
Other libraries	211,814	211,814	211,814	-
Total outside agencies	<u>1,668,697</u>	<u>1,668,697</u>	<u>1,662,697</u>	<u>6,000</u>
Subdivisions:				
City of Groton	4,087,357	4,087,357	4,087,357	-
Groton Long Point	385,658	385,658	385,658	-
Fire districts	246,012	246,012	246,012	-
Total subdivisions	<u>4,719,027</u>	<u>4,719,027</u>	<u>4,719,027</u>	<u>-</u>
Total expenditures	<u>107,339,377</u>	<u>107,339,377</u>	<u>106,333,299</u>	<u>1,006,078</u>
Other Financing Uses:				
Transfers out	<u>2,635,872</u>	<u>2,635,872</u>	<u>2,635,872</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 109,975,249</u>	<u>\$ 109,975,249</u>	<u>\$ 108,969,171</u>	<u>\$ 1,006,078</u>

TOWN OF GROTON, CONNECTICUT

**GENERAL FUND SCHEDULE OF BOARD OF EDUCATION EXPENDITURES
AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS - BUDGETARY BASIS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Total</u>	
Instruction:						
Regular	\$ 30,218,445	\$ 30,537,015	\$ 29,952,337	\$ 584,625	\$ 30,536,962	\$ 53
Special	8,715,790	9,493,460	9,492,071	1,377	9,493,448	12
Continuing	261,040	272,030	271,621	380	272,001	29
Total instruction	<u>39,195,275</u>	<u>40,302,505</u>	<u>39,716,029</u>	<u>586,382</u>	<u>40,302,411</u>	<u>94</u>
Supporting Services:						
Pupils	5,135,490	4,948,650	4,942,613	6,020	4,948,633	17
Staff	2,726,520	2,827,420	2,799,531	27,861	2,827,392	28
General support	5,964,440	5,617,870	5,579,340	38,510	5,617,850	20
Operational support	<u>11,956,430</u>	<u>11,743,490</u>	<u>11,539,173</u>	<u>204,300</u>	<u>11,743,473</u>	<u>17</u>
Total supporting services	<u>25,782,880</u>	<u>25,137,430</u>	<u>24,860,657</u>	<u>276,691</u>	<u>25,137,348</u>	<u>82</u>
Community Services:						
Civic activities	5,000				-	-
Nonpublic school pupils	<u>153,420</u>	<u>126,640</u>	<u>125,388</u>		<u>125,388</u>	<u>1,252</u>
Total community services	<u>158,420</u>	<u>126,640</u>	<u>125,388</u>	<u>-</u>	<u>125,388</u>	<u>1,252</u>
Nonprogrammed Changes:						
Tuition payments	<u>2,936,720</u>	<u>2,506,720</u>	<u>2,483,384</u>	<u>15,504</u>	<u>2,498,888</u>	<u>7,832</u>
Total	<u>\$ 68,073,295</u>	<u>\$ 68,073,295</u>	<u>\$ 67,185,458</u>	<u>\$ 878,577</u>	<u>\$ 68,064,035</u>	<u>\$ 9,260</u>

Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

Educational Grants: Accounts for all specially financed education programs under grants received from the Federal or State government.

School Cafeteria: Accounts for revenue and expenditures of the food service operations in the Groton Public Schools.

Community Development: Accounts for block grants received from the United States Department of Housing and Urban Development.

Donation Fund: Accounts for miscellaneous donations.

Fitch Senior High Library Media Fund: Accounts for media fund at the Fitch Senior High School.

Board of Education Grants (DOD): Accounts for Federal Grant in accordance with Title II of P.L. 101-511 Department of Defense Appropriations Act.

Special Library Fund: Accounts for revenue and expenditures of State grants which can be used for general library purposes only.

Golf Course Fund: Accounts for revenue and expenditures of the municipal-owned golf course.

Sewer Operating Fund: Accounts for the costs associated with the administration, operation and maintenance of the Water Pollution Control Facility, collection sewers and pumping stations.

Solid Waste Fund: Accounts for the administration, operation and environmental management associated with the handling and disposal of solid waste within the Town of Groton.

Mumford Cove District: Accounts for taxes paid by residents to cover costs of fire protection contracted through Noank Fire District.

Emergency Energy Fund: Fuel assistance for those Groton residents that meet below poverty guidelines.

Community Events Fund: Accounts for events, sponsored by the Town and outside organizations, that are held in the Town to celebrate the community aspects of living in the Town of Groton.

Revaluation: Accounts for revenues and expenditures of the revaluation program.

Other Special Revenue: Accounts for miscellaneous special revenue fund grants and other programs.

Computer Replacement: Accounts for revenues and expenditures for the computer replacement program.

Adult Education: Accounts for the fees paid for Adult Education classes offered by the Groton Board of Education.

Escrow Fund: Accounts for fund that are received and held until services are rendered or contract terms are met. Also accounts for miscellaneous planning and zoning fees.

Parks and Recreation Revolving: Accounts for parks and recreation programs and trips that are self-supporting.

Outside Police Work: Accounts for the revenues and expenditures associated with Police Officers hired for traffic control.

Land Acquisition: Accounts for funds set aside for the purchase of open space.

OPEB: Until a trust fund is set up, this accounts for funds set aside to finance other postemployment benefits liability as per GASB Statement No. 45.

Economic Assistance: Accounts for funds provided for the construction of necessary public infrastructure improvements associated with new job-creating development opportunities.

Capital Projects Fund

Sewer Construction: Accounts for capital improvements to the Town's sewer system.

Sewer Line Infrastructure Repair: Accounts for repairs made to the Town's sewer lines.

Debt Service Fund

The Debt Service Fund accounts for the payment of principal and interest on general long-term debt of the sewer district of the Town.

Permanent Funds

Williams Library Trust: Created by the will of Eliza K. Williams, the income of which is to be used for the purchase of educational books and current periodicals for the library in the Robert E. Fitch High School.

Julia Bill Library Trust: Created by the will of Julia Bill, the income of which is to be used to purchase equipment for Fitch Middle School.

Rispoli Scholarship: Created by the will of Elizabeth Rispoli's Trust, the income of which is to be used to provide scholarship money for Fitch High School students.

TOWN OF GROTON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2007

64

	Special Revenue Funds									
	Educational Grants	School Cafeteria	Community Development	Donation Fund	Fitch Senior High Library Media Fund	Board of Education Grants (DOD)	Special Library Fund	Golf Course Fund	Sewer Operating Fund	Solid Waste Fund
ASSETS										
Cash and cash equivalents	\$	\$ 167,315	\$ 611,407	\$ 65,146	\$ 10,134	\$ 640,174	\$ 99,989	\$	\$ 631,741	\$ 631,617
Receivables:										
Taxes receivable, net										
Assessments receivable, net			77,745							
Intergovernmental	139,352	187,926								
Accounts receivable, net										
User fees receivable, net								604,727	430,386	
Investments										
Other assets				10				4,336	50	
Total Assets	\$ 139,352	\$ 355,241	\$ 689,152	\$ 65,156	\$ 10,134	\$ 640,174	\$ 99,989	\$ 4,336	\$ 1,236,518	\$ 1,062,003
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$	\$ 2,013	\$	\$	\$	\$ 36,309	\$ 122,242	\$ 413,070
Due to State	48,646									
Due to other funds	24,029					1,198		64,616		
Deferred revenue	5,908					638,976				
Total liabilities	78,583	-	-	2,013	-	640,174	-	100,925	122,242	413,070
Fund Balances:										
Reserved for encumbrances		7,847							106,196	15,500
Reserved for equipment									674,054	
Reserved for trust principal										
Unreserved and undesignated	60,769	347,394	689,152	63,143	10,134		99,989	(96,589)	334,026	633,433
Total fund balances	60,769	355,241	689,152	63,143	10,134	-	99,989	(96,589)	1,114,276	648,933
Total Liabilities and Fund Balances	\$ 139,352	\$ 355,241	\$ 689,152	\$ 65,156	\$ 10,134	\$ 640,174	\$ 99,989	\$ 4,336	\$ 1,236,518	\$ 1,062,003

(Continued on next page)

TOWN OF GROTON, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds									
	Mumford Cove District	Emergency Energy Fund	Community Events Fund	Revaluation	Other Special Revenue	Computer Replacement	Adult Education	Escrow Fund	Parks and Recreation Revolving	Outside Police Work
ASSETS										
Cash and cash equivalents	\$ 993	\$ 8,700	\$ -	\$ 274,223	\$ 157,265	\$ 137,002	\$ 8,841	\$ 1,041,208	\$ 215,869.00	\$ 191,645
Receivables:										
Taxes receivable, net										
Assessments receivable, net										27,881
Intergovernmental										
Accounts receivable, net							1,357			
User fees receivable, net										
Investments										
Other assets					225				15,782	
Total Assets	\$ 993	\$ 8,700	\$ -	\$ 274,223	\$ 157,490	\$ 137,002	\$ 8,841	\$ 1,042,565	\$ 231,651	\$ 219,526
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ 1,054	\$ -	\$ 1,239	\$ 22,834	\$ 7,456	\$ 634	\$ 2,135	\$ 22,564	\$ -
Due to State										
Due to other funds				263	96,985					
Deferred revenue										
Total liabilities	\$ -	\$ 1,054	\$ -	\$ 1,502	\$ 119,819	\$ 7,456	\$ 634	\$ 2,135	\$ 22,564	\$ -
Fund Balances:										
Reserved for encumbrances										
Reserved for equipment										
Reserved for trust principal										
Unreserved and undesignated	993	7,646	-	272,721	37,671	129,546	8,207	1,040,430	209,087	219,526
Total fund balances	\$ 993	\$ 7,646	\$ -	\$ 272,721	\$ 37,671	\$ 129,546	\$ 8,207	\$ 1,040,430	\$ 209,087	\$ 219,526
Total Liabilities and Fund Balances	\$ 993	\$ 8,700	\$ -	\$ 274,223	\$ 157,490	\$ 137,002	\$ 8,841	\$ 1,042,565	\$ 231,651	\$ 219,526

(Continued on next page)

