

TOWN OF GROTON, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2006

TOWN OF GROTON, CONNECTICUT

Comprehensive Annual Financial Report

for

**The Fiscal Year Ended
June 30, 2006**

Prepared By:

The Finance Department

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Introductory Section



TOWN OF GROTON

DEPARTMENT OF FINANCE

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December 1, 2006

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, 2006.

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, 2006 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, 2006 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.

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The independent audit of the financial statements of the Town of Groton was part of broader, federal 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: 48% 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 2006, the Town had an unemployment rate of 4.6% as compared to the New London County rate of 4.2%, the state's average rate of 4.4% and the national average of 4.8%. New London County has an employed labor force of approximately 132,900 residents.

Grand List increases by 5.3%: The October 1, 2005 net adjusted taxable Grand List totals \$2,718,209,269, up 5.3% over 2004. **Real estate** rose about 3.6%, from about \$2.14 billion to almost \$2.22 billion. About half of the total \$78 million increase in real estate assessments can be attributed to expiring enterprise zone exemptions at Pfizer's Buildings 230, part of Building 123 and most of Building 220, the mammoth state-of-the-art research and development building constructed between 1998 and 2001. The net **personal property** grand list rose 19.6%, from about \$275 million to about \$328 million. The **motor vehicles** portion of the grand list, adjusted for military exemptions, rose from \$164,827,939 in 2004 to \$172,163,364, up about 4.5 percent.

Long-Term Financial Planning/Relevant Financial Policies:

The unreserved, undesignated fund balance in the General Fund (8.8 percent 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 five (5) percent. During the FYE 2006 budgetary process, the Town Council determined that it would be prudent to raise that minimum five percent and has embarked on a directive to maintain at least a seven and one-quarter percent 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 (\$2,024,712) was sustained through the FYE 2006 budgetary process.

Major Initiatives: For the Year Ended June 30, 2006:

Public Works Projects: In FYE 2001, the Town Council and the Representative Town Meeting approved various ordinances approving these projects. Because these projects are 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, the Flanders Road Transfer Station and the Town Hall Annex Sewer Line) have been completed in December 2003, October 2002 and December 2003, respectively. Below is a listing of the one remaining project and its status:

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 with construction expected to begin in late May 2005 and an estimated completion date in the fall of 2006.

Base Realignment and Closure (BRAC) Commission: As part of the 2002 National Defense Authorization Act, the BRAC 2005 process began with a memorandum from the United States Secretary of Defense Secretary Donald H. Rumsfeld to defense leaders entitled "Transformation Through Base Realignment and Closure."

By the end of 2003, the Department of Defense (DOD) published the draft selection criteria. In March 2004, the department submitted the force-structure plan and infrastructure inventory to Congress. The next month, Congress approved the final selection criteria. In March 2005, the President nominated the commissioners that served on the BRAC Commission.

On May 13, 2005, Secretary Rumsfeld forwarded DOD's list of recommended base closings to the BRAC Commission. The list included the closure of bases nationwide, including the New London Submarine Base in Groton, Connecticut.

A unified, bipartisan effort by our public officials got underway to make the state's case to the nine-member BRAC Commission to take the submarine base off the Pentagon's closure list. On July 6, 2005, a delegation including former military officials, as well as state, regional and local representatives, made a two-hour presentation at the Boston Regional BRAC hearing, putting forth a comprehensive case against the closure of the New London Submarine Base. Over the next month and a half, additional documentation was submitted to the BRAC Commission supporting the Town's position that the Submarine Base should not be closed. In August 2005, the BRAC Commission voted to remove the base from the closure list. On Thursday September 8, 2005, the BRAC Commission filed their recommendation to the President of the United States that the Naval Submarine Base in Groton remain open. On September 15, 2005, President Bush endorsed the BRAC Commission's recommendations. On October 27, 2005, the U. S. House of Representatives took final legislative action that formally ended the federal base-closure process, ensuring that the Naval Submarine Base in Groton will remain open.

Major Initiatives: For the Future:

School Construction:

Construction has begun on 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 architectural firm hired in November 2004 completed the construction drawings and received approval to bid the elementary school projects in May 2006. The construction manager accepted bids for the elementary schools in June 2006, and construction began in August. Construction drawings for the high school renovation and addition were completed in July 2006, and bids were accepted in August. Early site work for the high school, which consisted of constructing a new parking lot that will replace parking lost during construction of the addition, was completed in early September to support the opening of school. The Town is in the process of awarding contracts to all construction contractors, and site work is underway on all three projects with building construction begun in October 2006. The elementary schools are anticipated to be occupied in August 2007. The addition to the high school is scheduled finish early 2008 with renovations being finished the summer of 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 State's Conservation and Development Policies 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. On April 16, 2003, the Town revised its Zoning Regulations to resolve the issue that the DEP had concerning storm-water management in the Water Resource Protection District. DEP concurred with the changes and began moving forward with State grant and loan approval process. During the 2004 State Legislative process, the Town sought a \$2 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 a \$2 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 is now estimated to cost \$20.9 million with the increase costs of \$3.4 million to be funded by 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 has been rebid and bids are now due in mid December 2006.

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 Town anticipates that the project will be funded by a 20-year loan at 2% from the State's Clean Water Fund. Although the financing will be secured by the Town's full faith and credit, payable from taxes levied in the Sewer District, the Town intends to fund the debt service for this project with revenue generated by the Town's sewer use fee rate. The sewer project will be phased in through December 2008.

Revaluation:

The Groton Town Council elected to postpone the October 1, 2005 revaluation of all real property until October 1, 2006. The Town Council exercised an option permitted under Connecticut State Statute that allows municipalities to postpone revaluations that were scheduled for 2003, 2004 or 2005 until 2006. The firm of Tyler/CLT has been contracted to conduct the 2006 revaluation on real estate which comprises one component of the grand list, which will not be finalized and signed by the Assessor until January/February 2007.

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 deposit, 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 percent 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 107.6 percent 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 115 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

Currently GAAP does not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits. However 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 Statement will require that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. 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. Based on an actuarial study conducted in FYE 2005, it was estimated that the Town’s OPEB liability was is in the range of \$76 to \$111 million.

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, \$740,000 has been set aside into an OPEB special revenue fund. The Town is in the process of having another actuarial study done to provide a more current estimate of its OPEB liability and to meet the actuarial requirements of the GASB statement.

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 July 21, 2005 with the Bonds and BANs dated August 1, 2005. The Bonds were issued for 20 years, maturing in August 2025. The Bonds are in the amount of \$5,005,000 and were used to fund various general-purpose projects that were approved by the voters on November 6, 2001 and school projects that were approved by the voters on April 27, 2004. The general purpose projects and voter authorized amounts were for Pleasant Valley Road Improvements (\$1,300,000), Closure of Welles Road Bulky Waste Site (\$665,000), Flanders Road Transfer Station (\$865,000) and the Town Hall Annex Complex Improvements and Sewer Line (\$875,000). The school projects were for the new Catherine Kolnaski Elementary School (\$350,000), a new elementary school in the northeast, Northeast Academy (\$310,000) and for renovations and additions to Fitch High School (\$640,000). Three bids were received, and the award was made to Wachovia Bank with a true interest rate of 4.0630%.

Two BANs sales were also conducted on July 21, 2005. One BAN sale (Lot A) was issued for twelve months maturing in July 2006 in the amount of \$8,390,000 and is being used to fund various general-purpose projects that were approved by the voters on November 6, 2001 and school projects that were approved by the voters on April 27, 2004. The general purpose projects were for Pleasant Valley Road Improvements (\$2,300,000) and the school projects pertaining to the new Catherine Kolnaski Elementary School (\$1,695,000), a new Northeast Academy (\$1,840,000) and for renovations and additions to Fitch High School (\$2,555,000). Five bids were received, and the award was made to Commerce Capital Markets (\$2,390,000 with a net interest rate of 2.8061%) and another bid was awarded to CIBC World Markets (\$6,000,000 with a net interest rate of 2.8040%). The other BAN sale (Lot B) was issued for seven months maturing in March 1, 2006 in the amount of \$1,100,000 and is being used to fund the Water Pollution Control Facility's Sewer Upgrade Project. Two bids were received, and the award was made to Sovereign Securities Corporation with a net interest rate of 2.6823%.

At year-end, the Town had a number of debt issues outstanding. These issues, net of applicable unamortized discounts, included \$14,585,000 of general obligation bonds, \$2,840,000 of general obligation sewer bonds paid by special assessments for total bonds payable of \$17,425,000. Last fiscal year that total amount was \$15,160,000.

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 2006 data.

	<u>Adopted Policy</u>	<u>FYE 2006</u>
Comparison to State's Statutory Debt Limit	not to exceed 50%	26.1%
Net Direct Indebtedness to Assessed Value	not to exceed 5%	3.0%
Debt Service as compared to Expenditures	not to exceed 10%	2.6%

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, 2005. 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 twelve (12) consecutive years (FYE 1994 through FYE 2005). 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 thirteenth (13) consecutive year, the GFOA presented an Award for Distinguished Budget Presentation to the Town of Groton for its annual budget, the FYE 2007 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.

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, 2005

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.

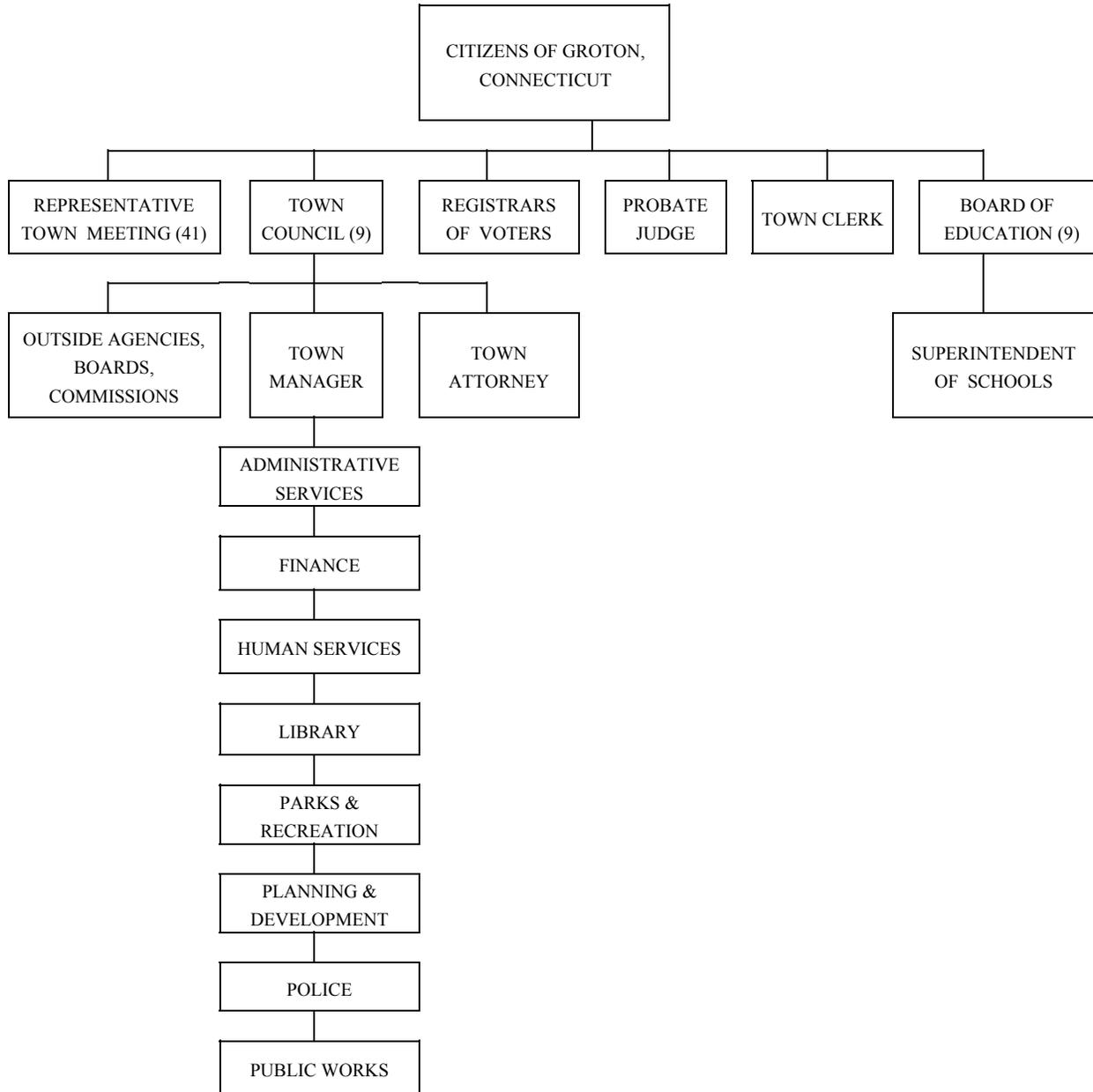


President

Executive Director

TOWN OF GROTON

ORGANIZATION CHART



TOWN OF GROTON
PRINCIPAL OFFICIALS
AS OF JUNE 30, 2006

Town Council

Harry A. Watson, Mayor
Peter J. Bartinik, Jr.
Heather Sherman Bond
Catherine Kolnaski
Frank O'Beirne
John F. Scott
Paulann H. Sheets
James L. Streeter
Elissa T. Wright