TOWN OF GROTON, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds			Capital Projects Fund	Debt Service Fund	Permanent Funds			Totals	
	Land Acquisition	OPEB	Economic Assistance	Sewer Construction	Sewer Line Infrastructure Repair	Groton Sewer District	Williams Library Trust	Julia Bill Library Trust		Rispoli Scholarship
ASSETS										
Cash and cash equivalents	\$ 136,846	\$ 767,129	\$ 151,396	\$	\$	\$ 2,786,985	\$ 17,420	\$ 37,030	\$ 202,580	\$ 8,992,655
Receivables:										
Taxes receivable, net						18,055				18,055
Assessments receivable, net						49,365				154,991
Intergovernmental										327,278
Accounts receivable, net						98				1,455
User fees receivable, net										1,035,113
Investments							124,786	15,453		140,239
Other assets										20,403
Total Assets	\$ 136,846	\$ 767,129	\$ 151,396	\$ -	\$ -	\$ 2,854,503	\$ 142,206	\$ 52,483	\$ 202,580	\$ 10,690,189
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$	\$ 405,657	\$	\$	\$	\$	\$	\$ 1,037,207
Due to State										48,646
Due to other funds				286,766	405,492					879,349
Deferred revenue						66,722				711,606
Total liabilities	-	-	-	692,423	405,492	66,722	-	-	-	2,676,808
Fund Balances:										
Reserved for encumbrances					438,200					567,743
Reserved for equipment										674,054
Reserved for trust principal							101,950	27,543	200,000	329,493
Unreserved and undesignated	136,846	767,129	151,396	(692,423)	(843,692)	2,787,781	40,256	24,940	2,580	6,442,091
Total fund balances	136,846	767,129	151,396	(692,423)	(405,492)	2,787,781	142,206	52,483	202,580	8,013,381
Total Liabilities and Fund Balances	\$ 136,846	\$ 767,129	\$ 151,396	\$ -	\$ -	\$ 2,854,503	\$ 142,206	\$ 52,483	\$ 202,580	\$ 10,690,189

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds									
	Educational Grants	School Cafeteria	Community Development	Donation Fund	Fitch Senior High Library Media Fund	Board of Education Grants (DOD)	Special Library Fund	Golf Course Fund	Sewer Operating Fund	Solid Waste Fund
Revenues:										
Property taxes, interest and lien fees	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sewer assessments										
State of Connecticut	2,576,934	149,078					37,381			
Federal government		627,670				119,166				
Interest		4,625	9,891		71	32,357	3,784		57,700	9,898
Charges for services		884,939						1,081,969		
Sewer use charges									4,659,486	
Solid waste management										2,877,959
Other revenue			107,719	47,866					1,381	
Total revenues	<u>2,576,934</u>	<u>1,666,312</u>	<u>117,610</u>	<u>47,866</u>	<u>71</u>	<u>151,523</u>	<u>41,165</u>	<u>1,081,969</u>	<u>4,718,567</u>	<u>2,887,857</u>
Expenditures:										
General government										
Public safety										
Human services				51,344						
Community services			15,011				16,790	1,010,500		
Education	2,641,273	1,684,464								
Sewer operations									3,514,978	
Solid waste management										2,626,356
Capital outlay						151,523				
Debt service										
Total expenditures	<u>2,641,273</u>	<u>1,684,464</u>	<u>15,011</u>	<u>51,344</u>	<u>-</u>	<u>151,523</u>	<u>16,790</u>	<u>1,010,500</u>	<u>3,514,978</u>	<u>2,626,356</u>
Revenues Over (Under) Expenditures	<u>(64,339)</u>	<u>(18,152)</u>	<u>102,599</u>	<u>(3,478)</u>	<u>71</u>	<u>-</u>	<u>24,375</u>	<u>71,469</u>	<u>1,203,589</u>	<u>261,501</u>
Other Financing Sources (Uses):										
Transfers in								45,743		
Transfers out								(93,834)	(3,070,112)	(178,237)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,091)</u>	<u>(3,070,112)</u>	<u>(178,237)</u>
Net Change in Fund Balances	(64,339)	(18,152)	102,599	(3,478)	71	-	24,375	23,378	(1,866,523)	83,264
Fund Balance - Beginning of Year	<u>125,108</u>	<u>373,393</u>	<u>586,553</u>	<u>66,621</u>	<u>10,063</u>	<u>-</u>	<u>75,614</u>	<u>(119,967)</u>	<u>2,980,799</u>	<u>565,669</u>
Fund Balance - End of Year	<u>\$ 60,769</u>	<u>\$ 355,241</u>	<u>\$ 689,152</u>	<u>\$ 63,143</u>	<u>\$ 10,134</u>	<u>\$ -</u>	<u>\$ 99,989</u>	<u>\$ (96,589)</u>	<u>\$ 1,114,276</u>	<u>\$ 648,933</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds									
	Mumford Cove District	Emergency Energy Fund	Community Events Fund	Revaluation	Other Special Revenue	Computer Replacement	Adult Education	Escrow Fund	Parks and Recreation Revolving	Outside Police Work
Revenues:										
Property taxes, interest and lien fees	\$ 10,535	\$	\$	\$	\$	\$	\$	\$	\$	
Sewer assessments										
State of Connecticut					295,471					
Federal government										
Interest				17,277		8,628				
Charges for services						90,900	12,250	430,787	115,827	
Sewer use charges										
Solid waste management										
Other revenue		43,683			47,331		572,047			
Total revenues	<u>10,535</u>	<u>43,683</u>	<u>-</u>	<u>17,277</u>	<u>342,802</u>	<u>99,528</u>	<u>12,250</u>	<u>572,047</u>	<u>430,787</u>	<u>115,827</u>
Expenditures:										
General government				237,030	80,789		372,896			
Public safety	10,010				134,067				95,790	
Human services		42,783			37,627					
Community services			24,250		88,325			424,837		
Education						11,790				
Sewer operations										
Solid waste management										
Capital outlay					9,810	69,691				
Debt service										
Total expenditures	<u>10,010</u>	<u>42,783</u>	<u>24,250</u>	<u>237,030</u>	<u>350,618</u>	<u>69,691</u>	<u>11,790</u>	<u>372,896</u>	<u>424,837</u>	<u>95,790</u>
Revenues Over (Under) Expenditures	<u>525</u>	<u>900</u>	<u>(24,250)</u>	<u>(219,753)</u>	<u>(7,816)</u>	<u>29,837</u>	<u>460</u>	<u>199,151</u>	<u>5,950</u>	<u>20,037</u>
Other Financing Sources (Uses):										
Transfers in			10,000	135,000						
Transfers out	(851)									
Total other financing sources (uses)	<u>(851)</u>	<u>-</u>	<u>10,000</u>	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(326)	900	(14,250)	(84,753)	(7,816)	29,837	460	199,151	5,950	20,037
Fund Balance - Beginning of Year	1,319	6,746	14,250	357,474	45,487	99,709	7,747	841,279	203,137	199,489
Fund Balance - End of Year	<u>\$ 993</u>	<u>\$ 7,646</u>	<u>\$ -</u>	<u>\$ 272,721</u>	<u>\$ 37,671</u>	<u>\$ 129,546</u>	<u>\$ 8,207</u>	<u>\$ 1,040,430</u>	<u>\$ 209,087</u>	<u>\$ 219,526</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			Capital Projects Fund		Debt Service Fund	Permanent Funds			Totals
	Land Acquisition	OPEB	Economic Assistance	Sewer Construction	Sewer Line Infrastructure Repair	Groton Sewer District	Williams Library Trust	Julia Bill Library Trust	Rispoli Scholarship	
Revenues:										
Property taxes, interest and lien fees	\$	\$		\$	\$	\$ 1,175,565	\$	\$	\$	\$ 1,186,100
Sewer assessments						55,814				55,814
State of Connecticut				1,321,070		2,212				4,382,146
Federal government										746,836
Interest	6,010	34,753	1,396	54		121,320	16,371	5,147	10,229	339,511
Charges for services										2,616,672
Sewer use charges										4,659,486
Solid waste management										2,877,959
Other revenue	6,270			3,115						829,412
Total revenues	<u>12,280</u>	<u>34,753</u>	<u>1,396</u>	<u>1,324,239</u>	<u>-</u>	<u>1,354,911</u>	<u>16,371</u>	<u>5,147</u>	<u>10,229</u>	<u>17,693,936</u>
Expenditures:										
General government		20,000				4,459				715,174
Public safety										239,867
Human services										131,754
Community services										1,579,713
Education									9,791	4,347,318
Sewer operations										3,514,978
Solid waste management										2,626,356
Capital outlay				932,680	355,245					1,518,949
Debt service						846,053				846,053
Total expenditures	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>932,680</u>	<u>355,245</u>	<u>850,512</u>	<u>-</u>	<u>-</u>	<u>9,791</u>	<u>15,520,162</u>
Revenues Over (Under) Expenditures	<u>12,280</u>	<u>14,753</u>	<u>1,396</u>	<u>391,559</u>	<u>(355,245)</u>	<u>504,399</u>	<u>16,371</u>	<u>5,147</u>	<u>438</u>	<u>2,173,774</u>
Other Financing Sources (Uses):										
Transfers in	25,000	440,000	150,000							805,743
Transfers out						(93,995)				(3,437,029)
Total other financing sources (uses)	<u>25,000</u>	<u>440,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>(93,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,631,286)</u>
Net Change in Fund Balances	37,280	454,753	151,396	391,559	(355,245)	410,404	16,371	5,147	438	(457,512)
Fund Balance - Beginning of Year	<u>99,566</u>	<u>312,376</u>		<u>(1,083,982)</u>	<u>(50,247)</u>	<u>2,377,377</u>	<u>125,835</u>	<u>47,336</u>	<u>202,142</u>	<u>8,470,893</u>
Fund Balance - End of Year	<u>\$ 136,846</u>	<u>\$ 767,129</u>	<u>151,396</u>	<u>\$ (692,423)</u>	<u>\$ (405,492)</u>	<u>\$ 2,787,781</u>	<u>\$ 142,206</u>	<u>\$ 52,483</u>	<u>\$ 202,580</u>	<u>\$ 8,013,381</u>

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - SPECIAL LIBRARY FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest income	\$ 2,000	\$ 2,000	\$ 3,783	\$ 1,783
State grants	1,200	1,200	1,148	(52)
ConnectiCard grant	22,000	22,000	36,234	14,234
Total revenues	<u>25,200</u>	<u>25,200</u>	<u>41,165</u>	<u>15,965</u>
Expenditures:				
Software maintenance fees	12,000	12,000	11,790	210
Technical service	10,000	10,000	5,000	5,000
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>16,790</u>	<u>5,210</u>
Net Change in Fund Balance	<u>\$ 3,200</u>	<u>\$ 3,200</u>	<u>\$ 24,375</u>	<u>\$ 21,175</u>