Board of Education

Beverly H. Washington, Chairman
Patricia Monahan Doyle
Elizabeth B. Gianacoplos
Marcia Ball Greenhalgh
G. Michael Hewitt
Lisa A. Poole
Dr. Archie C. Swindell
Rita P. Volkmann
Charles Zezulka, Secretary

Appointed Officials

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

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, 2006, 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, 2006, 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 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 November 8, 2006 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.

November 8, 2006

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, 2006 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 \$102,810 (net assets). Of this amount, \$37,764 (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 \$5,656. 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 \$27,135. Approximately 55% of this total amount, \$14,986 is available for spending at the government's discretion (unreserved fund balance). 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 2006 budgetary process, the Town Council determined that it would be prudent to raise the minimum fund balance level to 7% of adopted expenditures. Through the FYE 2007 budgetary process, the Town Council authorized the use of \$2.3 million of fund balance to balance the General Fund budget and maintained an estimated seven and one-quarter percent unreserved undesignated fund balance.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund was \$9,158, or 8.8 percent of total General Fund expenditures on a budgetary basis.
- The Town of Groton's total debt increased by \$6.9 million (34.5 percent) during the current fiscal year. This was mainly due to increases (\$2.265 million) in the principal amounts due on bonds for general government obligation debt. Additionally, Bond Anticipation Notes for both general obligation debt and sewer district debt was increased (\$4.640 million) 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 year's statistical section implements the Governmental Accounting Standard Board's Statement No. 44, which is meant to improve the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required

by Statement No. 34 and related statements. The statistical section provides comparisons of selected information beginning with FYE 1997 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-eight 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 and the Debt Service Fund, both of which are considered to be major funds. Twenty-two 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: Golf Course Fund, Sewer Operating Fund, Solid Waste Fund, Mumford Cove, Groton Sewer District, Revaluation Fund, Community Events Fund, Computer Replacement Fund and Special Library Fund.

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 of 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 \$102,810 on June 30, 2006.

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

	June 30, 2006	June 30, 2005
Current and Other Assets	\$ 55,994	\$ 49,693
Capital Assets	91,632	85,768
Total Assets	147,626	135,461
Long-Term Liabilities	27,189	20,722
Other Liabilities	17,627	17,585
Total Liabilities	44,816	38,307
Net Assets:		
Invested in Capital Assets, Net of Related Debt	64,716	63,019
Restricted	330	130
Unrestricted	37,764	34,005
Total Net Assets	\$ 102,810	\$ 97,154

By far the largest portion of the Town of Groton's net assets (62.6%) 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 (\$37,764) 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.

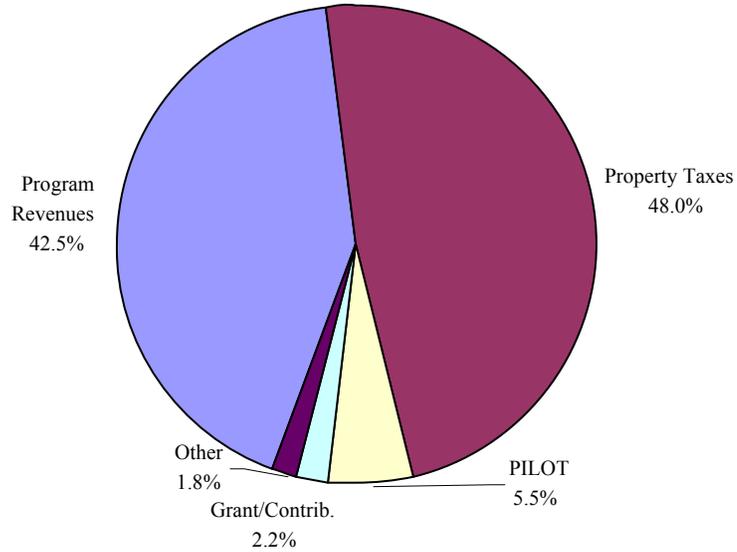
On a government-wide basis, the assets of the Town of Groton exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$102,810. This has increased from last fiscal year's net assets of \$97,154 due to an increase in operating and capital revenues, mainly grants and contributions. Of the Town's total net assets at June 30, 2006, \$37,764 or 36.7% 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 \$34,005 or 35.0%. The current year shift from investment in capital assets to unrestricted assets reflects the additional revenues received.

Governmental Activities. Approximately 48% of the revenues were derived from property taxes, followed by 30% from grants and contributions, then 9.5% from other program revenues and finally about 1% of the Town's revenue in this fiscal year was derived from investment earnings.

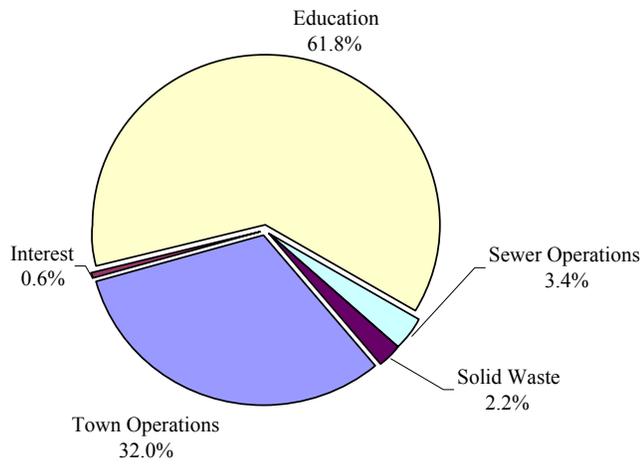
**Town of Groton
Change in Net Assets (\$000's)**

	Fiscal Years Ended	
	June 30, 2006	June 30, 2005
Program Revenues:		
Charges for Services	\$ 12,114	\$ 12,888
Operating Grants and Contributions	38,690	37,313
Capital Grants and Contributions	3,519	476
General Revenues:		
Property Taxes	61,284	58,114
Grants and Contributions (not restricted)	9,857	9,883
Other	2,280	1,087
Total Revenue	127,744	119,761
Expenses:		
General Government/Services	6,783	6,557
Public Safety	9,562	9,319
Public Works	12,491	10,953
Planning and Development	1,418	1,316
Human Service	2,266	2,384
Community Services	6,545	6,082
Interest on Long-Term Debt	751	555
Education	75,499	70,363
Sewer Operating	4,121	3,900
Solid Waste	2,652	3,379
Total Expenses	122,088	114,808
Increase in Net Assets	5,656	4,953
Net Assets July 1	97,154	92,201
Net Assets June 30	\$ 102,810	\$ 97,154

**Town of Groton - Revenues
June 30, 2006**



**Town of Groton - Expenses
June 30, 2006**



Major revenue factors included:

- ◆ Operating Grants were noticeably more in 2006 as the Town recognized an increase in State grants.
- ◆ Property tax revenues recorded for fiscal year 2006 increased due to an increase of 3.2% in the October 1, 2004 Grand List and due to the Town's tax rate increasing from 20.62 mills to 22.95 mills, or 1.5%.
- ◆ Investment earnings increased by \$1,193 from the prior fiscal year to \$2,280 for the fiscal year ending June 30, 2006. The addition to interest and dividend earnings was the result of higher interest rates on investments.

For Governmental Activities, 62% of the Town's expenditures relate to education, 10.2% relate to public works, 7.8% relate to public safety, 5.6% to general government/services, 5.4% 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 associated with the Town's contribution to the retirement, workers compensation and retiree health insurance accounts.
- ◆ The cost of education services increased, due to negotiated wage settlements, workers compensation 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 \$27,135, an increase of \$2,484 in comparison with the prior year. Of this amount, \$14,986 constitutes unreserved fund balance. 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 (\$11,146) or 2) for long-term loans and trust principal (\$1,004).

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 \$9,158, which is included in the total fund balance of \$13,025. 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 8.8 percent of total General Fund expenditures, while total fund balance represents 12.5 percent of that same amount.

The total fund balance of the Town of Groton's General Fund decreased by \$1,703 during the current fiscal year. However the unreserved undesignated fund balance increased by \$601. Key factors in this increase are as follows:

- ◆ The use of fund balance (\$808) to make up for the expected shortfall in FYE 2006 revenues. However, during the FYE 2006 budget development process it was anticipated that \$3,521 of fund balance would be needed to balance the FYE 2006 Budget while only 22.9% of that amount was needed.
- ◆ An additional \$785 in General Property Taxes or 1.3% over budget.
- ◆ An additional \$681 in Revenue from Investments or 170% over budget.
- ◆ An additional \$807 in State Grants in Aid for Education or 3.2% over budget.
- ◆ An additional \$1,196 in State Grants in Aid for General Government (Manufacturing Machinery and Equipment) or 14% over budget.
- ◆ An additional \$393 in Charges for Current Services (conveyance tax) or 18% over budget.
- ◆ All of those revenues over budget helped offset a reduction of \$2,374 in Federal Grants in Aid (impact aid) or 39% under budget.
- ◆ Additionally expenditures for Town Government came in under budget by \$901 and the Board of Education came in under budget by \$293.
- ◆ Contingency funds of \$350 were all transferred to other functions and spent.

Capital Improvements Fund. This fund has a total fund balance of \$6,958, up from \$3,378 in the prior year. The increase is mainly explained by the receipt of \$400 from the State of Connecticut, investment income of \$429, bond proceeds of \$3,705, a transfer from the General Fund and Sewer Operating Funds in the amount of \$3,244 and net capital outlays of \$4,229.

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 \$796 for the Fleet Reserve Fund, \$3,927 for the Health Insurance Fund and a negative \$1,427 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 \$319 mainly due to a reduction in the Fleet Reserve 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 \$103,637, which exceeded budgetary estimates by \$1,519. The majority of this increase can be attributed to additional tax revenues (\$784), investment income (\$681), and charges for current services (\$393). Intergovernmental (State and Federal) revenues were under budget by \$370 which was mainly due to State revenue exceeding the budget by \$2,003 while Federal revenues were under budget by \$2,374. State revenues include additional payments in lieu of taxes and education cost sharing revenue from the State of Connecticut, and Federal funds mainly pertained to pupil impact aid from the Federal government.

Actual expenditures on a budgetary basis and other financing uses totaled \$104,446, with actual expenditures exceeding revenues on a budgetary basis by \$809. The fiscal year 2006 budget had a designation of fund balance in the amount of \$3,500 to support operations but was not fully required. Actual expenditures were under budget by \$1,194 with the town government returning about \$901 and the Board of Education returning \$293.

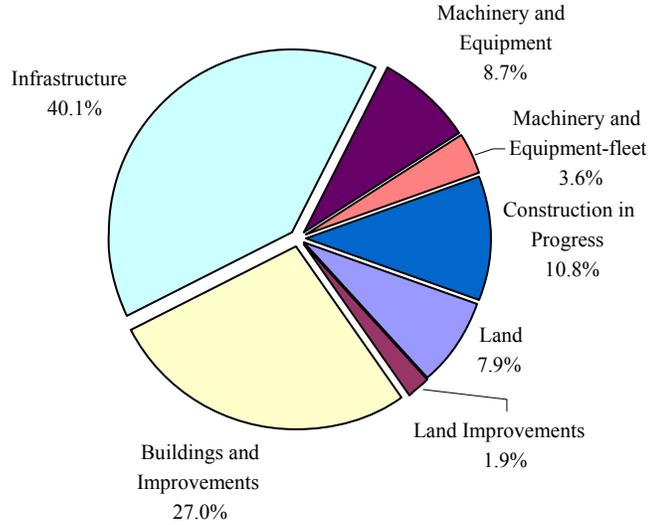
Capital Asset and Debt Administration:

Capital Assets. The Town of Groton's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$171,052. 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 5.9 percent.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 13,487	\$ 13,487
Land Improvements	3,267	3,245
Buildings and Improvements	46,209	45,675
Infrastructure	68,520	68,406
Machinery and Equipment	14,949	14,427
Machinery and Equipment - Fleet	6,151	5,655
Construction in Progress	<u>18,469</u>	<u>10,559</u>
Total	<u>\$ 171,052</u>	<u>\$ 161,454</u>

**Town of Groton - Capital Assets
June 30, 2006**



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

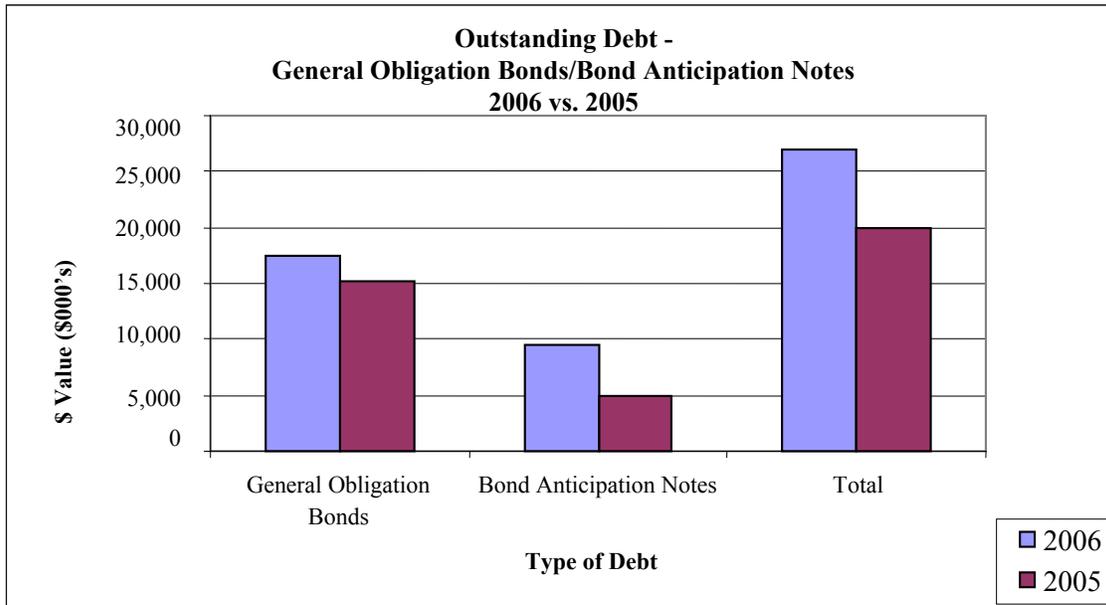
- Regarding bonded projects, the reconstruction of Pleasant Valley Road South with the installation of concrete sidewalks, storm drainage system and curbing reached \$1.9 million.
- Regarding the use of the State's Local Capital Improvement Project funds, the Military Highway Retaining Wall repair reached \$205 and the installation of fire alarms/sprinkler systems at the vehicle garage reached \$152.
- Regarding the use of local capital funds:
 - Long Hill watershed improvements reached \$123,
 - Water Pollution Control Facility repairs (replacement of the aerated grit removal system) reached \$337,
 - Fitch High School improvements to the fire alarm panel and roof replacement reached \$100,
 - Claude Chester Elementary School improvements to meet fire code requirements and new playground equipment reached \$104,
 - West Side Middle School improvements to replace the wooden gym floor reached \$398.

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 \$26,915. Of this amount, \$23.0 million comprises debt backed by the full faith and credit of the government and \$3.9 million 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, 2006	June 30, 2005
General Obligation Bonds	\$ 17,425	\$ 15,160
Bond Anticipation Notes	9,490	4,850
Total	\$ 26,915	\$ 20,010



The Town of Groton's general obligation bonds have increased \$2,265. The total debt including bond anticipation notes increased \$6,905 or 34.5 percent during the current fiscal year due to more additional bonds being issued for the Pleasant Valley Road South road project and 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 \$498,112. As of June 30, 2006, the Town recorded total indebtedness of \$129,815 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 2006, the Town had an unemployment rate of 4.6% as compared to the New London County rate of 4.2%, the state's average rate of 4.4% and the national average of 4.8%.
- New London County has an employed labor force of approximately 132,900 residents.
- Inflationary trends in the region compare similarly to national indices.

Moreover, Connecticut State government continues to report revenue surpluses that may translate into increases in State aid to the Town of Groton and other municipalities in the State.

Grand List increases by 5.3%: The Grand List is comprised of three major categories, real estate, business personal property and motor vehicles. The October 1, 2005 net adjusted taxable Grand List totals \$2,718,209,269, up 5.3% over 2004, and was signed on February 28, 2006. Expiring exemptions at Pfizer - both on personal and real property - account for about half of the approximately \$137 million increase in this year's Grand List.

Real estate rose about 3.6%, from about \$2.14 billion to almost \$2.22 billion. About half of the total \$78 million increase in real estate assessments can be attributed to expiring enterprise zone exemptions at Pfizer's Buildings 230, part of Building 123 and most of Building 220, the mammoth state-of-the-art research and development building constructed between 1998 and 2001. The enterprise zone exemption for industrial properties provides eligible property owners with an exemption of 80% of the assessment increase of a qualifying project. Pfizer had been receiving a total assessment exemption of \$58.1 million, but about \$37.2 million of those exemptions expired this year.

In its fourth year on the tax rolls, the Mystic Marriott property again contributed about \$4.6 million to the grand list. There were about 66 single-family homes, three two-family homes and 62 residential condominium units either started or newly completed for the October 1, 2005 Grand List. Assessments on the new residential buildings totaled about \$11.6 million.

In addition to normal new construction, hundreds of real estate accounts changed due to data discrepancies discovered during the aborted 2005 revaluation.

Assessment penalties totaling about \$5 million were imposed on about 59 commercial parcels in 2005 for failure to return income and expense statements by June 1.

The net **personal property** grand list rose 19.6%, from about \$275 million to about \$328 million. Again, Pfizer led the way, with a net increase of about \$41.6 million. This sharp increase is misleading, however, because most of the increase is due to expiring exemptions on 5-year-old manufacturing equipment. There were 142 businesses added to the tax rolls this year, including Walgreen's, Webster Bank and the Ninety-Nine Restaurant.

The **motor vehicles** portion of the grand list, adjusted for military exemptions, rose from \$164,827,939 in 2004 to \$172,163,364, up about 4.5 percent. Despite the fact that the motor vehicle portion of the grand list grew in value, there were 62 fewer motor vehicles registered in town this year.

During the fiscal year ended June 30, 2006, the Town of Groton received 37% of its revenues from the State of Connecticut and the Federal Government. With the completion of operations, the General Fund's unreserved fund balance for FYE 2006 is at 8.8%, which is above the minimum acceptable level by bond rating agencies. With an overwhelming reliance on property taxes, 57.6% 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 2007 or some combination of all three.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$11.4 million. The Town Council has designated and appropriated \$2.3 million to balance the 2007 fiscal year budget.

Both the Golf Course Fund and Sewer Operating Fund increased their fees in FYE 2006. 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 Course Fund's deficit in FYE 2003 as well as to pay debt service on loan payments for capital improvements. The Sewer Operating Fund increased sewer use rates for individuals and industrial/commercial users at about 5%. These increases were necessary to help defray maintenance and operating costs.

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, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 50,051,303
Investments	10,277
Receivables (net of allowances for collection losses):	
Property taxes	1,698,523
Special assessments	154,300
Accounts receivable	893,805
Federal and state governments	567,331
Other assets	23,209
Noncurrent assets:	
Capital assets, nondepreciable	31,955,690
Capital assets, net of accumulated depreciation	59,675,592
Pension assets	1,272,214
Due from State	685,269
Other receivables	309,421
Restricted assets:	
Cash	215,450
Investments	114,043
Total assets	<u>147,626,427</u>
Liabilities:	
Accounts payable and accrued liabilities	8,136,844
Bond anticipation notes payable	9,490,000
Noncurrent liabilities:	
Due within one year	4,568,309
Due in more than one year	22,621,208
Total liabilities	<u>44,816,361</u>
Net Assets:	
Investment in capital assets, net of related debt	64,716,282
Restricted for:	
Trust, nonexpendable	329,493
Unrestricted	<u>37,764,291</u>
Total Net Assets	<u><u>\$ 102,810,066</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
General government/services	\$ 6,783,421	\$ 1,867,504	\$ 151,194	\$ 458,326	\$ (4,306,397)
Public safety	9,562,141	149,981			(9,412,160)
Public works	12,491,299	221,897	382,883		(11,886,519)
Planning and development	1,417,725	285,056			(1,132,669)
Health and human services	2,265,894	136,439	40,000		(2,089,455)
Community services	6,545,450	1,783,601	58,023		(4,703,826)
Education	75,498,717	183,077	38,057,766	3,060,287	(34,197,587)
Sewer operations	4,120,740	4,630,430			509,690
Solid waste management	2,651,573	2,856,433			204,860
Interest on long-term debt	750,785				(750,785)
Total Governmental Activities	\$ 122,087,745	\$ 12,114,418	\$ 38,689,866	\$ 3,518,613	(67,764,848)
		General revenues:			
					61,283,570
					7,071,935
					200,000
					2,585,131
					2,280,538
					<u>73,421,174</u>
					5,656,326
					<u>97,153,740</u>
					<u>\$ 102,810,066</u>

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Capital Improvements Fund	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 18,954,394	\$ 9,609,654	\$ 5,053,340	\$ 9,437,644	\$ 43,055,032
Investments				124,320	124,320
Receivables, net:					
Property taxes	1,455,481			14,343	1,469,824
Assessments		10,990		143,310	154,300
Intergovernmental				265,391	265,391
Accounts receivable	105,275			7,301	112,576
Other				781,229	781,229
Due from other funds	176,238				176,238
Other assets	5,951			17,258	23,209
	<u>\$ 20,697,339</u>	<u>\$ 9,620,644</u>	<u>\$ 5,053,340</u>	<u>\$ 10,790,796</u>	<u>\$ 46,162,119</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bond anticipation note payable	\$	\$ 2,300,000	\$ 6,090,000	\$ 1,100,000	\$ 9,490,000
Accounts payable	6,219,436	351,310	283,440	496,595	7,350,781
Due to State				20,080	20,080
Due to other funds				176,238	176,238
Deferred revenues	1,452,086	10,990		526,990	1,990,066
Total liabilities	<u>7,671,522</u>	<u>2,662,300</u>	<u>6,373,440</u>	<u>2,319,903</u>	<u>19,027,165</u>
Fund balances:					
Reserved for:					
Encumbrances	1,569,628	1,059,963	5,995,300	2,520,692	11,145,583
Equipment				674,054	674,054
Trust principal				329,493	329,493
Unreserved, reported in:					
General fund	11,456,189				11,456,189
Special revenue funds				5,044,135	5,044,135
Capital projects funds		5,898,381	(7,315,400)	(2,518,536)	(3,935,555)
Debt service fund				2,377,377	2,377,377
Permanent fund				43,678	43,678
Total fund balances	<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>
Total Liabilities and Fund Balances	<u>\$ 20,697,339</u>	<u>\$ 9,620,644</u>	<u>\$ 5,053,340</u>	<u>\$ 10,790,796</u>	<u>\$ 46,162,119</u>

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, 2006

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) \$ 27,134,954

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

Governmental capital assets	\$ 164,901,353	
Less accumulated depreciation	<u>(76,145,321)</u>	
Net capital assets		88,756,032

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

Pension assets		1,272,214
Property tax receivables greater than 60 days		1,493,273
Interest receivable on property taxes		486,460
Receivable from the state for school construction projects		987,209

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.