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - GOLF COURSE FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,172,636	\$ 1,172,636	\$ 1,081,969	\$ (90,667)
Expenditures:				
Community services	1,068,604	1,068,604	1,008,796	59,808
Revenues Over (Under) Expenditures	104,032	104,032	73,173	(30,859)
Other Financing Sources (Uses):				
Transfers in	45,743	45,743	45,743	-
Transfers out	(149,775)	(149,775)	(93,834)	55,941
Net Change in Fund Balance	\$ -	\$ -	\$ 25,082	\$ 25,082

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - SEWER OPERATING FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sewer use charges	\$ 4,582,306	\$ 4,582,306	\$ 4,659,486	\$ 77,180
Interest income	77,000	77,000	57,700	(19,300)
Other revenue	-	-	1,381	1,381
Total revenues	4,659,306	4,659,306	4,718,567	59,261
Expenditures:				
Sewer system maintenance	3,529,180	3,529,180	3,397,938	131,242
Revenues Over (Under) Expenditures	1,130,126	1,130,126	1,320,629	190,503
Other Financing Uses:				
Transfers out	(1,138,112)	(3,070,112)	(3,070,112)	-
Net Change in Fund Balance	\$ (7,986)	\$ (1,939,986)	\$ (1,749,483)	\$ 190,503

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - SOLID WASTE FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Solid waste management	\$ 2,822,894	\$ 2,822,894	\$ 2,877,959	\$ 55,065
Interest income	5,000	5,000	9,898	4,898
Total revenues	2,827,894	2,827,894	2,887,857	59,963
Expenditures:				
Solid waste management	2,800,740	2,800,740	2,476,356	324,384
Revenues Over (Under) Expenditures	27,154	27,154	411,501	384,347
Other Financial Sources (Uses):				
Transfers out	(178,237)	(178,237)	(178,237)	-
Net Change in Fund Balance	\$ (151,083)	\$ (151,083)	\$ 233,264	\$ 384,347

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - MUMFORD COVE**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes, interest and lien fees	\$ 10,542	\$ 10,542	\$ 10,535	\$ (7)
Expenditures:				
Public safety	10,010	10,010	10,010	-
Revenues Over (Under) Expenditures	532	532	525	(7)
Other Financial Sources (Uses):				
Transfers out	(790)	(790)	(851)	(61)
Net Change in Fund Balance	\$ (258)	\$ (258)	\$ (326)	\$ (68)

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - COMMUNITY EVENTS FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Groton Community Events	24,250	24,250	24,250	-
Revenues Over (Under) Expenditures	(24,250)	(24,250)	(24,250)	-
Other Financing Sources:				
Transfers in	10,000	10,000	10,000	-
Net Change in Fund Balance	\$ (14,250)	\$ (14,250)	\$ (14,250)	\$ -

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - REVALUATION FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 23,000	\$ 23,000	\$ 17,277	\$ (5,723)
Expenditures:				
Property revaluation	179,475	206,875	214,246	(7,371)
Revenues Over (Under) Expenditures	(156,475)	(183,875)	(196,969)	(13,094)
Other Financing Sources:				
Transfers in	135,000	135,000	135,000	-
Net Change in Fund Balance	<u>\$ (21,475)</u>	<u>\$ (48,875)</u>	<u>\$ (61,969)</u>	<u>\$ (13,094)</u>

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - COMPUTER REPLACEMENT FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 5,900	\$ 5,900	\$ 8,628	\$ 2,728
Other agencies	3,200	3,200	3,200	-
Total revenues	9,100	9,100	11,828	2,728
Expenditures:				
Computer equipment	77,500	77,500	69,691	7,809
Revenues Over (Under) Expenditures	(68,400)	(68,400)	(57,863)	10,537
Other Financing Sources:				
Transfers in	87,700	87,700	87,700	-
Net Change in Fund Balance	\$ 19,300	\$ 19,300	\$ 29,837	\$ 10,537

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL - GROTON SEWER DISTRICT**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and other	\$ 1,173,124	\$ 1,173,124	\$ 1,232,189	\$ 59,065
Interest income	95,000	95,000	121,320	26,320
Total revenues	1,268,124	1,268,124	1,353,509	85,385
Expenditures:				
Debt service	1,196,053	1,196,053	846,053	350,000
Operating expense	2,955	2,955	4,459	(1,504)
Total expenditures	1,199,008	1,199,008	850,512	348,496
Revenues Over (Under) Expenditures	69,116	69,116	502,997	433,881
Other Financing Uses:				
Transfers out	(93,995)	(93,995)	(93,995)	-
Net Change in Fund Balance	\$ (24,879)	\$ (24,879)	\$ 409,002	\$ 433,881

Internal Service Funds

Internal Service Funds

Internal Service funds are used to account for the financing of goods or services by one department or agency to other departments or agencies of the Town, or to other governments, on a cost reimbursement basis. The Town has three such funds.

Fleet Reserve Fund - is used to account for the use and replacement of motor vehicles to other departments and related costs.

Health Insurance Fund - is used to account for the revenues and related expenses for the health self-insurance plan.

Workers' Compensation Fund - is used to account for the revenues and related expenses for the workers' compensation and heart and hypertension benefits.

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2007

	Fleet Reserve	Health Insurance	Workers' Compensation	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,042,766	\$ 6,373,093	\$ 2,053,976	\$ 9,469,835
Accounts receivable	46,699	9,774		56,473
Property and equipment, net	2,904,725			2,904,725
Total assets	3,994,190	6,382,867	2,053,976	12,431,033
Liabilities:				
Current liabilities:				
Accounts payable	31,655		584	32,239
Claims incurred but not reported		1,140,830	133,698	1,274,528
Total current liabilities	31,655	1,140,830	134,282	1,306,767
Noncurrent liabilities:				
Claims incurred but not reported, net of current portion			2,539,372	2,539,372
Total liabilities	31,655	1,140,830	2,673,654	3,846,139
Net Assets:				
Invested in capital assets	2,904,725			2,904,725
Unrestricted	1,057,810	5,242,037	(619,678)	5,680,169
Total Net Assets	\$ 3,962,535	\$ 5,242,037	\$ (619,678)	\$ 8,584,894

TOWN OF GROTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - INTERNAL SERVICE FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Fleet Reserve</u>	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenue:				
Charges for services	\$ 1,355,148	\$ 14,903,988	\$ 1,208,237	\$ 17,467,373
Other revenue	365,944			365,944
Total operating revenue	<u>1,721,092</u>	<u>14,903,988</u>	<u>1,208,237</u>	<u>17,833,317</u>
Operating Expenses:				
Operating expenses	1,483,196			1,483,196
Claims - operating		12,648,647		12,648,647
Claims - workers' compensation			202,521	202,521
Claims - heart and hypertension			244,441	244,441
Administrative		1,275,213	45,248	1,320,461
Depreciation	584,703			584,703
Total operating expenses	<u>2,067,899</u>	<u>13,923,860</u>	<u>492,210</u>	<u>16,483,969</u>
Operating income (loss)	<u>(346,807)</u>	<u>980,128</u>	<u>716,027</u>	<u>1,349,348</u>
Nonoperating Revenue and Expenses:				
Interest on investments	78,587	334,925	90,982	504,494
Loss on disposal of fixed assets	(66,063)			(66,063)
Total nonoperating revenue and expenses	<u>12,524</u>	<u>334,925</u>	<u>90,982</u>	<u>438,431</u>
Income (Loss) Before Transfers	(334,283)	1,315,053	807,009	1,787,779
Transfers In	<u>625,664</u>			<u>625,664</u>
Change in Net Assets	291,381	1,315,053	807,009	2,413,443
Net Assets - Beginning of Year	<u>3,671,154</u>	<u>3,926,984</u>	<u>(1,426,687)</u>	<u>6,171,451</u>
Net Assets - End of Year	<u>\$ 3,962,535</u>	<u>\$ 5,242,037</u>	<u>\$ (619,678)</u>	<u>\$ 8,584,894</u>

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Fleet Reserve</u>	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 1,726,054	\$ 14,894,214	\$ 1,208,237	\$ 17,828,505
Cash paid to vendors	(1,500,487)			(1,500,487)
Cash paid to beneficiaries		<u>(13,960,651)</u>	<u>(559,171)</u>	<u>(14,519,822)</u>
Net cash provided by operating activities	<u>225,567</u>	<u>933,563</u>	<u>649,066</u>	<u>1,808,196</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of property and equipment	(680,239)			(680,239)
Cash Flows from Noncapital Financing Activities:				
Transfers in	625,664			625,664
Cash Flows from Investing Activities:				
Interest on investments	<u>78,587</u>	<u>334,925</u>	<u>90,982</u>	<u>504,494</u>
Net Increase in Cash and Cash Equivalents	249,579	1,268,488	740,048	2,258,115
Cash and Cash Equivalents - Beginning of Year	<u>793,187</u>	<u>5,104,605</u>	<u>1,313,928</u>	<u>7,211,720</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,042,766</u>	<u>\$ 6,373,093</u>	<u>\$ 2,053,976</u>	<u>\$ 9,469,835</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (346,807)	\$ 980,128	\$ 716,027	\$ 1,349,348
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	584,703			584,703
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	4,960	(9,773)		(4,813)
Decrease in accounts payable	(17,289)			(17,289)
Increase (decrease) in claims payable	<u> </u>	<u>(36,792)</u>	<u>(66,961)</u>	<u>(103,753)</u>
Net Cash Provided by Operating Activities	<u>\$ 225,567</u>	<u>\$ 933,563</u>	<u>\$ 649,066</u>	<u>\$ 1,808,196</u>

Fiduciary Funds

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee capacity for others, and include Pension Trusts, Private Purpose Trusts and Agency Funds.

- i. Pension Trust Fund** - utilizes the accrual basis of accounting and is used for the accumulation of resources to be used for retirement benefits.
- ii. Private Purpose Trust Funds** - are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments. The Town's Private Purpose Trust Funds are listed below:

Francis A. Nye: Scholarship fund established to encourage the artistic talents of elementary school students.

Charles and Claudia Dominioni Fund: Scholarship fund established with the recipient to be the student attaining the highest standard at West Side Middle School.

Elihu Spicer Trust: Fund established by stipulated judgment that specified it would be used for the benefit, maintenance and support of poor residents of the Town.

Flora Perkins Trust: This Trust, established in memory of Flora Perkins, is to be used by Groton for youth and family services.

- iii. Agency Funds** - Agency funds are custodial in nature (assets equal liabilities). The Town's Agency Funds are listed below:

Performance Bonds: Accounts for all cash and cash equivalents held by the Town until the completion of a project.

Student Activities: Accounts for the various student activities and clubs.