6,171,451

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	(17,425,000)	
Interest payable on bonds	(219,604)	
Compensated absences	(2,216,123)	
Landfill closure costs	<u>(3,630,800)</u>	

Net Assets of Governmental Activities (page 16) \$ 102,810,066

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, 2006

	General Fund	Capital Improvements Fund	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, interest and lien fees	\$ 60,183,373	\$	\$	1,158,209	\$ 61,341,582
Assessments		7,938		65,320	73,258
Licenses and permits	284,774				284,774
Intergovernmental - state	39,524,755	400,465	2,757,569	3,366,739	46,049,528
Interest on investments	1,080,721	428,708	191,291	253,935	1,954,655
Intergovernmental - federal	3,640,100			714,311	4,354,411
Charges for current services	1,823,237			2,631,116	4,454,353
Schools, library and recreation fees	397,320				397,320
Sewer use charges				4,615,730	4,615,730
Solid waste management charges				2,856,433	2,856,433
Other revenue	340,284	48,864	72,179	883,787	1,345,114
Total revenues	107,274,564	885,975	3,021,039	16,545,580	127,727,158
Expenditures:					
Current:					
General government	790,576			567,355	1,357,931
General services	4,167,487				4,167,487
Public safety	5,735,490			114,215	5,849,705
Public works	7,100,724				7,100,724
Planning and development	1,038,921				1,038,921
Health and human services	684,313			88,183	772,496
Community services	4,091,883			1,446,127	5,538,010
Education	70,109,396			4,738,619	74,848,015
Subdivisions	4,581,248				4,581,248
Sewer operations				3,338,937	3,338,937
Solid waste management				2,651,573	2,651,573
Nondepartmental	4,520,784				4,520,784
Outside agencies	1,632,556				1,632,556
Debt service	2,521,354			913,718	3,435,072
Capital outlay		4,229,389	4,254,042	661,433	9,144,864
Total expenditures	106,974,732	4,229,389	4,254,042	14,520,160	129,978,323
Revenue over (under) Expenditures	299,832	(3,343,414)	(1,233,003)	2,025,420	(2,251,165)
Other Financing Sources (Uses):					
Bond proceeds		3,705,000	1,300,000		5,005,000
Transfers in	722,797	3,243,807		320,000	4,286,604
Transfers out	(2,725,212)	(25,000)		(1,806,392)	(4,556,604)
Total other financing sources (uses)	(2,002,415)	6,923,807	1,300,000	(1,486,392)	4,735,000
Net Change in Fund Balances	(1,702,583)	3,580,393	66,997	539,028	2,483,835
Fund Balances at Beginning of Year	14,728,400	3,377,951	(1,387,097)	7,931,865	24,651,119
Fund Balances at End of Year	\$ 13,025,817	\$ 6,958,344	\$ (1,320,100)	8,470,893	\$ 27,134,954

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, 2006

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)	\$ 2,483,835
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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	9,288,732
Depreciation expense	(3,413,738)
Loss on disposal of capital assets	(30,392)

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	(72,858)
Interest income on property taxes	14,409
Intergovernmental revenue on school bonds	(249,743)

Change in pension assets	(76,579)
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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	(55,711)
Principal payments on bonds	2,740,000
Bond proceeds	(5,005,000)
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	(453,320)
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The net expense of certain activities of internal service funds is reported with governmental activities	318,491
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Change in Net Assets of Governmental Activities (page 17)	\$ 5,656,326
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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, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 59,399,187	\$ 59,399,187	\$ 60,183,720	\$ 784,533
Licenses and permits	430,195	430,195	284,774	(145,421)
Interest on investments	400,000	400,000	1,080,721	680,721
Intergovernmental - Federal	6,013,745	6,013,745	3,640,100	(2,373,645)
Intergovernmental - State	33,160,974	33,160,974	35,164,145	2,003,171
Charges for current services	1,430,320	1,430,320	1,823,237	392,917
Schools, library and recreation fees	361,230	361,230	397,320	36,090
Other revenue	199,765	199,765	340,284	140,519
Total revenues	101,395,416	101,395,416	102,914,301	1,518,885
Expenditures:				
Current:				
General government	913,583	914,583	803,591	110,992
General services	4,291,213	4,291,213	4,163,583	127,630
Public safety	5,849,682	5,849,682	5,707,471	142,211
Public works	6,507,157	6,636,522	6,636,491	31
Planning and development	1,138,581	1,138,581	974,411	164,170
Health and human services	684,324	684,324	664,626	19,698
Community services	4,267,184	4,267,184	4,013,795	253,389
Education	65,771,300	65,771,300	65,478,113	293,187
Subdivisions	4,581,248	4,581,248	4,581,248	-
Nondepartmental	4,995,063	4,610,258	4,530,209	80,049
Outside agencies	1,634,862	1,634,862	1,632,362	2,500
Debt service	2,416,040	2,534,980	2,534,551	429
Total expenditures	103,050,237	102,914,737	101,720,451	1,194,286
Excess (Deficiency) of Revenues over Expenditures	(1,654,821)	(1,519,321)	1,193,850	2,713,171
Other Financing Sources (Uses):				
Transfers in	722,797	722,797	722,797	-
Transfers out	(2,589,712)	(2,725,212)	(2,725,212)	-
Total other financing uses	(1,866,915)	(2,002,415)	(2,002,415)	-
Net Change in Fund Balance	\$ (3,521,736)	\$ (3,521,736)	(808,565)	\$ 2,713,171
Fund Balance at Beginning of Year			12,671,264	
Net Change in Reserves and Accrual			178,237	
Fund Balance at End of Year			\$ 12,040,936	

The accompanying notes are an integral part of the financial statements

TOWN OF GROTON, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2006

	Governmental Activities Internal Service Funds
Assets:	
Current assets:	
Cash and cash equivalents	\$ 7,211,720
Accounts receivable	51,661
Property and equipment, net	<u>2,875,250</u>
Total assets	<u>10,138,631</u>
Liabilities:	
Current liabilities:	
Accounts payable	49,586
Claims incurred but not reported	<u>1,314,465</u>
Total current liabilities	<u>1,364,051</u>
Noncurrent liabilities:	
Claims incurred but not reported	<u>2,603,129</u>
Total liabilities	<u>3,967,180</u>
Net Assets:	
Invested in capital assets	2,875,250
Unrestricted	<u>3,296,201</u>
Total Net Assets	<u>\$ 6,171,451</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, 2006

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 16,442,976
Other revenue	341,011
Total operating revenues	<u>16,783,987</u>
Operating Expenses:	
Operating expenses	1,531,228
Claims	13,596,933
Depreciation	603,209
Administration	1,319,838
Total operating expenses	<u>17,051,208</u>
Operating Loss	<u>(267,221)</u>
Nonoperating Revenues and Expenses:	
Interest on investments	325,102
Loss on disposal of capital assets	(9,390)
Total nonoperating revenues and expenses	<u>315,712</u>
Income Before Transfers	48,491
Transfers In	<u>270,000</u>
Change in Net Assets	318,491
Net Assets at Beginning of Year	<u>5,852,960</u>
Net Assets at End of Year	<u>\$ 6,171,451</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, 2006

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows From Operating Activities:	
Cash received from charges for services	\$ 16,756,612
Cash paid to vendors	(1,541,034)
Cash paid to beneficiaries	(14,898,274)
Net cash provided by operating activities	<u>317,304</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(630,401)
Cash Flows From Noncapital Financing Activities:	
Transfers in	270,000
Cash Flows From Investing Activities:	
Interest on investments	<u>325,102</u>
Net Increase in Cash and Cash Equivalents	282,005
Cash and Cash Equivalents - Beginning of Year	<u>6,929,715</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 7,211,720</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (267,221)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	603,209
Changes in assets and liabilities:	
Increase in accounts receivable	(27,370)
Decrease in accounts payable	(9,811)
Increase in claims payable	<u>18,497</u>
Net Cash Provided by Operating Activities	<u><u>\$ 317,304</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, 2006

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 276,485	\$ 1,722,157
Investments, at fair value:			
Mutual funds	78,178,190		
Receivable	16,813		
Total assets	<u>78,195,003</u>	<u>276,485</u>	<u>1,722,157</u>
Liabilities:			
Due to student groups			232,973
Due to employees/others	73,576		
Due to contractors/developers			1,489,184
Total liabilities	<u>73,576</u>	<u>-</u>	<u>1,722,157</u>
Net Assets:			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 78,121,427</u>	<u>\$ 276,485</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, 2006

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 534,196	\$
Plan members	<u>1,065,383</u>	
Total contributions	<u>1,599,579</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	1,635,835	
Interest and dividends	<u>3,773,997</u>	<u>10,259</u>
	5,409,832	10,259
Less investment expenses:		
Investment management fees	<u>347,497</u>	
Net investment income	<u>5,062,335</u>	<u>10,259</u>
Total additions	6,661,914	10,259
Deductions:		
Benefits	<u>3,460,863</u>	<u>9,271</u>
Change in Net Assets	3,201,051	988
Net Assets Held in Trust - Beginning of Year	<u>74,920,376</u>	<u>275,497</u>
Net Assets Held in Trust - End of Year	<u>\$ 78,121,427</u>	<u>\$ 276,485</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 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.

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 outside groups and agencies. Agency funds follow the accrual basis of accounting.