TOWN OF GROTON, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS - PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2007

	Private Purpose Trust Funds				
	Francis A. Nye	Charles and Claudia Dominioni	Elihu Spicer Trust	Flora Perkins Trust	Total
Assets:					
Cash	\$ <u>2,265</u>	\$ <u>5,676</u>	\$ <u>171,967</u>	\$ <u>93,833</u>	\$ <u>273,741</u>
Liabilities:					
Due to employees/others	<u> </u>	<u> </u>	<u>172</u>	<u> </u>	<u>172</u>
Net Assets Held in Trust	\$ <u><u>2,265</u></u>	\$ <u><u>5,676</u></u>	\$ <u><u>171,795</u></u>	\$ <u><u>93,833</u></u>	\$ <u><u>273,569</u></u>

TOWN OF GROTON, CONNECTICUT

**COMBINING STATEMENT OF CHANGES IN NET ASSETS -
PRIVATE PURPOSE TRUST FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Funds				Total
	Francis A. Nye	Charles and Claudia Dominioni	Elihu Spicer Trust	Flora Perkins Trust	
Additions:					
Interest and dividends	\$ 5	\$ 119	\$ 8,256	\$ 4,352	\$ 12,732
Deductions:					
Administrative expenses				3,000	3,000
Benefits		75	12,573		12,648
Total deductions	-	75	12,573	3,000	15,648
Change in Net Assets	5	44	(4,317)	1,352	(2,916)
Net Assets Held in Trust - Beginning of Year	2,260	5,632	176,112	92,481	276,485
Net Assets Held in Trust - End of Year	\$ 2,265	\$ 5,676	\$ 171,795	\$ 93,833	\$ 273,569

TOWN OF GROTON, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS - AGENCY FUNDS

JUNE 30, 2007

	Agency Funds		
	Performance Bonds	Student Activities	Total
Assets:			
Cash	\$ <u>1,880,812</u>	\$ <u>234,338</u>	\$ <u>2,115,150</u>
Liabilities:			
Due to student groups		234,338	234,338
Due to contractors/developers	<u>1,880,812</u>		<u>1,880,812</u>
Total liabilities	<u>1,880,812</u>	<u>234,338</u>	<u>2,115,150</u>
Net Assets Held in Trust	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

TOWN OF GROTON, CONNECTICUT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Performance Bonds				
Assets:				
Cash	\$ 1,489,185	\$ 434,907	\$ 43,280	\$ 1,880,812
Liabilities:				
Due to contractors/developers	\$ 1,489,185	\$ 434,907	\$ 43,280	\$ 1,880,812
Student Activities				
Assets:				
Cash	\$ 232,973	\$ 408,732	\$ 407,367	\$ 234,338
Liabilities:				
Due to student groups	\$ 232,973	\$ 408,732	\$ 407,367	\$ 234,338
Total				
Assets:				
Cash	\$ 1,722,158	\$ 843,639	\$ 450,647	\$ 2,115,150
Liabilities:				
Due to contractors/developers	\$ 1,489,185	\$ 434,907	\$ 43,280	\$ 1,880,812
Due to student groups	232,973	408,732	407,367	234,338
Total Liabilities	\$ 1,722,158	\$ 843,639	\$ 450,647	\$ 2,115,150

Other Schedules

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED
AND OUTSTANDING - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

Grand List Year	Uncollected Taxes July 1, 2006	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2007	
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2005	\$	\$ 66,154,103	\$ 321,513	\$ 541,991	\$ 105,256	\$ 65,828,369	\$ 64,595,190	\$ 376,509	\$ 273	\$ 64,971,972	\$ 1,233,179
2004	985,778		691,178	325,459	141,495	1,210,002	876,952	132,056	1,236	1,010,244	333,050
2003	312,774		67,014	37,937	125,262	216,589	106,455	54,671	1,943	163,069	110,134
2002	195,241		339	5,752	107,363	82,465	36,528	24,419	3,318	64,265	45,937
2001	109,804		93	2,377	66,943	40,577	15,345	15,644	6,926	37,915	25,232
2000	53,022		80	1,677	36,894	14,531	4,632	14,758	11,499	30,889	9,899
1999	12,142		86		5,799	6,429	394	11,410	8,790	20,594	6,035
1998	3,711				929	2,782		9,512	6,423	15,935	2,782
1997	1,152				1,108	44	17	10,134	6,730	16,881	27
1996	589				563	26		10,618	5,841	16,459	26
1995	178					178		12,211	6,289	18,500	178
1994	179					179		7,831	3,788	11,619	179
1993	448					448		10,712	4,289	15,001	448
1992	450					450	111	6,320	2,357	8,788	339
1991	7					7		8,524	3,198	11,722	7
1990	7				7	-					-
	<u>\$ 1,675,482</u>	<u>\$ 66,154,103</u>	<u>\$ 1,080,303</u>	<u>\$ 915,193</u>	<u>\$ 591,619</u>	<u>\$ 67,403,076</u>	<u>\$ 65,635,624</u>	<u>\$ 705,329</u>	<u>\$ 72,900</u>	<u>\$ 66,413,853</u>	<u>\$ 1,767,452</u>

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED
AND OUTSTANDING - MUMFORD COVE DISTRICT

FOR THE YEAR ENDED JUNE 30, 2007

Grand List Year	Uncollected Taxes July 1, 2006	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2007	
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2005	\$ -	\$ 10,591	\$ 1	\$ 20	\$ -	\$ 10,572	\$ 10,491	\$ 34	\$ -	\$ 10,525	\$ 81
2004	14			5		9	7	2		9	2
2003	2					2	1			1	1
2002	1					1				-	1
	<u>\$ 16</u>	<u>\$ 10,591</u>	<u>\$ 1</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 10,584</u>	<u>\$ 10,499</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 10,535</u>	<u>\$ 85</u>

TOWN OF GROTON, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING -
GROTON SEWER DISTRICT - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2007

Grand List Year	Uncollected Taxes July 1, 2006	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2007		
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total	
2005	\$	\$ 1,155,317	\$ 4,191	\$ 1,327	\$ 507	\$ 1,157,674	\$ 1,144,670	\$ 4,372	\$	\$ 1,149,042	\$ 13,004	
2004		10,096	10,642	8,306	271	12,161	8,335	3,640		11,975	3,826	
2003		3,009	2,176	306	342	4,537	2,635	1,608		4,243	1,902	
2002		2,153		12	208	1,933	940	744		1,684	993	
2001		1,285		5	179	1,101	447	448		895	654	
2000		530		5		525	2	21		23	523	
1999		379				379		6		6	379	
1998		213			28	185		482	361	843	185	
1997		55			41	14	1	435	289	725	13	
1996		64			48	16		652	382	1,034	16	
1995		15				15		657	339	996	15	
1994		12				12		520	254	774	12	
1993		31				31		600	267	867	31	
1992		2				2		259	107	366	2	
1991		-						489	200	689	-	
	\$	<u>17,844</u>	\$ <u>1,155,317</u>	\$ <u>17,009</u>	\$ <u>9,961</u>	\$ <u>1,624</u>	\$ <u>1,178,585</u>	\$ <u>1,157,030</u>	\$ <u>14,933</u>	\$ <u>2,199</u>	\$ <u>1,174,162</u>	\$ <u>21,555</u>

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF CHANGES IN BOND INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2007

Description	Interest Rate (%)	Issue Date	Maturity Date	Original Amount	Balance Beginning of Year	Additions	Deductions	Balance End of of Year	Interest Paid
Public Safety Project Bond issue of 2002	3.0-4.55	6-1-2002	1-15-2017	\$ 5,700,000	\$ 4,470,000		\$ 410,000	\$ 4,060,000	\$ 182,400
Open Space Bond Issue of 2001 (Refunding)	4.0-4.5	1-1-2001	9-1-2009	2,706,300	1,230,500		314,500	916,000	47,903
Road Improvement Bond of 2001 (Refunding)	4.0-4.5	1-1-2001	9-1-2009	321,100	142,980		37,980	105,000	5,532
Road Improvement Bond of 2003(Refunding92)	2.0-5.0	10-1-2003	10-15-2006	924,000	231,000		231,000		5,775
Road Improvement Bond of 2003(Refunding93)	2.0-5.0	10-1-2003	10-15-2008	569,000	342,000		116,000	226,000	12,000
Library Additions/Alt of 2003 (Refunding)	2.0-5.0	10-1-2003	10-15-2011	1,009,000	979,000		170,000	809,000	33,053
General Purpose Bond Issue of 2006	3.5-5.5	8-1-2005	8-1-2024	3,705,000	3,705,000		190,000	3,515,000	151,056
General Purpose Bond Issue of 2007	3.5-5.5	11-1-2006	10-1-2026	1,570,000		1,570,000		1,570,000	27,296
Fort Hill Water Line of 2003 (Refunding)	2.0-5.0	10-1-2003	10-15-2011	566,000	551,000		95,000	456,000	18,598
WPCF Improvements Bond Issue of 2002	3.0-4.0	6-1-2002	1-15-2013	2,110,000	1,470,000		210,000	1,260,000	56,175
Sewer Bond Issue of 1986	7.1 -7.4	8-15-1986	8-15-2006	4,075,000	175,000		175,000		6,475
Sewer Bond Issue of 2001 (Refunding)	4.0-4.5	1-1-2001	9-1-2009	2,200,000	990,000		255,000	735,000	38,813
Sewer Bond Issue of 1992 (Phase V)	5.75-6.1	1-15-1992	1-15-93/07	550,000	34,000		34,000		2,074
Sewer Bond Issue of 1992	5.75-6.1	1-15-1992	1-15-93/07	100,000	6,000		6,000		366
Sewer Bond Issue 1993(Phase V)	4.3-6.2	7-15-1993	8-15-2008	370,000	75,000		25,000	50,000	3,250
Sewer Bond Issue 1993	4.2-6.2	7-15-1993	8-15-2008	510,000	90,000		30,000	60,000	3,900
School and Water Bond Issue of 1986	6.8 -6.9	8-1-1986	8-1-2006	1,835,000	30,000		30,000		1,035
School Bond Issue of 2001 (Refunding)	4.0-4.5	1-1-2001	9-1-2009	917,600	411,520		107,520	304,000	15,965
School Bond Issue of 2003 Refunding (Fitch Sr)	2.0-5.0	10-1-2003	10-15-2011	236,000	59,000		59,000		1,475
School Bond Issue of 2003 Refunding (West Side)	2.0-5.0	10-1-2003	10-15-2011	1,871,000	1,133,000		379,000	754,000	39,675
School Bond Issue of 2006	3.5-5.5	8-1-2005	8-1-2025	1,300,000	1,300,000		75,000	1,225,000	53,143
School Bond Issue of 2007	3.5-5.5	11-1-2006	10-1-2026	15,000,000		15,000,000		15,000,000	260,625
Total Bonded Debt					\$ 17,425,000	\$ 16,570,000	\$ 2,950,000	\$ 31,045,000	\$ 966,584

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED
WITH APPROPRIATIONS - CAPITAL IMPROVEMENTS FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Appropriation	Expenditures		Encumbrances	Unencumbered Balance
		Balance July 1, 2006	Current Year		
Bond Projects:					
S. Pleasant Valley Road improvements	\$ 3,833,986	\$ 2,202,042	\$ 860,630	\$ 3,062,672	\$ 771,314
LOCIP Projects:					
Military Hwy Retaining Wall Rep	210,000	206,280	3,720	210,000	-
Town Hall Elec Reconfigure	25,000	7,938		7,938	17,062
Police Station improvements	75,000	19,158	55,842	75,000	-
Human Svcs Bldg Renovations	230,000	11,410	210,040	221,450	7,891
Town Hall Emerg Generator	125,000	6,901	1,163	8,064	114,111
Golf Course Facilities	50,000	29,040		29,040	20,960
Oslo St Sidewalk Replace/Construct	100,000		436	436	99,564
Spicer House Fire Escape	15,000				15,000
Public Safety Addition	393,098	354,960		354,960	38,138
FYE 2003 Capital Improvement Projects:					
Golf Course renovations	225,000	86,094		86,094	138,906
Watershed studies	125,000	124,678		124,678	322
Public Safety Comm. Facility Impv.	131,561	64,895	18,559	83,454	48,107
FYE 2004 Capital Improvement Projects:					
Roof replacement-BOE	214,000	80,670	79,020	159,690	54,310
Town Hall Emergency Generator	818		818	818	-
Disaster recovery planning	12,000	5,500	4,900	10,400	1,600
Military Hwy Retaining Wall	15,000	9,610	5,390	15,000	-
Radio Base station replacement	35,000				35,000
Computer tech acquisition	44,000	15,431	3,000	18,431	600
Park improvement plan	30,000	9,072	16,013	25,085	4,915
Pavement management program	270,000	229,619		229,619	40,381
A/C Replace-Hagerty Auditorium	75,000		50	50	74,950
FYE 2005 Capital Improvement Projects:					
Rt. 1 Claude Chester-Vergennes CT	15,000	3,800		3,800	11,200
Swr Line Infrastr Replace-WPCF	137,000	22,856	15,134	37,990	99,010
Sidewalk Rt 184/ Rt12/ Kings Hwy	30,000	3,315	585	3,900	26,000
Radio Base station replacement	18,000				18,000
Economic Assistance Fund	50,000		50,000	50,000	-
Info Tech Acquisition	69,000	35,747		35,747	33,253
Info Tech Recovery Planning	91,000	17,033		17,033	73,967
Park Improvement plan	15,000				15,000
Trail Improvement plan	15,000		161	161	14,839
Mech/Elec Equip Repair-WPCF	157,000	60,550	88,431	148,981	4,636
Facility repairs WPCF	19,724		18,226	18,226	1,498
Roof replacement-WPCF	30,000	28,728		28,728	1,273
BOE-Fitch Sr.	252,000	134,728		134,728	117,272
BOE-Claude Chester	160,000	108,899		108,899	51,101
BOE-Eastern Point	37,955	19,725		19,725	18,230
BOE-Mary Morrison	92,270	92,269		92,269	1
BOE-Pleasant Valley	160,000	100,610		100,610	59,390
Esker Pt Beach	25,000	35		35	24,965
Sutton Park improvements	25,000				25,000
Town-Sr Center/Library	45,000	35,348		35,348	9,652
Town-Police Air Filtration	44,000				44,000
Homland Security Renovation	55,000	11,342		11,342	12,548
Flanders Rd. Eng Assessment	100,000	61,901		61,901	38,099

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED
WITH APPROPRIATIONS (CONTINUED) - CAPITAL IMPROVEMENT FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Expenditures			Encumbrances	Unencumbered Balance
	Appropriation	Balance July 1, 2006	Current Year		
FYE 2006 Capital					
Improvement Projects:					
Poq/South Rd Underpass	\$ 65,000	\$ 32,725	\$ 5,775	\$ 38,500	\$ 26,500
Police Station	85,000	7,829	73,645	81,474	3,526
Sidewalk-Thomas Rd. Bikeway	90,000				90,000
Economic Assistance Fund	50,000		50,000	50,000	
Info Tech Recovery Planning	23,000				23,000
Info Tech Acq - Network	76,000	18,390		18,390	3,066
Info Tech Acq - Hansen	92,000	12,318	18,000	30,318	61,682
Annex Salt/Sand Storage	75,000	26,340	37,008	63,348	11,652
Jabez Smith House	28,000	8,179		8,179	19,821
Welles Rd Facility Maint	55,000	50,315		50,315	4,685
Daycare/Comm Police Facility	80,000	3,620	65,130	68,750	2,850
Transfer Station	49,999	5,982	38,396	44,378	5,621
Asbestos Tile Removal Wm Seeley	120,000	92,338	13,030	105,368	2,500
Park Improvement Plan	25,000				25,000
Trail Improvement Program	15,000				15,000
Riverview Av Coastal Acc	25,000				25,000
Culvert Rehabilitation	35,000	5,986	4,704	10,690	24,310
Mobile Data Terminals	30,000				30,000
Mech/Elec Equip repair-WPCF	290,000		43,025	43,025	49,575
Facility Repairs-WPCF	380,000	11,354	126,461	137,815	159,875
Pavement Management Program	150,000		96,050	96,050	53,950
Voicemail System	54,000	29,169		29,169	24,831
West Side Middle School-gym floor	450,000	398,598		398,598	51,402
SB Butler-parking lot	30,000				30,000
Claude Chester Elem-resurface-playscape-steps	60,000	30,112		30,112	29,888
Mary Morrision Elem-playscape-steps-sidewalk	85,000	84,795		84,795	205
Kronos Payroll Sys-Police	36,000				36,000
Noank Town Dock Area Imp	85,000		359	359	84,641
Downtown Gateway/Streetscapes	20,000				20,000
FYE 2007 Capital					
Improvement Projects:					
Golf Course Facilities	135,000		405	405	134,595
Roads Crystal Lake Rd	50,000				50,000
Sewer Line Infrs Replace-WPCF	100,000				100,000
Sidewalk-Thomas Rd bikeway	40,000				40,000
Economic Assistance Fund	50,000		50,000	50,000	-
Information Technology-Network	55,000		1,900	1,900	53,100
Annex Salt/Sand Storage	225,000		67,848	67,848	70,705
Jabez Smith House	55,000		6,910	6,910	4,118
Park Improvement Plan	60,000				60,000
Mobile Data Terminals	40,000				40,000
Mech/Elec Equip Repair-WPCF	700,000				700,000
WPCF Add/Improvements	3,400,000		1,623,900	1,623,900	1,776,100
Roof Replacements-WPCF	25,000		2,211	2,211	7,289

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED
WITH APPROPRIATIONS (CONTINUED) - CAPITAL IMPROVEMENT FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Appropriation	Expenditures			Encumbrances	Unencumbered Balance
		Balance July 1, 2006	Current Year	Balance June 30, 2007		
BOE-Fitch Sr High	\$ 420,000	\$	\$ 269,914	\$ 269,914	\$	\$ 150,086
BOE-Westside Middle	50,000		15,396	15,396		34,604
BOE-Charles Barnum	50,000			-		50,000
BOE-Planning Study	200,000			-		200,000
BOE-Claude Chester	758,000		66,694	66,694		691,306
BOE-Fuel Spill containment	65,000		11,902	11,902		53,098
Sutton Park Improvements	35,000			-		35,000
A/C Replace-Hagerty Auditorium	48,400			-		48,400
Eastern Pt School re-use	45,000		13,500	13,500	500	31,000
Emergency Equipment	39,000			-		39,000
Hurricane/Disaster Project	65,000		31,159	31,159	31,941	1,900
Open Space Acq/Development	25,000		25,000	25,000		-
Senior Center Improvements	195,000		192,060	192,060	2,459	481
FYE 2003 Capital						
Maintenance Projects:						
Fuel pump repl.	95,000	25,390	6,560	31,950		63,050
Underground Storage Tank Compl	145,000	134,244		134,244		10,756
AC Replace-Haggerty Auditorium	54,000	5,600		5,600		48,400
Other Projects:						
School St RR Hwy Grade Crossing	369,000	333,302	9,810	343,112		25,888
Mystic Streetscapes Improvements	1,226,000	329,327		329,327	93,608	803,065
Mystic Streetscapes Utility Reloc	118,276	108,720		108,720	9,556	-
Mystic Streetscapes Demand Deposit	-	18,800		18,800	-	(18,800)
Total before retainage payable	19,474,087	5,973,617	4,398,870	10,372,487	536,761	8,564,839
Retainage Payable - 2006		129,338	(129,338)	-		-
Retainage Payable - 2007			9,551	9,551	(9,551)	-
Total	\$ 19,474,087	\$ 6,102,955	\$ 4,279,083	\$ 10,382,038	\$ 527,210	\$ 8,564,839

Statistical Section

Statistical Section

This part of the Town of Groton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government's financial health.

Contents	Page
Financial Trends	93-96
<p>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</p>	
Revenue Capacity	97-100
<p>These schedules contain information to help the reader assess the Town's most significant local revenue source, property taxes.</p>	
Debt Capacity	101-103
<p>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	104-105
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</p>	
Operating Information	106-108
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF GROTON, CONNECTICUT

NET ASSETS BY COMPONENT

**SINCE INCEPTION OF GASB 34
(Accrual Basis of Accounting)**

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 66,992,502	\$ 64,173,597	\$ 63,018,879	\$ 64,716,282	\$ 92,285,747
Restricted			129,493	329,493	329,493
Unrestricted	17,159,527	28,026,939	34,005,368	37,764,291	52,232,356
Total Governmental Activities Net Assets	\$ 84,152,029	\$ 92,200,536	\$ 97,153,740	\$ 102,810,066	\$ 144,847,596

Note: The Town began to report accrual information when it implemented GASB Statement No. 34 during fiscal year 2003.