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="padding-right: 10px;">< 5 years</td> <td style="padding-right: 10px;">=</td> <td>12 days</td> </tr> <tr> <td>5 - 10 years</td> <td>=</td> <td>15 days</td> </tr> <tr> <td>10 - 15 years</td> <td>=</td> <td>18 days</td> </tr> <tr> <td>> 15 years</td> <td>=</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="padding-right: 10px;">< 5 years</td> <td style="padding-right: 10px;">=</td> <td>12 days</td> </tr> <tr> <td>5 - 10 years</td> <td>=</td> <td>15 days</td> </tr> <tr> <td>10 - 15 years</td> <td>=</td> <td>18 days</td> </tr> <tr> <td>> 15 years</td> <td>=</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, 2006, 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, 2006 follows:

	General Fund	
	Revenues and Transfers	Expenditures and Transfers
GAAP basis	\$ 107,997,361	\$ 109,699,944
Property tax revenue receivable:		
June 30, 2005	235,639	
June 30, 2006	(235,295)	
Encumbrances:		
June 30, 2005		(2,471,845)
June 30, 2006		1,569,628
State on-behalf payments for teacher retirement	(4,360,607)	(4,360,607)
Accrued wages:		
June 30, 2005		622,854
June 30, 2006		(614,311)
Non-GAAP budgetary basis	\$ 103,637,098	\$ 104,445,663

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

GAAP - Fund Balance	\$ 13,025,817
Encumbrances	(1,569,628)
Net change in accruals not recognized for budget	584,747
Budgetary - Fund Balance	\$ 12,040,936

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

B. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2006:

Special Revenue:	
Golf Course	\$ (119,967)
Capital Projects:	
School Construction	(1,320,099)
Sewer Construction	(1,083,982)
Sewer Line Infrastructure Repair	(50,247)
Internal Service:	
Workers' Compensation	(1,426,686)

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*, \$20,422,664 of the Town's bank balance of \$54,841,228 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 18,340,398
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,082,266</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 20,422,664</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Investments

As of June 30, 2006, 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	\$ 234,364	\$ 234,364	\$	\$
SEI Instl. Core Fixed Income Funds	n/a	35,923,970	35,923,970		
SEI Instl. Large Cap Funds	n/a	29,213,395	29,213,395		
SEI International Equity Fund	n/a	8,336,391	8,336,391		
SEI Instl. Small Cap Fund	n/a	4,461,507	4,461,507		
Common Stock	n/a	12,093	12,093		
Mutual funds	n/a	112,227	112,227		
State of CT STIF	AAA _m	19,599,288	19,599,288		
MBIA Class Plus	AAA	14,323,530	14,323,530		
Total		\$ <u>112,216,765</u>	\$ <u>112,216,765</u>	\$ <u>-</u>	\$ <u>-</u>

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	32.1%
SEI Instl. Large Cap Fund	26.1
SEI International Equity Fund	7.4

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 Investment Advisory Council and the Treasurer's Cash Management Board. Regulatory

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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>23,885</u>	<u>19,793</u>	<u>2,142</u>	<u>45,820</u>
Total value	<u>\$ 125,835</u>	<u>\$ 47,336</u>	<u>\$ 202,142</u>	<u>\$ 375,313</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, 2006, 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	\$ 1,675,481	\$	\$ 17,843	\$ 1,693,324
Assessments		10,990	143,310	154,300
Intergovernmental			265,391	265,391
Accounts receivable	105,275		7,301	112,576
User fees receivable			<u>1,118,986</u>	<u>1,118,986</u>
Gross receivables	<u>1,780,756</u>	<u>10,990</u>	<u>1,552,831</u>	<u>3,344,577</u>
Allowance for collection losses	<u>(220,000)</u>		<u>(341,257)</u>	<u>(561,257)</u>
Net Receivables	<u>\$ 1,560,756</u>	<u>\$ 10,990</u>	<u>\$ 1,211,574</u>	<u>\$ 2,783,320</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	\$ 1,440,190	\$ 11,896
Capital Improvements Fund:		
Delinquent assessments receivable	10,990	
Nonmajor Governmental Funds:		
Delinquent assessments receivable	42,093	
Various education grants		484,897
Total Deferred/Unearned Revenue for Governmental Funds	\$ 1,493,273	\$ 496,793

D. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 13,486,631	\$	\$	\$ 13,486,631
Construction in progress	10,558,976	8,929,458	(1,019,375)	18,469,059
Total capital assets not being depreciated	24,045,607	8,929,458	(1,019,375)	31,955,690
Capital assets being depreciated:				
Land improvements	3,245,232	21,751		3,266,983
Buildings and improvements	45,675,326	534,056		46,209,382
Machinery and equipment	14,426,659	698,796	(176,663)	14,948,792
Machinery and equipment - fleet	5,655,398	630,401	(134,650)	6,151,149
Infrastructure	68,405,859	114,655		68,520,514
Total capital assets being depreciated	137,408,474	1,999,659	(311,313)	139,096,820
Less accumulated depreciation:				
Land improvements	2,305,537	74,550		2,380,087
Buildings and improvements	22,718,591	901,303		23,619,894
Machinery and equipment	10,640,469	606,862	(155,662)	11,091,669
Machinery and equipment - fleet	2,797,947	603,209	(125,259)	3,275,897
Infrastructure	37,222,658	1,831,023		39,053,681
Total accumulated depreciation	75,685,202	4,016,947	(280,921)	79,421,228
Total capital assets being depreciated, net	61,723,272	(2,017,288)	(30,392)	59,675,592
Net Capital Assets	\$ 85,768,879	\$ 6,912,170	\$ (1,049,767)	\$ 91,631,282

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	\$ 68,078
Public safety	14,006
Public works, including depreciation of general infrastructure assets	1,937,356
General services	279,714
Community services	28,284
Education	503,654
Sewer operating	533,078
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of assets	603,209
Golf Course	35,843
Special Library	<u>13,725</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>4,016,947</u></u>

Construction Commitments

The Town has the following construction commitments as of June 30, 2006:

	<u>Project Amount</u>
WPCF Projects:	
Grit equipment replacement - WPCF	\$ 17,016
Roads/Streets/Sidewalks:	
Cold Spring Road Culvert Replacement	4,729
Military Highway Retaining Wall	4,389
Reconstruction of Pleasant Valley Rd. North	630,679
School Street at Grade RR Crossing	20,572
Building Improvements/Modifications:	
Town Hall exterior lighting	2,250
Town Hall front entrance	47,200
Town Hall generator installation	818
WM Seely asbestos floor tile	2,682

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, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ <u>176,238</u>

The balance of \$176,238 due to nonmajor funds represents amounts committed to fund the Golf Course Fund and various other special revenue funds.

Interfund Transfers

Interfund transfers during the year ended June 30, 2006 were as follows:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Funds</u>	<u>Fleet Reserve Fund</u>	
Transfers out:					
General Fund	\$	\$ 2,160,212	\$ 295,000	\$ 270,000	\$ 2,725,212
Capital Improvements Fund			25,000		25,000
Nonmajor funds	<u>722,797</u>	<u>1,083,595</u>	<u> </u>	<u> </u>	<u>1,806,392</u>
Total Transfers In	<u>\$ 722,797</u>	<u>\$ 3,243,807</u>	<u>\$ 320,000</u>	<u>\$ 270,000</u>	<u>\$ 4,556,604</u>

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, 2006. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2007	\$ 22,076
2008	12,116
2009	12,116
2010	12,116
2011	12,116
Thereafter	96,928

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, 2006 were as follows:

Outstanding, June 30, 2005	\$ 4,850,000
New borrowings	10,590,000
Repayments	<u>(5,950,000)</u>
Outstanding, June 30, 2006	<u>\$ 9,490,000</u>

The Town issued bond anticipation notes in order to fund school construction projects.

H. Long-Term Debt

Long-term liability activity for the year ended June 30, 2006 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	\$ 15,160,000	\$ 5,005,000	\$ 2,740,000	\$ 17,425,000	\$ 2,950,000
Landfill post-closure monitoring	3,799,000		168,200	3,630,800	170,000
Compensated absences	<u>1,762,803</u>	<u>515,117</u>	<u>61,797</u>	<u>2,216,123</u>	<u>133,844</u>
Long-Term Liabilities	<u>\$ 20,721,803</u>	<u>\$ 5,520,117</u>	<u>\$ 2,969,997</u>	<u>\$ 23,271,923</u>	<u>\$ 3,253,844</u>

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Included in long-term liabilities is the estimated obligation for employee compensated absences aggregating \$2,216,123 as of June 30, 2006. 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>
2007	\$ 2,215,000	\$ 567,609	\$ 735,000	\$ 111,053
2008	1,885,000	472,089	515,000	80,593
2009	1,865,000	391,864	510,000	59,231
2010	1,365,000	327,076	450,000	39,000
2011	910,000	281,364	210,000	25,200
2012-2016	3,575,000	962,761	420,000	25,200
2017-2021	1,690,000	375,186		
2022-2025	1,080,000	98,016		
	<u>\$ 14,585,000</u>	<u>\$ 3,475,965</u>	<u>\$ 2,840,000</u>	<u>\$ 340,277</u>

At June 30, 2006, the Town has available from the State of Connecticut \$987,209 of school bond principal subsidies due in installments through 2010.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Total authorized but unissued long-term debt at June 30, 2006 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	12,136,766
S. Pleasant Valley Road	221,736
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	18,105,377
Kolnaksi Elementary School Construction	23,238,105
Fitch Sr. - Phase I	40,408,949
	\$ 95,829,404

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	\$ 160,107,494	\$ 19,139,749	\$ 140,967,745
Schools	320,214,987	89,758,742	230,456,245
Sewers	266,845,823	20,916,887	245,928,936
Urban Renewal	231,266,380		231,266,380
Pension Deficit	213,476,658		213,476,658

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation including coterminous municipalities, or \$498,112,202. 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 \$8,884,183 is included in the calculation of indebtedness. Bonds authorized and unissued amounted to \$95,829,404 at June 30, 2006. School indebtedness is net of school building grants of \$987,209.

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 \$2,131,500 (\$101,500 per year for 21 years). The other landfill site stopped accepting waste in the fall of 2001 and its estimated postclosure cost is \$1,667,500 (\$66,700 for 25 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 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, 2005, TGRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	181
Terminated employees entitled to benefits but not yet receiving them	21
Active plan members	<u>415</u>
Total	<u><u>617</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	\$ 35,923,970
SEI Instl. Large Cap Fund	29,213,395
SEI International Equity Fund	8,336,391
SEI Inst. Small Cap Fund	4,461,507

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	\$ 534,196
Interest on net pension obligation	(111,275)
Adjustment to annual required contribution	<u>187,854</u>
Annual pension cost	610,775
Contributions made	<u>534,196</u>
Increase in net pension obligation	76,579
Net pension asset, July 1, 2005	<u>(1,348,793)</u>
Net Pension Asset, June 30, 2006	<u><u>\$ (1,272,214)</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, 2005
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>
6/30/04	\$ 75,000	216.4%	\$ (1,411,984)
6/30/05	344,236	81.6	(1,348,793)
6/30/06	610,775	87.5	(1,272,214)

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)
7/1/00	\$ 71,639,000	\$ 54,107,000	\$ 17,532,000	132.4%	\$ 17,880,000	98.1%
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

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/01	\$ -	N/A
6/30/02	-	N/A
6/30/03	-	N/A
6/30/04	-	N/A
6/30/05	264,070	107.6%
6/30/06	534,196	100.0%

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 \$4,360,607 for the year ended June 30, 2006.

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; benefits include hospital, medical/surgical, prescription drug and dental coverage.
- GMEA: Eligible at age 55; 90% of premiums paid by the Town, 50% of premiums paid by the Town for spouses; benefits include hospital, medical/surgical coverage and prescription drug 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: Eligible at age 55 normal retirement; 100% of premiums paid by the Town; 50% of premiums paid by the Town for spouses; benefits include hospital and medical/surgical coverage or 90% by Town if employee elects to include prescription and dental coverage.

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, 2006 was \$639,964 for 115 retirees. These benefit payments are in accordance with Council approved contract provisions which stipulate Town and retiree premium contributions.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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, 2006 for claims incurred but not reported to be \$1,177,622 in the Health Insurance Fund and \$2,739,972 in the Workers' Compensation Fund, which includes heart and hypertension of \$1,652,217. The estimate for claim liability also includes amounts for incremental claim adjustment expenses. Changes in the claims liability were as follows:

	<u>Liability</u> <u>July 1</u>	<u>Current Year</u> <u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>June 30</u>	<u>Due</u> <u>Within</u> <u>One</u> <u>Year</u>
<u>Health Insurance Fund</u>					
2005-2006	\$ 884,206	\$ 13,145,755	\$ 12,852,339	\$ 1,177,622	\$ 1,177,622
2004-2005	987,728	10,621,672	10,725,194	884,206	884,206
<u>Workers' Compensation Fund</u>					
2005-2006	\$ 3,011,940	\$ 451,178	\$ 723,146	\$ 2,739,972	\$ 136,843
2004-2005	2,589,370	920,726	498,156	3,011,940	135,038

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.