TOWN OF GROTON, CONNECTICUT

CHANGES IN NET ASSETS

SINCE INCEPTION OF GASB 34

(Accrual Basis of Accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
General government/services	\$ 6,298,542	\$ 7,121,638	\$ 6,556,489	\$ 6,783,421	\$ 6,955,299
Public safety	9,488,936	9,593,919	9,318,994	9,562,141	10,019,373
Public works	11,289,191	11,231,581	10,953,441	12,491,299	9,627,837
Planning and development	1,294,398	1,232,639	1,316,039	1,417,725	1,369,035
Human services	2,289,607	2,337,982	2,384,276	2,265,894	2,310,585
Community services	5,885,209	6,410,212	6,082,289	6,545,450	6,644,300
Board of Education	66,871,403	69,084,296	70,362,735	75,498,717	76,799,870
Sewer operations	3,440,434	3,985,526	3,899,926	4,120,740	3,977,467
Solid waste management	3,677,443	3,409,455	3,378,654	2,651,573	2,642,280
Interest on long-term debt	914,390	886,717	554,543	750,785	1,111,142
Total governmental activities expenses	<u>111,449,553</u>	<u>115,293,965</u>	<u>114,807,386</u>	<u>122,087,745</u>	<u>121,457,188</u>
Program Revenues:					
Governmental activities:					
Charges for services	11,395,133	12,541,216	12,887,980	12,114,418	13,052,256
Operating grants and contributions	35,764,639	39,835,750	37,313,290	38,689,866	39,341,065
Capital grants and contributions	424,815	1,155,334	476,168	3,518,613	25,209,627
Total governmental activities program revenues	<u>47,584,587</u>	<u>53,532,300</u>	<u>50,677,438</u>	<u>54,322,897</u>	<u>77,602,948</u>
Net Expenses	<u>(63,864,966)</u>	<u>(61,761,665)</u>	<u>(64,129,948)</u>	<u>(67,764,848)</u>	<u>(43,854,240)</u>
General Revenues and Other					
Changes in Net Assets:					
Governmental activities:					
Property taxes	54,297,192	61,013,523	58,113,695	61,283,570	67,663,380
Payments in lieu of taxes	5,355,847	6,974,514	6,839,719	7,071,935	5,128,088
Grants and contributions not restricted to specific programs	1,098,676	1,339,721	3,043,004	2,585,131	3,263,385
Unrestricted investment earnings	431,383	537,626	1,086,734	2,280,538	3,771,081
Contributions received				200,000	
Donated assets					1,900
Special item - loss on disposal of capital assets		(55,212)			
Total governmental activities	<u>61,183,098</u>	<u>69,810,172</u>	<u>69,083,152</u>	<u>73,421,174</u>	<u>79,827,834</u>
Change in Net Assets	<u>\$ (2,681,868)</u>	<u>\$ 8,048,507</u>	<u>\$ 4,953,204</u>	<u>\$ 5,656,326</u>	<u>\$ 35,973,594</u>

Note: The Town began to report accrual information when it implemented GASB Statement No. 34 during fiscal year 2003.

TOWN OF GROTON, CONNECTICUT

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund:										
Reserved	\$ 5,431,930	\$ 6,614,824	\$ 7,071,063	\$ 2,046,685	\$ 2,255,314	\$ 1,868,182	\$ 2,627,220	\$ 2,650,083	\$ 1,569,628	\$ 1,846,901
Designated for subsequent year budget	695,354	1,335,016	3,052,433	4,067,004	4,081,919		2,506,713	3,521,736	2,298,358	3,943,110
Unreserved/undesignated	<u>8,334,991</u>	<u>9,526,644</u>	<u>7,901,317</u>	<u>6,141,472</u>	<u>5,046,766</u>	<u>4,890,837</u>	<u>8,566,229</u>	<u>8,556,581</u>	<u>9,157,831</u>	<u>9,036,656</u>
Total General Fund	<u>\$ 14,462,275</u>	<u>\$ 17,476,484</u>	<u>\$ 18,024,813</u>	<u>\$ 12,255,161</u>	<u>\$ 11,383,999</u>	<u>\$ 6,759,019</u>	<u>\$ 13,700,162</u>	<u>\$ 14,728,400</u>	<u>\$ 13,025,817</u>	<u>\$ 14,826,667</u>
All other governmental funds:										
Reserved	\$ 2,828,575	\$ 4,842,528	\$ 3,904,015	\$ 3,454,611	\$ 3,051,279	\$ 1,251,408	\$ 1,022,290	\$ 14,556,754	\$ 10,579,502	\$ 34,362,546
Unreserved, reported in:										
Special revenue funds	1,992,984	3,018,596	3,418,234	3,332,357	4,187,014	4,898,851	5,382,466	4,914,193	5,044,135	4,281,537
Capital projects funds	331,317	(2,553,759)	(1,897,962)	(2,774,558)	2,628,687	1,225,099	1,846,993	(11,677,341)	(3,935,555)	(30,541,303)
Debt service funds	621,014	725,979	488,222	1,125,501	1,825,003	1,938,037	1,985,305	2,097,656	2,377,377	2,787,781
Permanent fund					154,231	148,574	156,837	31,457	43,678	65,196
Total All Other Governmental Funds	<u>\$ 5,773,890</u>	<u>\$ 6,033,344</u>	<u>\$ 5,912,509</u>	<u>\$ 5,137,911</u>	<u>\$ 11,846,214</u>	<u>\$ 9,461,969</u>	<u>\$ 10,393,891</u>	<u>\$ 9,922,719</u>	<u>\$ 14,109,137</u>	<u>\$ 10,955,757</u>

**TOWN OF GROTON, CONNECTICUT
REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
LAST TEN YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Taxes, interest and lien fees	\$ 42,728,747	\$ 45,207,233	\$ 45,585,057	\$ 45,621,027	\$ 46,427,732	\$ 52,015,970	\$ 58,899,886	\$ 58,028,489	\$ 61,341,582	\$ 67,575,942
Assessments	476,961	365,257	338,546	232,002	213,315	151,823	98,251	40,927	73,258	61,887
Licenses and permits	141,094	351,038	437,957	407,496	233,495	374,585	613,593	473,777	284,774	378,273
Intergovernmental - state	35,897,456	38,673,602	38,901,289	41,947,084	43,645,471	37,882,523	40,858,233	39,281,530	46,049,528	66,093,137
Intergovernmental - federal	7,051,554	6,951,867	7,135,139	7,057,486	8,458,523	6,875,474	9,743,461	7,755,470	4,354,411	6,169,237
Interest on investments	1,676,501	1,512,003	2,387,768	2,209,901	1,174,286	575,446	454,514	921,353	1,954,655	3,276,658
Charges for current services	2,141,134	2,501,823	2,615,011	2,531,909	2,888,763	3,001,852	4,252,119	4,453,847	4,454,353	4,316,112
Schools, library and recreation fees	615,642	741,499	869,006	744,723	685,732	642,550	395,262	437,436	397,320	341,499
Sewer use charges	2,758,381	3,228,326	3,208,992	3,477,270	3,863,860	4,271,282	4,246,585	4,448,245	4,615,730	4,659,486
Solid waste management charges	2,367,764	3,248,030	3,649,241	3,178,280	3,089,175	2,673,748	2,795,602	2,870,209	2,856,433	2,877,959
Other revenue	1,177,712	1,079,997	1,137,886	1,560,084	1,591,839	970,650	868,045	1,068,011	1,345,114	1,388,699
Total revenues	<u>97,032,946</u>	<u>103,860,675</u>	<u>106,265,892</u>	<u>108,967,262</u>	<u>112,272,191</u>	<u>109,435,903</u>	<u>123,225,551</u>	<u>119,779,294</u>	<u>127,727,158</u>	<u>157,138,889</u>
Expenditures:										
Current:										
General government	2,036,586	2,155,189	2,310,853	7,551,332	1,390,464	1,235,650	1,190,848	1,241,886	1,357,931	1,504,677
General services	785,363	745,712	919,377	913,448	4,650,593	4,669,418	4,641,646	3,989,388	4,167,487	4,263,014
Public safety	5,839,294	6,326,433	6,618,238	8,624,775	7,785,993	7,600,361	7,310,931	5,979,573	5,849,705	6,323,410
Public works	4,473,532	4,621,682	5,093,273	6,122,337	5,695,425	6,117,905	6,154,964	6,134,737	7,100,724	6,579,008
Planning and development	849,672	997,411	1,029,947	1,280,577	1,284,668	1,323,106	1,167,475	1,012,183	1,038,921	1,037,790
Health and human services	2,472,117	2,387,480	2,666,684	2,830,479	2,820,481	2,340,852	2,135,895	849,213	772,496	828,779
Community services	4,044,889	4,166,353	4,522,710	5,515,008	5,933,310	5,881,783	5,649,969	5,298,690	5,538,010	5,741,133
Education	56,447,221	56,904,360	58,643,462	63,795,811	64,291,407	66,295,799	67,852,694	69,780,332	74,848,015	76,797,640
Subdivisions	3,310,695	3,333,822	3,369,715	3,537,603	4,362,735	4,439,591	4,325,510	4,262,479	4,581,248	4,719,027
Sewer operations	2,938,902	2,906,273	2,448,522	2,742,314	2,887,694	3,004,914	3,017,330	2,946,567	3,338,937	3,514,978
Solid waste management	3,713,820	2,683,742	3,107,023	3,283,254	3,691,499	4,019,679	3,534,354	2,813,917	2,651,573	2,626,356
Nondepartmental (1)	3,742,650	3,535,413	3,813,842	578,554	1,110,178	719,725	823,330	4,115,410	4,520,784	4,931,331
Outside agencies (2)								1,610,548	1,632,556	1,662,697
Debt service miscellaneous	1,194	425	1,049	205,379	250,426	300	114,287	465		
Debt service interest	1,733,308	1,540,049	1,348,968	955,451	910,359	914,090	811,639	692,503	695,072	966,583
Debt service principal	3,080,000	3,080,000	3,040,000	2,590,000	2,370,000	2,450,000	2,670,000	2,810,000	2,740,000	2,950,000
Capital outlay	4,457,490	5,173,284	6,896,521	4,904,602	7,137,689	5,152,660	3,746,504	5,364,941	9,144,864	49,989,332
Total expenditures	<u>99,926,733</u>	<u>100,557,628</u>	<u>105,830,184</u>	<u>115,430,924</u>	<u>116,572,921</u>	<u>116,165,833</u>	<u>115,147,376</u>	<u>118,902,832</u>	<u>129,978,323</u>	<u>174,435,755</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,893,787)</u>	<u>3,303,047</u>	<u>435,708</u>	<u>(6,463,662)</u>	<u>(4,300,730)</u>	<u>(6,729,930)</u>	<u>8,078,175</u>	<u>876,462</u>	<u>(2,251,165)</u>	<u>(17,296,866)</u>
Other Financing Sources (Uses):										
Proceeds of bonds					7,810,000				5,005,000	16,570,000
Proceeds of refunding bonds				6,185,555			5,175,000			
Payment to refunding escrow				(6,103,337)			(5,319,102)			
Premiums on bond issuance							258,388			
Operating transfers in	5,227,385	4,087,757	5,119,780	3,753,274	5,313,293	4,187,509	4,697,234	4,256,774	4,286,604	5,622,237
Operating transfers out	(5,227,385)	(3,987,757)	(5,119,780)	(3,753,274)	(4,269,486)	(4,466,804)	(5,016,630)	(4,576,170)	(4,556,604)	(6,247,901)
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>82,218</u>	<u>8,853,807</u>	<u>(279,295)</u>	<u>(205,110)</u>	<u>(319,396)</u>	<u>4,735,000</u>	<u>15,944,336</u>
Net Change in Fund Balances	(2,893,787)	3,403,047	435,708	(6,381,444)	4,553,077	(7,009,225)	7,873,065	557,066	2,483,835	(1,352,530)
Fund Balance at Beginning of Year	24,998,171	21,267,482	24,670,529	25,106,237	18,677,136	23,230,213	16,220,988	24,094,053	24,651,119	27,134,954
Residual equity transfer (out)	(836,902)									
Fund Balance at End of Year	<u>\$ 21,267,482</u>	<u>\$ 24,670,529</u>	<u>\$ 25,106,237</u>	<u>\$ 18,724,793</u>	<u>\$ 23,230,213</u>	<u>\$ 16,220,988</u>	<u>\$ 24,094,053</u>	<u>\$ 24,651,119</u>	<u>\$ 27,134,954</u>	<u>\$ 25,782,424</u>
Debt Service as a Percentage to Noncapital Expenditures	5.04%	4.84%	4.44%	3.21%	3.00%	3.03%	3.13%	3.05%	2.85%	3.22%

(1) Employee benefits were budgeted at the function level for Fiscal Years 2001-2004. For all other years, Employee benefits were included in Non-Departmental.
(2) In Fiscal Year 2005 Outside Agencies was created as a new Area of Service. In prior years these agencies were included in various areas of service.

TOWN OF GROTON, CONNECTICUT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Real Property		Motor Vehicles	Personal Property	Tax Exempt Property	Less Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property								
1998	\$ 852,376	\$ 586,208	\$ 123,190	\$ 311,316	\$ 1,335,363	\$ 131,388	1,741,702	\$ 22.75	\$ 2,654,215	65.6 %
1999	862,328	603,485	122,238	354,957	1,337,973	194,638	1,748,372	24.45	2,773,827	63.0
2000	869,189	642,481	125,512	392,392	1,341,738	233,770	1,795,804	24.00	2,768,892	64.9
2001	879,200	687,512	138,202	419,297	1,319,648	296,833	1,827,378	23.50	3,210,063	56.9
2002	903,316	714,349	162,882	543,819	1,314,506	453,385	1,870,981	23.50	2,974,330	62.9
2003	1,337,947	787,520	174,543	541,208	574,415	426,179	2,415,040	20.57	3,450,057	70.0
2004	1,344,379	816,332	174,543	541,208	574,415	426,179	2,450,282	22.75	4,348,601	56.3
2005	1,367,849	826,284	174,832	530,053	569,118	397,142	2,501,875	22.62	5,092,046	49.1
2006	1,374,504	845,102	190,416	537,173	573,603	366,266	2,580,928	22.95	5,718,342	45.1
2007	1,392,856	865,827	200,815	515,071	593,531	254,868	2,719,701	24.05	6,111,010	44.5

Source: Town Assessor's office

Note: By state law property is assessed at 70% of actual value with periodic revaluation of real property.

The estimated actual amount is calculated using the sales ratios developed by the State of Connecticut, Office of Policy and Management.

TOWN OF GROTON, CONNECTICUT

PRINCIPAL TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

(In Thousands)

	Taxpayer	Nature of Business	2007			1998		
			Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List	Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List
86	Pfizer, Inc.	Pharmaceutical	\$ 505,371	1	18.6%	\$ 262,446	1	13.6%
	Electric Boat Corp.	Submarine Mfg./R&D	178,844	2	6.6%	159,249	2	8.3%
	Exit 88 Hotel LLC	Mystic Marriott Hotel	22,883	3	0.8%			
	KRT Property Holdings LLC	Groton Square Shopping Center	12,538	4	0.5%	9,791	4	0.5%
	Groton Community LLC	Ledges Apartments	12,309	5	0.5%			
	Groton Devel Assoc Ltd	Country Glen Apartments	10,701	6	0.4%	8,639	6	0.4%
	Kalimian Elias Trustee	LaTriumphe Apartments	9,487	7	0.3%	6,388	10	0.3%
	Groton Estates LLC	Colonial Manor Apartments	8,512	8	0.3%			
	CSC Outsourcing Inc	Leased Equipment at Electric Boat	7,531	9	0.3%	16,791	3	0.9%
	Branford Manor Assoc	Apartment Complex	7,420	10	0.3%			
	Wyman-Gordon Inv. Castings	Manufacturer of Metal Products				9,111	5	0.5%
	Groton Residence Retirement Ltd	Retirement Residence				7,932	7	0.4%
	Colonial Manor Associates	Apartment Complex				6,938	8	0.4%
	Groton Medical Park	Convalescent Home				6,638	9	0.3%
			<u>\$ 775,595</u>		<u>28.5%</u>	<u>\$ 493,923</u>		<u>25.6%</u>

Source: Town Assessor's office

TOWN OF GROTON, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1998	\$ 39,630	\$ 38,490	97.12 %	\$ 1,022	\$ 39,512	99.70 %
1999	42,749	41,670	97.48	979	42,649	99.77
2000	43,197	42,358	98.06	790	43,148	99.89
2001	43,277	42,351	97.86	966	43,317	100.09
2002	44,489	43,381	97.51	978	44,359	99.71
2003	50,226	49,200	97.96	1,373	50,573	100.69
2004	56,684	55,467	97.85	895	56,362	99.43
2005	56,978	56,033	98.34	517	56,550	99.25
2006	59,700	58,714	98.35	878	59,592	99.82
2007	65,828	64,595	98.13	n/a	64,595	98.13

Source: Town Assessor's office and Finance office

TOWN OF GROTON, CONNECTICUT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

(Rate per \$1,000 of Assessed Value)

Fiscal Year	Town Direct Rate		Overlapping Rates										
	Basic Rate	City of Groton	Groton Long Point Association	Center Groton Fire District	First Taxing District	Groton Sewer District	Mumford Cove District	Mystic Fire District	Noank Fire District	Old Mystic Fire District	West Pleasant Valley Fire District	Poquonock Bridge Fire District	Second Taxing District
1998	\$ 22.75	\$ 5.100	\$ 5.000	\$ 5.500	\$ 4.890	\$ 1.950	\$ 0.420	\$ 4.050	\$ 1.870	\$ 1.700	\$ 1.550	\$ 5.800	\$ 5.970
1999	24.45	5.100	4.900	5.500	4.310	1.750	0.420	4.390	1.870	1.700	2.400	6.000	5.400
2000	24.00	4.950	5.000	5.500	4.490	1.750	0.420	4.300	1.870	1.700	3.000	5.900	6.440
2001	23.50	4.950	5.100	5.500	2.970	1.750	0.420	4.090	1.870	2.900	3.540	5.900	5.710
2002	23.50	4.950	5.100	5.500	3.900	1.750	0.410	3.950	2.000	2.950	3.540	5.900	5.810
2003	20.57	4.905	3.400	4.500	3.670	0.750	0.270	2.830	1.270	2.800	3.380	5.300	4.350
2004	22.75	4.905	3.300	4.500	3.900	0.750	0.260	2.770	1.170	2.600	3.500	5.300	5.710
2005	22.62	4.905	3.300	4.500	N/A	0.750	0.260	2.720	1.170	2.850	3.500	5.600	N/A
2006	22.95	4.905	3.450	4.500	N/A	0.750	0.260	2.750	1.000	2.800	3.400	5.900	N/A
2007	24.05	4.905	3.830	4.500	N/A	0.750	0.248	2.820	1.000	2.850	3.400	6.100	N/A

100

TOWN OF GROTON, CONNECTICUT

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

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt		Debt as a Percentage of Actual Taxable Value of Property(1)	Total Primary Government	Debt as a Percentage of Personal Income (2)	Debt Per Capita
	General Obligation Bonds	Other Bonds				
1998	\$ 17,715,000	\$ 8,425,000	1.5% %	\$ 26,140,000	3.94%	\$ 609
1999	16,045,000	7,015,000	1.3%	23,060,000	2.26%	559
2000	14,375,000	5,645,000	1.1%	20,020,000	2.00%	495
2001	12,785,000	4,760,000	1.0%	17,545,000	1.77%	439
2002	16,980,000	6,005,000	1.2%	22,985,000	2.45%	586
2003	15,370,000	5,165,000	0.9%	20,535,000	2.13%	510
2004	13,585,000	4,385,000	0.7%	17,970,000	1.87%	449
2005	11,555,000	3,605,000	0.6%	15,160,000	1.56%	374
2006	14,585,000	2,840,000	0.7%	17,425,000	1.76%	421
2007	28,940,000	2,105,000	1.1%	31,045,000	3.57%	786

(1) See page 97 for taxable property value data.

(2) See page 104 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2007

Tax Base:	
Total tax collections (including interest and lien fees)	\$ 66,413,853
Total tax collections (including interest and lien fees) of coterminous municipalities	11,555,808
Reimbursement of Revenue Loss from Tax Relief for the Elderly	<u>7,125</u>
Total Base	<u>\$ 77,976,786</u>

	Public Improvement	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times base	\$ 175,447,769	\$	\$	\$	\$
4 1/2 times base		350,895,537			
3 3/4 times base			292,412,948		
3 1/4 times base				253,424,555	
3 times base					233,930,358
Total limitations	<u>175,447,769</u>	<u>350,895,537</u>	<u>292,412,948</u>	<u>253,424,555</u>	<u>233,930,358</u>
Indebtedness:					
Bonds outstanding	11,201,000	17,283,000	2,105,000		
Serial notes		23,100,000			
Authorized and unissued	1,639,086	26,571,906	19,083,016		
Underlying debt:					
Bonds and serial notes	5,358,708		3,421,000		
Authorized and unissued	250,000				
Less school building grants		<u>(685,269)</u>			
Total indebtedness	<u>18,448,794</u>	<u>66,269,637</u>	<u>24,609,016</u>		
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 156,998,975</u>	<u>\$ 284,625,900</u>	<u>\$ 267,803,932</u>	<u>\$ 253,424,555</u>	<u>\$ 233,930,358</u>

Notes: (1) The total of the above indebtedness amounts to: \$ 109,327,447

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 545,837,502

(2) Bonds authorized and unissued represent bond authorizations (excluding \$245,000 of water projects) for which bonds have been issued to partially finance the project or bond anticipation notes are outstanding.