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.

TOWN OF GROTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

D. Concentration of Taxes

The Town's two largest taxpayers, based on the October 2004 grand list, comprise 22.92% of the net taxable grand list of the Town and approximately 12.89% of the total General Fund revenues for the year ended June 30, 2006.

E. Subsequent Event

On July 18, 2006, the Town issued the following; \$5,525,000 General Obligation Bond Anticipation Notes bearing 3.7677%, maturing on November 1, 2006 and \$1,100,000 General Obligation Sewer Bond Anticipation Notes, bearing interest at 3.7796% maturing on November 1, 2006.

In anticipation of the Bond Anticipation Notes mentioned above maturing on November 1, 2006, the Town, on October 19, 2006, held a bond and note sale and issued the following dated November 1, 2006; \$16,570,000 General Obligation Bonds bearing interest at 3.35% to 4.1%, maturing on October 1, 2026, \$23,100,000 General Obligation Bond Anticipation Notes bearing interest at 4%, maturing on October 30, 2007, and \$1,130,000 of General Obligation Sewer Bond Anticipation Notes, bearing interest at 4% maturing on June 20, 2007.

F. Pronouncement Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2006 that have effective dates that may impact future financial presentations.

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

- 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, 2006 WITH COMPARATIVE TOTALS FOR 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 18,954,394	\$ 20,352,272
Property taxes receivable, net	1,455,481	1,514,430
Other receivables	281,513	1,165,300
Prepaid expenditures and other assets	<u>5,951</u>	<u>2,371</u>
Total Assets	<u>\$ 20,697,339</u>	<u>\$ 23,034,373</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 6,219,436	\$ 6,807,181
Deferred revenue - taxes	<u>1,452,086</u>	<u>1,498,792</u>
Total liabilities	<u>7,671,522</u>	<u>8,305,973</u>
Fund Balances:		
Reserved for encumbrances	1,569,628	2,650,083
Designated for subsequent year budget	2,298,358	3,521,736
Unreserved, undesignated	<u>9,157,831</u>	<u>8,556,581</u>
Total fund balance	<u>13,025,817</u>	<u>14,728,400</u>
Total Liabilities and Fund Balance	<u>\$ 20,697,339</u>	<u>\$ 23,034,373</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<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)	\$ 59,399,187	\$ 59,399,187	\$ 60,183,720	\$ 784,533
Licenses and Permits:				
Building permits	396,540	396,540	269,267	(127,273)
Sporting licenses	2,200	2,200	2,121	(79)
Dog licenses	2,000	2,000	1,861	(139)
Other licenses and permits	29,000	29,000	10,987	(18,013)
Building permits - education fee	155	155	114	(41)
State land use fees	300	300	424	124
Total licenses and permits	<u>430,195</u>	<u>430,195</u>	<u>284,774</u>	<u>(145,421)</u>
Interest on Investments	<u>400,000</u>	<u>400,000</u>	<u>1,080,721</u>	<u>680,721</u>
Intergovernmental - State:				
General:				
Town aid road	132,271	132,271	183,316	51,045
Nuclear safety drill	44,860	44,860	26,001	(18,859)
Highway illumination	1,619	1,619	1,619	-
Telephone access	349,000	349,000	261,643	(87,357)
PILOT Enterprise zone	748,492	748,492	746,807	(1,685)
PILOT manufacturing machinery and equipment	3,257,932	3,257,932	4,420,633	1,162,701
PILOT - state and tax exemptions	1,789,971	1,789,971	1,904,495	114,524
TVCCA - supp. housing program	8,000	8,000	8,417	417
Youth Service Bureau	31,000	31,000	31,257	257
Pequot/Mohegan funds	1,881,667	1,881,667	1,845,423	(36,244)
Regional Community Incentive	80,000	80,000	91,544	11,544
Miscellaneous state grants	4,000	4,000	181,752	177,752
Board of Education:				
Education cost sharing	22,992,638	22,992,638	23,223,115	230,477
Adult education	91,113	91,113	100,153	9,040
Instruction for the blind	80,000	80,000	105,247	25,247
Special education	800,000	800,000	1,060,978	260,978
Transportation - private school	41,493	41,493	80,347	38,854
Transportation	512,683	512,683	569,068	56,385
School building grants	249,742	249,742	249,516	(226)
Bond interest subsidy	43,773	43,773	43,773	-
Nonpublic pupil services	20,720	20,720	29,041	8,321
Total State of Connecticut	<u>33,160,974</u>	<u>33,160,974</u>	<u>35,164,145</u>	<u>2,003,171</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, 2006

	<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	\$ 6,000,000	\$ 6,000,000	\$ 3,563,364	\$ (2,436,636)
FEMA Reimbursement			66,691	66,691
Emergency management	13,745	13,745	10,045	(3,700)
Total federal government	<u>6,013,745</u>	<u>6,013,745</u>	<u>3,640,100</u>	<u>(2,373,645)</u>
Charges for Current Services:				
Planning Commission fees	16,500	16,500	12,350	(4,150)
Recording instruments	300,000	300,000	272,310	(27,690)
Conveyance tax	800,000	800,000	1,226,648	426,648
Planning department - other	3,000	3,000	2,902	(98)
Collection subdivisions taxes	80,051	80,051	80,051	-
Accident reports	1,500	1,500	1,475	(25)
Dispatch/paramedics services	1,000	1,000	1,000	-
North Stonington - dispatch	43,744	43,744	43,744	-
Playground aides - Board of Education	25,000	25,000	12,073	(12,927)
Housing Authority shelter rent	46,225	46,225	39,703	(6,522)
Coordinated Medical Emergency Director	11,750	11,750	23,518	11,768
Police youth service - Board of Education	56,400	56,400	56,400	-
Board of Education - FHS/ground mowing	36,850	36,850	36,850	-
GIS - revenue	3,800	3,800	9,408	5,608
Vital statistics	4,500	4,500	4,805	305
Total charges for current services	<u>1,430,320</u>	<u>1,430,320</u>	<u>1,823,237</u>	<u>392,917</u>
Schools, Library and Recreation:				
Tuition from other towns	40,000	40,000	109,794	69,794
Other school receipts	30,000	30,000	73,283	43,283
Library fines	26,000	26,000	22,713	(3,287)
Lost and damaged book fees	4,000	4,000	3,438	(562)
Senior Center fees	88,000	88,000	49,510	(38,490)
Park concession and rental	3,000	3,000	3,000	-
Other recreational receipts	46,530	46,530	35,173	(11,357)
Library - copier fees	11,000	11,000	8,505	(2,495)
Library fees	11,000	11,000	11,448	448
Park rentals	3,300	3,300	2,485	(815)
Playground fees	98,400	98,400	77,971	(20,429)
Total schools, library and recreation	<u>361,230</u>	<u>361,230</u>	<u>397,320</u>	<u>36,090</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, 2006

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Other Revenue:				
Court fines	\$ 150	\$ 150	\$ 390	\$ 240
Parking tickets	10,000	10,000	3,855	(6,145)
Welfare - local receipts	1,000	1,000		(1,000)
Aircraft registration fees			25,750	25,750
Lease fees			54,670	54,670
Land record copies	32,000	32,000	29,864	(2,136)
Vital copies	26,000	26,000	25,996	(4)
Miscellaneous	12,165	12,165	54,986	42,821
Dog warden - sold and redeemed	5,000	5,000	4,400	(600)
Public Works Disposal fees	103,850	103,850	136,158	32,308
Returned check fees	1,800	1,800	1,560	(240)
Sale of capital assets	5,000	5,000	459	(4,541)
Finance Dept. copies	2,800	2,800	2,196	(604)
Total other revenue	199,765	199,765	340,284	140,519
Other Financing Sources:				
Transfers in:				
Golf Course	79,143	79,143	79,143	-
Sewer/landfill services	539,241	539,241	539,241	-
Sewer District	104,413	104,413	104,413	-
Total other financing sources	722,797	722,797	722,797	-
Total Revenues and Other Financing Sources	\$ 102,118,213	\$ 102,118,213	\$ 103,637,098	\$ 1,518,885

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<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	\$ 59,650	\$ 60,650	\$ 55,018	\$ 5,632
Voter registration	88,847	88,847	88,128	719
Judicial services	19,350	19,350	12,988	6,362
Town Clerk	400,736	400,736	362,311	38,425
Legal services	<u>345,000</u>	<u>345,000</u>	<u>285,146</u>	<u>59,854</u>
Total general government	<u>913,583</u>	<u>914,583</u>	<u>803,591</u>	<u>110,992</u>
General Services:				
Executive management	376,200	376,200	375,652	548
Financial administration	1,293,429	1,293,429	1,288,660	4,769
Administrative services	<u>2,621,584</u>	<u>2,621,584</u>	<u>2,499,271</u>	<u>122,313</u>
Total general services	<u>4,291,213</u>	<u>4,291,213</u>	<u>4,163,583</u>	<u>127,630</u>
Public Safety:				
Police services	<u>5,849,682</u>	<u>5,849,682</u>	<u>5,707,471</u>	<u>142,211</u>
Public Works	<u>6,507,157</u>	<u>6,636,522</u>	<u>6,636,491</u>	<u>31</u>
Planning and Development Services	<u>1,138,581</u>	<u>1,138,581</u>	<u>974,411</u>	<u>164,170</u>
Human Services	<u>684,324</u>	<u>684,324</u>	<u>664,626</u>	<u>19,698</u>
Community Services:				
Parks and recreation	2,488,769	2,488,769	2,236,530	252,239
Library	<u>1,778,415</u>	<u>1,778,415</u>	<u>1,777,265</u>	<u>1,150</u>
Total community services	<u>4,267,184</u>	<u>4,267,184</u>	<u>4,013,795</u>	<u>253,389</u>
Nondepartmental:				
Insurance and claims	598,224	563,419	482,669	80,750
Contingency	350,000			-
Self-funded plans	<u>4,046,839</u>	<u>4,046,839</u>	<u>4,047,540</u>	<u>(701)</u>
Total nondepartmental	<u>4,995,063</u>	<u>4,610,258</u>	<u>4,530,209</u>	<u>80,049</u>
Education	<u>65,771,300</u>	<u>65,771,300</u>	<u>65,478,113</u>	<u>293,187</u>
Debt Service:				
Town	1,781,745	1,871,912	1,871,484	428
Board of Education	<u>634,295</u>	<u>663,068</u>	<u>663,067</u>	<u>1</u>
Total debt service	<u>2,416,040</u>	<u>2,534,980</u>	<u>2,534,551</u>	<u>429</u>

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<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	\$ 90,778	\$ 90,778	\$ 90,778	\$ -
Ambulance services	113,500	113,500	112,500	1,000
Health services - cultural agencies	1,228,797	1,228,797	1,227,297	1,500
Other libraries	201,787	201,787	201,787	-
Total outside agencies	<u>1,634,862</u>	<u>1,634,862</u>	<u>1,632,362</u>	<u>2,500</u>
Subdivisions:				
City of Groton	3,981,876	3,981,876	3,981,876	-
Groton Long Point	353,360	353,360	353,360	-
Fire districts	246,012	246,012	246,012	-
Total subdivisions	<u>4,581,248</u>	<u>4,581,248</u>	<u>4,581,248</u>	<u>-</u>
Total expenditures	<u>103,050,237</u>	<u>102,914,737</u>	<u>101,720,451</u>	<u>1,194,286</u>
Other Financing Uses:				
Transfers out	<u>2,589,712</u>	<u>2,725,212</u>	<u>2,725,212</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 105,639,949</u>	<u>\$ 105,639,949</u>	<u>\$ 104,445,663</u>	<u>\$ 1,194,286</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Total</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Instruction:						
Regular	\$ 29,432,820	\$ 29,827,820	\$ 29,277,502	\$ 542,877	\$ 29,820,379	\$ 7,441
Special	9,076,600	8,611,600	8,447,635	1,593	8,449,228	162,372
Continuing	253,110	272,110	271,809		271,809	301
Total instruction	<u>38,762,530</u>	<u>38,711,530</u>	<u>37,996,946</u>	<u>544,470</u>	<u>38,541,416</u>	<u>170,114</u>
Supporting Services:						
Pupils	4,950,860	4,900,860	4,871,238	7,268	4,878,506	22,354
Staff	2,524,410	2,424,410	2,324,020	49,579	2,373,599	50,811
General support	5,738,850	5,738,850	5,659,232	59,266	5,718,498	20,352
Operational support	10,793,240	11,026,240	10,823,039	200,505	11,023,544	2,696
Total supporting services	<u>24,007,360</u>	<u>24,090,360</u>	<u>23,677,529</u>	<u>316,618</u>	<u>23,994,147</u>	<u>96,213</u>
Community Services:						
Civic activities	10,000	10,000	6,261		6,261	3,739
Nonpublic school pupils	141,480	154,480	152,372		152,372	2,108
Total community services	<u>151,480</u>	<u>164,480</u>	<u>158,633</u>	<u>-</u>	<u>158,633</u>	<u>5,847</u>
Nonprogrammed Changes:						
Tuition payments	2,849,930	2,804,930	2,777,897	6,020	2,783,917	21,013
Total	<u>\$ 65,771,300</u>	<u>\$ 65,771,300</u>	<u>\$ 64,611,005</u>	<u>\$ 867,108</u>	<u>\$ 65,478,113</u>	<u>\$ 293,187</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: 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.

P&Z Fund: 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.

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, 2006

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	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	\$ 52,771	\$ 235,953	\$ 480,660	\$ 67,845	\$ 10,063	\$ 449,363	\$ 75,614	\$ 100	\$ 2,746,945	\$ 396,526
Receivables:										
Taxes receivable, net										
Assessments receivable, net			105,893							
Intergovernmental	127,951	137,440								
Accounts receivable, net										
User fees receivable, net								380,902	400,327	
Investments										
Other assets							5,728			
Total Assets	\$ 180,722	\$ 373,393	\$ 586,553	\$ 67,845	\$ 10,063	\$ 449,363	\$ 75,614	\$ 5,828	\$ 3,127,847	\$ 796,853
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$	\$ 1,224	\$	\$	\$	\$ 28,130	\$ 147,048	\$ 231,184
Bond anticipation notes payable										
Due to State	20,080									
Due to other funds								97,665		
Deferred revenue	35,534					449,363				
Total liabilities	55,614	-	-	1,224	-	449,363	-	125,795	147,048	231,184
Fund Balances:										
Reserved for encumbrances									229,386	15,500
Reserved for equipment									674,054	
Reserved for trust principal										
Unreserved and undesignated	125,108	373,393	586,553	66,621	10,063		75,614	(119,967)	2,077,359	550,169
Total fund balances	125,108	373,393	586,553	66,621	10,063	-	75,614	(119,967)	2,980,799	565,669
Total Liabilities and Fund Balances	\$ 180,722	\$ 373,393	\$ 586,553	\$ 67,845	\$ 10,063	\$ 449,363	\$ 75,614	\$ 5,828	\$ 3,127,847	\$ 796,853

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

JUNE 30, 2006

	Special Revenue Funds									
	Mumford Cove District	Emergency Energy Fund	Community Events Fund	Revaluation	Other Special Revenue	Computer Replacement	Adult Education	P&Z Fund	Parks and Recreation Revolving	Outside Police Work
ASSETS										
Cash and cash equivalents	\$ 1,319	\$ 6,746	\$ 14,668	\$ 382,773	\$ 125,844	\$ 99,709	\$ 7,747	\$ 844,639	\$ 191,946	\$ 189,119
Receivables:										
Taxes receivable, net										
Assessments receivable, net										10,370
Intergovernmental										
Accounts receivable, net									7,214	
User fees receivable, net										
Investments										
Other assets				3,447					8,083	
Total Assets	\$ 1,319	\$ 6,746	\$ 14,668	\$ 386,220	\$ 125,844	\$ 99,709	\$ 7,747	\$ 844,639	\$ 207,243	\$ 199,489
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$ 418	\$ 28,746	\$ 1,784	\$	\$	\$ 3,360	\$ 4,106	\$
Bond anticipation notes payable										
Due to State										
Due to other funds					78,573					
Deferred revenue										
Total liabilities	-	-	418	28,746	80,357	-	-	3,360	4,106	-
Fund Balances:										
Reserved for encumbrances				22,786	28,466					
Reserved for equipment										
Reserved for trust principal										
Unreserved and undesignated	1,319	6,746	14,250	334,688	17,021	99,709	7,747	841,279	203,137	199,489
Total fund balances	1,319	6,746	14,250	357,474	45,487	99,709	7,747	841,279	203,137	199,489
Total Liabilities and Fund Balances	\$ 1,319	\$ 6,746	\$ 14,668	\$ 386,220	\$ 125,844	\$ 99,709	\$ 7,747	\$ 844,639	\$ 207,243	\$ 199,489

(Continued on next page)

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

JUNE 30, 2006

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>		<u>Debt Service Fund</u>	<u>Permanent Funds</u>			<u>Totals</u>
	<u>Land Acquisition</u>	<u>OPEB</u>	<u>Sewer Construction</u>	<u>Sewer Line Infrastructure Repair</u>	<u>Groton Sewer District</u>	<u>Williams Library Trust</u>	<u>Julia Bill Library Trust</u>	<u>Rispoli Scholarship</u>	
	ASSETS								
Cash and cash equivalents	\$ 99,566	\$ 312,376	\$ 16,366	\$ -	\$ 2,377,993	\$ 13,608	\$ 35,243	\$ 202,142	\$ 9,437,644
Receivables:									
Taxes receivable, net					14,343				14,343
Assessments receivable, net					27,047				143,310
Intergovernmental									265,391
Accounts receivable, net					87				7,301
User fees receivable, net									781,229
Investments						112,227	12,093		124,320
Other assets									17,258
Total Assets	\$ 99,566	\$ 312,376	\$ 16,366	\$ -	\$ 2,419,470	\$ 125,835	\$ 47,336	\$ 202,142	\$ 10,790,796
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 348	\$ 50,247	\$ -	\$ -	\$ -	\$ -	\$ 496,595
Bond anticipation notes payable			1,100,000						1,100,000
Due to State									20,080
Due to other funds									176,238
Deferred revenue					42,093				526,990
Total liabilities	\$ -	\$ -	\$ 1,100,348	\$ 50,247	\$ 42,093	\$ -	\$ -	\$ -	\$ 2,319,903
Fund Balances:									
Reserved for encumbrances			1,434,554	790,000					2,520,692
Reserved for equipment									674,054
Reserved for trust principal						101,950	27,543	200,000	329,493
Unreserved and undesignated	99,566	312,376	(2,518,536)	(840,247)	2,377,377	23,885	19,793	2,142	4,946,654
Total fund balances	99,566	312,376	(1,083,982)	(50,247)	2,377,377	125,835	47,336	202,142	8,470,893
Total Liabilities and Fund Balances	\$ 99,566	\$ 312,376	\$ 16,366	\$ -	\$ 2,419,470	\$ 125,835	\$ 47,336	\$ 202,142	\$ 10,790,796

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	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
Revenues:									
Property taxes, interest and lien fees	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sewer assessments									
State of Connecticut	3,094,732	80,868					24,444		
Federal government		581,247				113,041			
Interest		4,751	6,935	2,359	59	19,439	2,000		77,581
Charges for services		989,735						1,071,451	
Sewer use charges									4,615,730
Solid waste management									
Other revenue			136,439	38,466				7,607	18,388
Total revenues	<u>3,094,732</u>	<u>1,656,601</u>	<u>143,374</u>	<u>40,825</u>	<u>59</u>	<u>132,480</u>	<u>26,444</u>	<u>1,079,058</u>	<u>4,711,699</u>
Expenditures:									
General government									
Public safety									
Human services				45,063					
Community services			3,898				21,500	960,057	
Education	3,094,732	1,632,607							
Sewer operations									3,338,937
Solid waste management									
Capital outlay						132,480			
Debt service									
Total expenditures	<u>3,094,732</u>	<u>1,632,607</u>	<u>3,898</u>	<u>45,063</u>	<u>-</u>	<u>132,480</u>	<u>21,500</u>	<u>960,057</u>	<u>3,338,937</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>23,994</u>	<u>139,476</u>	<u>(4,238)</u>	<u>59</u>	<u>-</u>	<u>4,944</u>	<u>119,001</u>	<u>1,372,762</u>
Other Financing Sources (Uses):									
Transfers in									
Transfers out								(106,722)	(1,330,724)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,722)</u>	<u>(1,330,724)</u>
Net Change in Fund Balances	-	23,994	139,476	(4,238)	59	-	4,944	12,279	42,038
Fund Balance - Beginning of Year	<u>125,108</u>	<u>349,399</u>	<u>447,077</u>	<u>70,859</u>	<u>10,004</u>	<u>-</u>	<u>70,670</u>	<u>(132,246)</u>	<u>2,938,761</u>
Fund Balance - End 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>

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TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds									
	Solid Waste Fund	Munford Cove District	Emergency Energy Fund	Community Events Fund	Revaluation	Other Special Revenue	Computer Replacement	Adult Education	P&Z Fund	Parks and Recreation Revolving
Revenues:										
Property taxes, interest and lien fees	\$	\$ 10,951	\$	\$	\$	\$	\$	\$	\$	\$
Sewer assessments										
State of Connecticut					3,500	159,782				
Federal government						20,023				
Interest	3,756				19,065		4,785			
Charges for services							85,356	11,620		387,782
Sewer use charges										
Solid waste management	2,856,433									
Other revenue			35,727			88,899			263,020	43,060
Total revenues	<u>2,860,189</u>	<u>10,951</u>	<u>35,727</u>	<u>-</u>	<u>22,565</u>	<u>268,704</u>	<u>90,141</u>	<u>11,620</u>	<u>263,020</u>	<u>430,842</u>
Expenditures:										
General government					274,289	46,870			242,015	
Public safety		10,000				29,007				
Human services			33,737			9,383				
Community services				11,234		53,518				395,920
Education							11,280			
Sewer operations										
Solid waste management	2,651,573									
Capital outlay						59,416	64,299			
Debt service										
Total expenditures	<u>2,651,573</u>	<u>10,000</u>	<u>33,737</u>	<u>11,234</u>	<u>274,289</u>	<u>198,194</u>	<u>64,299</u>	<u>11,280</u>	<u>242,015</u>	<u>395,920</u>
Revenues Over (Under) Expenditures	<u>208,616</u>	<u>951</u>	<u>1,990</u>	<u>(11,234)</u>	<u>(251,724)</u>	<u>70,510</u>	<u>25,842</u>	<u>340</u>	<u>21,005</u>	<u>34,922</u>
Other Financing Sources (Uses):										
Transfers in				25,000	120,000					
Transfers out	(264,533)	(790)								
Total other financing sources (uses)	<u>(264,533)</u>	<u>(790)</u>	<u>-</u>	<u>25,000</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(55,917)	161	1,990	13,766	(131,724)	70,510	25,842	340	21,005	34,922
Fund Balance - Beginning of Year	<u>621,586</u>	<u>1,158</u>	<u>4,756</u>	<u>484</u>	<u>489,198</u>	<u>(25,023)</u>	<u>73,867</u>	<u>7,407</u>	<u>820,274</u>	<u>168,215</u>
Fund Balance - End of Year	<u>\$ 565,669</u>	<u>\$ 1,319</u>	<u>\$ 6,746</u>	<u>\$ 14,250</u>	<u>\$ 357,474</u>	<u>\$ 45,487</u>	<u>\$ 99,709</u>	<u>\$ 7,747</u>	<u>\$ 841,279</u>	<u>\$ 203,137</u>