(3) Bonds and serial notes do not include water bonds of \$456,000 in accordance with State Statutes.

(4) The State of Connecticut Bureau of School Building Grants will reimburse the Town of eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

(5) The Town anticipates that the State of Connecticut will reimburse the Town approximately 50% of the costs associated with these school projects.

TOWN OF GROTON, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(In Thousands)

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 357,480	\$ 365,630	\$ 374,014	\$ 372,319	\$ 378,926	\$ 427,460	\$ 474,791	\$ 473,734	\$ 498,112	\$ 545,837
Total net debt applicable to limit	32,194	48,132	42,100	49,905	48,366	52,206	62,803	143,016	129,815	109,327
Legal Debt Margin	\$ 325,286	\$ 317,498	\$ 331,914	\$ 322,414	\$ 330,560	\$ 375,254	\$ 411,988	\$ 330,718	\$ 368,297	\$ 436,510
Total net debt applicable to the limit as a percentage of debt limit	9.01%	13.16%	11.26%	13.40%	12.76%	12.21%	13.23%	30.19%	26.06%	20.03%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the Town exceed seven (7) times the annual receipts from taxation. The calculation of the 2006 debt limit can be found on page 102 of this report.

TOWN OF GROTON, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	High School Graduate or Higher	School Enrollment (2)	Unemployment Rate (3)
1998	42,922	\$ 663,317	\$ 15,454	28.1	N/A	5,863	4.4%
1999	41,284	1,022,398	24,765	28.1	N/A	5,827	3.7%
2000	40,456	1,001,893	24,765	28.1	88.0%	5,823	2.7%
2001	39,988	990,303	24,765	28.1	88.0%	5,921	3.3%
2002	39,224	939,611	23,955	32.5	88.0%	5,846	4.3%
2003	40,270	964,668	23,955	32.5	88.0%	5,780	5.5%
2004	40,020	958,679	23,955	32.5	88.0%	5,750	5.2%
2005	40,522	970,705	23,955	32.5	88.0%	5,572	4.9%
2006	41,366	990,923	23,955	32.5	88.0%	5,310	4.6%
2007	39,520	869,519	22,002	30.5	86.4%	5,310	4.2%

Sources: Per capita income, median age and education level provided by U.S. Census Bureau, Census 2000.

(1) Population provided by State of Connecticut, Department of Public Health

(2) Town of Groton Board of Education.

(3) State of Connecticut, Department of Labor.

N/A - not available

TOWN OF GROTON, CONNECTICUT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT YEARS AGO

<u>Name</u>	<u>Nature of Business</u>	<u>2006</u>			<u>1997</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
U.S. Navy Submarine Base	Military Base	10,550	1	40.5%	10,000	1	35.6%
Electric Boat Corporation	Submarine Mfg/R&D	7,590	2	29.2%	7,300	2	26.0%
Pfizer, Inc.	Pharmaceutical	4,965	3	19.1%	4,100	3	14.6%
Town of Groton	Municipality	945	4	3.6%	995	4	3.5%
AVCRAD	Helicopter repair	392	5	1.5%	507	6	1.8%
Mystic Marriott	Hotel/Conference Center	279	6	1.1%			
PCC Structural	Manufacturer	265	7	1.0%	650	5	2.3%
City of Groton	Municipality	236	8	0.9%	221	7	0.8%
Pequot Medical Center	Hospital	150	9	0.6%			
Doncasters Precision Castings	Manufacturer	132	10	0.5%			
Proto-Power Corporation	Engineering/Design	126		0.5%	110	8	0.4%
Chelsea Groton Savings Bank	Financial Institution				70	9	0.2%
Merocell Corporation	Medical Products				60	10	0.2%
		<u>25,630</u>		<u>98.5%</u>	<u>24,013</u>		<u>85.6%</u>

Source: Telephone survey

** 1998 is unavailable

TOWN OF GROTON, CONNECTICUT

FULL-TIME EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
General services	45.00	46.00	49.00	37.00	56.50	57.00	55.00	52.00	52.00	53.00
Public safety	72.00	72.00	72.00	88.00	73.00	74.00	73.00	72.00	72.00	73.00
Public works	56.00	48.00	52.00	50.00	47.50	47.50	46.50	52.25	52.25	52.25
Planning and development	18.00	17.00	18.00	19.00	19.00	19.00	18.00	18.00	18.00	18.00
Human services	21.00	18.00	18.00	18.00	17.00	16.00	13.00	13.00	10.00	10.00
Community services	38.00	39.00	39.00	42.00	45.25	43.50	42.75	42.75	43.00	44.00
Golf course	7.00	7.00	7.00	7.00	7.75	7.50	7.25	7.25	7.00	7.00
Sewer system maintenance	23.00	21.00	21.00	19.00	20.25	20.25	17.75	17.75	17.75	17.75
Solid waste management	6.00	4.00	5.00	10.00	8.75	10.25	7.75	0.00	0.00	0.00
Project manager - school construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00
Fleet reserve	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>
Subtotal town government	291.00	277.00	286.00	295.00	308.00	308.00	294.00	288.00	286.00	290.00
Board of Education	<u>705.00</u>	<u>762.00</u>	<u>767.00</u>	<u>779.00</u>	<u>722.00</u>	<u>722.00</u>	<u>670.00</u>	<u>665.00</u>	<u>659.00</u>	<u>655.00</u>
Total	<u><u>996.00</u></u>	<u><u>1,039.00</u></u>	<u><u>1,053.00</u></u>	<u><u>1,074.00</u></u>	<u><u>1,030.00</u></u>	<u><u>1,030.00</u></u>	<u><u>964.00</u></u>	<u><u>953.00</u></u>	<u><u>945.00</u></u>	<u><u>945.00</u></u>

Source: Various Town Departments

Notes: A full-time employee is scheduled to work either 2,080 or 1,820 hours per year (including vacation and sick leave) depending on bargaining unit.

TOWN OF GROTON, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Marriages and civil unions of residents	422	403	468	403	432	405	479	456	524	507
Births to Groton residents	624	627	603	581	594	616	634	619	610	580
Deaths of Groton residents	378	303	350	361	362	331	375	365	350	394
Boards and Agencies										
Registered voters	16,472	16,368	16,155	17,824	17,447	17,187	17,718	18,723	17,909	17,824
Elections and referenda	1	2	2	2	2	1	3	2	1	2
Planning and Development										
Building permits issued	1,400	1,532	1,581	1,510	1,472	1,596	1,614	1,523	1,600	1,438
Building inspections conducted	4,100	4,400	4,600	4,600	4,900	5,400	5,510	4,389	4,500	5,800
Value of building permits	\$ 18,183,212	\$ 39,624,058	\$ 42,103,894	\$ 41,826,402	\$ 19,116,598	\$ 33,033,853	\$ 53,865,153	\$ 35,298,429	\$ 27,293,923	\$ 84,681,181
Public Safety										
Arrests	1,085	1,145	1,120	1,114	1,273	1,207	1,151	905	672	685
Parking violations	366	557	662	697	903	960	903	450	336	175
Traffic violations	6,481	5,879	5,727	4,573	5,750	4,756	4,270	3,547	4,752	4,334
Public Works										
Street resurfacing (in miles)	5	1	5	5	3	3	6	3	4	3
Number of snow and ice control callouts	14	17	12	16	9	20	13	21	9	12
Miles of roads maintained (excludes GLP in 2006)	90	90	90	94	94	94	97	98	92	93
Parks and Recreation										
Athletic field permits issued	919	837	573	1,072	1,269	1,233	1,189	1,325	1,198	698
Summer season programs	123	183	192	180	196	232	204	163	181	170
Indoor season programs	480	452	488	530	627	599	541	637	583	603
Acres of grounds maintained	1,278	1,278	1,342	1,527	1,545	1,561	1,686	1,710	1,726	1,726
Public Libraries										
Volumes in collection	127,967	126,939	133,276	119,032	123,869	129,603	132,398	134,280	136,759	149,416
Items circulated	351,386	346,156	343,220	339,765	344,517	367,490	362,455	355,310	347,833	347,448
Senior Center										
Meals on wheels provided	17,530	19,792	21,569	27,328	31,595	35,207	34,620	31,046	34,068	36,982
Senior mini-bus trips	97	94	120	122	107	88	81	61	54	69
Human Services										
Households provided energy assistance	1,200	1,200	1,300	1,300	1,300	1,300	1,300	1,500	1,500	1,600
Households utilizing Groton Food Locker	4,000	4,000	4,000	4,300	4,300	4,300	4,500	4,500	4,500	4,500
Households receiving rent assistance	1,000	1,000	1,500	1,500	1,500	1,500	1,700	1,700	1,700	1,800
Education										
Elementary schools	10	10	10	10	10	10	9	9	9	9
Middle schools	3	3	3	3	3	3	3	3	3	3
High schools	1	1	1	1	1	1	1	1	1	1
Sewer										
Average daily sewage treatment (thousands of gallons)	126.5	127.0	127.0	128.0	129.1	129.8	130.0	130.7	130.7	132.9

Source(s): Various Town Departments

TOWN OF GROTON, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>General Government</u>										
<u>Public Safety</u>										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	41	41	41	44	42	45	45	47	46	46
<u>Public Works</u>										
Miles of town streets	93.6	93.6	93.6	93.6	97.88	97.88	98.76	97.66	98.9	99.81
Streetlights	1,198	950	1,292	1,292	1,308	1,308	1,308	1,350	1,330	1,334
Public works vehicles	186	186	186	194	194	194	228	228	227	213
<u>Parks and Recreation</u>										
Acreage	61	66.5	360	360	641	641	754	768	780	780
Parks	15	17	17	17	22	22	30	32	33	33
<u>Public Libraries</u>										
Libraries	3	3	3	3	3	3	3	3	3	3
<u>Human Services (Senior Center)</u>										
Community center	1	1	1	1	1	1	1	1	1	1
Senior mini-buses	7	7	7	7	7	7	7	7	5	5
<u>Education</u>										
Schools	14	14	14	14	14	14	13	13	13	13
<u>Sewer</u>										
Sanitary sewers (miles)	123	123	127	128	128	128	130	130	132.86	132.86
Treatment capacity (thousands of gallons)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

Source(s): Various Town Departments