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TOWN OF GROTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			Capital Projects Fund		Debt Service Fund	Permanent Funds			Totals
	Outside Police Work	Land Acquisition	OPEB	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	\$	\$	\$	\$	\$	\$ 1,147,258	\$	\$	\$	\$ 1,158,209
Sewer assessments						65,320				65,320
State of Connecticut						3,413				3,366,739
Federal government										714,311
Interest		1,666	11,131	2,587		83,458	8,840	3,381	2,142	253,935
Charges for services	85,172									2,631,116
Sewer use charges										4,615,730
Solid waste management										2,856,433
Other revenue		46,900		5,281					200,000	883,787
Total revenues	<u>85,172</u>	<u>48,566</u>	<u>11,131</u>	<u>7,868</u>	<u>-</u>	<u>1,299,449</u>	<u>8,840</u>	<u>3,381</u>	<u>202,142</u>	<u>16,545,580</u>
Expenditures:										
General government						4,181				567,355
Public safety	75,208									114,215
Human services										88,183
Community services										1,446,127
Education										4,738,619
Sewer operations										3,338,937
Solid waste management										2,651,573
Capital outlay				354,991	50,247					661,433
Debt service						913,718				913,718
Total expenditures	<u>75,208</u>	<u>-</u>	<u>-</u>	<u>354,991</u>	<u>50,247</u>	<u>917,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,520,160</u>
Revenues Over (Under) Expenditures	<u>9,964</u>	<u>48,566</u>	<u>11,131</u>	<u>(347,123)</u>	<u>(50,247)</u>	<u>381,550</u>	<u>8,840</u>	<u>3,381</u>	<u>202,142</u>	<u>2,025,420</u>
Other Financing Sources (Uses):										
Transfers in		25,000	150,000							320,000
Transfers out						(103,623)				(1,806,392)
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>(103,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,486,392)</u>
Net Change in Fund Balances	9,964	73,566	161,131	(347,123)	(50,247)	277,927	8,840	3,381	202,142	539,028
Fund Balance - Beginning of Year	<u>189,525</u>	<u>26,000</u>	<u>151,245</u>	<u>(736,859)</u>		<u>2,099,450</u>	<u>116,995</u>	<u>43,955</u>	<u>-</u>	<u>7,931,865</u>
Fund Balance - End of Year	<u>\$ 199,489</u>	<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>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 1,200	\$ 1,200	\$ 2,000	\$ 800
State grants	1,200	1,200	1,206	6
ConnectiCard grant	<u>25,000</u>	<u>25,000</u>	<u>23,238</u>	<u>(1,762)</u>
Total revenues	<u>27,400</u>	<u>27,400</u>	<u>26,444</u>	<u>(956)</u>
Expenditures:				
Software maintenance fees	11,500	12,724	11,500	1,224
Technical service	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>21,500</u>	<u>22,724</u>	<u>21,500</u>	<u>1,224</u>
Net Change in Fund Balance	<u>\$ 5,900</u>	<u>\$ 4,676</u>	<u>\$ 4,944</u>	<u>\$ 268</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,143,588	\$ 1,143,588	\$ 1,071,451	\$ (72,137)
Other revenue	25,269	25,269	7,607	(17,662)
Total revenues	<u>1,168,857</u>	<u>1,168,857</u>	<u>1,079,058</u>	<u>(89,799)</u>
Expenditures:				
Community services	<u>1,000,030</u>	<u>1,000,030</u>	<u>958,891</u>	<u>41,139</u>
Revenues over Expenditures	168,827	168,827	120,167	(48,660)
Other Financing Uses:				
Transfers out	<u>(79,143)</u>	<u>(79,143)</u>	<u>(106,722)</u>	<u>(27,579)</u>
Net Change in Fund Balance	<u>\$ 89,684</u>	<u>\$ 89,684</u>	<u>\$ 13,445</u>	<u>\$ (76,239)</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sewer use charges	\$ 4,699,427	\$ 4,699,427	\$ 4,615,730	\$ (83,697)
Interest income	33,500	33,500	77,581	44,081
Other revenue	1,000	1,000	3,688	2,688
FEMA Reimbursement			14,700	14,700
Total revenues	<u>4,733,927</u>	<u>4,733,927</u>	<u>4,711,699</u>	<u>(22,228)</u>
Expenditures:				
Sewer system maintenance	<u>3,486,916</u>	<u>3,486,916</u>	<u>3,236,805</u>	<u>250,111</u>
Revenues over Expenditures	1,247,011	1,247,011	1,474,894	227,883
Other Financing Uses:				
Transfers out	<u>(1,330,724)</u>	<u>(1,330,724)</u>	<u>(1,330,724)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (83,713)</u>	<u>\$ (83,713)</u>	<u>\$ 144,170</u>	<u>\$ 227,883</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Solid waste management	\$ 3,019,115	\$ 3,019,115	\$ 2,856,433	\$ (162,682)
Interest income	2,000	2,000	3,756	1,756
Total revenues	<u>3,021,115</u>	<u>3,021,115</u>	<u>2,860,189</u>	<u>(160,926)</u>
Expenditures:				
Solid waste management	<u>3,093,144</u>	<u>3,093,144</u>	<u>2,623,696</u>	<u>469,448</u>
Revenues over (under) Expenditures	(72,029)	(72,029)	236,493	308,522
Other Financial Uses:				
Transfers out	<u>(264,533)</u>	<u>(264,533)</u>	<u>(264,533)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (336,562)</u>	<u>\$ (336,562)</u>	<u>\$ (28,040)</u>	<u>\$ 308,522</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes, interest and lien fees	\$ 10,800	\$ 10,800	\$ 10,951	\$ 151
Expenditures:				
Public safety	10,000	10,000	10,000	-
Revenues over Expenditures	800	800	951	151
Other Financial Uses:				
Transfer Out	(800)	(800)	(790)	10
Net Change in Fund Balance	\$ -	\$ -	\$ 161	\$ 161

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenue	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Groton community events	<u>25,134</u>	<u>25,134</u>	<u>11,234</u>	<u>13,900</u>
Revenues Under Expenditures	(25,134)	(25,134)	(11,234)	13,900
Other Financing Sources:				
Transfers In	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (134)</u>	<u>\$ (134)</u>	<u>\$ 13,766</u>	<u>\$ 13,900</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 15,400	\$ 15,400	\$ 19,065	\$ 3,665
State grant			3,500	3,500
Total revenues	<u>15,400</u>	<u>15,400</u>	<u>22,565</u>	<u>7,165</u>
Expenditures:				
Property revaluation	<u>297,075</u>	<u>297,075</u>	<u>297,075</u>	<u>-</u>
Revenues Under Expenditures	(281,675)	(281,675)	(274,510)	7,165
Other Financing Sources:				
Transfers in	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (161,675)</u>	<u>\$ (161,675)</u>	<u>\$ (154,510)</u>	<u>\$ 7,165</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 2,675	\$ 2,675	\$ 4,785	\$ 2,110
Other agencies	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	<u>-</u>
Total revenues	<u>5,875</u>	<u>5,875</u>	<u>7,985</u>	<u>2,110</u>
Expenditures:				
Computer equipment	<u>64,500</u>	<u>64,500</u>	<u>64,299</u>	<u>201</u>
Revenues Under Expenditures	(58,625)	(58,625)	(56,314)	2,311
Other Financing Sources:				
Transfers in	<u>82,156</u>	<u>82,156</u>	<u>82,156</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 23,531</u>	<u>\$ 23,531</u>	<u>\$ 25,842</u>	<u>\$ 2,311</u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and other	\$ 1,142,968	\$ 1,142,968	\$ 1,215,727	\$ 72,759
Interest income	48,000	48,000	83,458	35,458
Total revenues	1,190,968	1,190,968	1,299,185	108,217
Expenditures:				
Debt service	1,263,718	1,263,718	913,718	350,000
Operating expense	14,305	14,305	2,387	11,918
Total expenditures	1,278,023	1,278,023	916,105	361,918
Revenues Over (Under) Expenditures	(87,055)	(87,055)	383,080	470,135
Other Financing Uses:				
Transfers Out	(103,623)	(103,623)	(103,623)	-
Net Change in Fund Balance	\$ (190,678)	\$ (190,678)	\$ 279,457	\$ 470,135

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, 2006

	Fleet Reserve	Health Insurance	Workers' Compensation	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 793,187	\$ 5,104,605	\$ 1,313,928	\$ 7,211,720
Accounts receivable	51,661			51,661
Property and equipment, net	2,875,250			2,875,250
Total assets	3,720,098	5,104,605	1,313,928	10,138,631
Liabilities:				
Current liabilities:				
Accounts payable	48,944		642	49,586
Claims incurred but not reported		1,177,622	136,843	1,314,465
Total current liabilities	48,944	1,177,622	137,485	1,364,051
Noncurrent liabilities:				
Claims incurred but not reported			2,603,129	2,603,129
Total liabilities	48,944	1,177,622	2,740,614	3,967,180
Net Assets:				
Invested in capital assets	2,875,250			2,875,250
Unrestricted	795,904	3,926,983	(1,426,686)	3,296,201
Total Net Assets	\$ 3,671,154	\$ 3,926,983	\$ (1,426,686)	\$ 6,171,451

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	Fleet Reserve	Health Insurance	Workers' Compensation	Total
Operating Revenue:				
Charges for services	\$ 1,165,075	\$ 14,220,116	\$ 1,057,785	\$ 16,442,976
Other revenue	341,011			341,011
Total operating revenue	1,506,086	14,220,116	1,057,785	16,783,987
Operating Expenses:				
Operating expenses	1,531,228			1,531,228
Claims - operating		13,145,755		13,145,755
Claims - workers' compensation			410,223	410,223
Claims - heart and hypertension			40,955	40,955
Administrative		1,288,338	31,500	1,319,838
Depreciation	603,209			603,209
Total operating expenses	2,134,437	14,434,093	482,678	17,051,208
Operating income (loss)	(628,351)	(213,977)	575,107	(267,221)
Nonoperating Revenue and Expenses:				
Interest on investments	57,953	213,989	53,160	325,102
Loss on disposal of fixed assets	(9,390)			(9,390)
Total nonoperating revenue and expenses	48,563	213,989	53,160	315,712
Income (Loss) Before Transfers	(579,788)	12	628,267	48,491
Transfers In	270,000			270,000
Change in Net Assets	(309,788)	12	628,267	318,491
Net Assets - Beginning of Year	3,980,942	3,926,971	(2,054,953)	5,852,960
Net Assets - End of Year	\$ 3,671,154	\$ 3,926,983	\$ (1,426,686)	\$ 6,171,451

TOWN OF GROTON, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Fleet Reserve</u>	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 1,477,794	\$ 14,221,033	\$ 1,057,785	\$ 16,756,612
Cash paid to vendors	(1,541,034)			(1,541,034)
Cash paid to beneficiaries		<u>(14,141,447)</u>	<u>(756,827)</u>	<u>(14,898,274)</u>
Net cash provided by (used in) operating activities	<u>(63,240)</u>	<u>79,586</u>	<u>300,958</u>	<u>317,304</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of property and equipment	(630,401)			(630,401)
Cash Flows from Noncapital Financing Activities:				
Transfers in	270,000			270,000
Cash Flows from Investing Activities:				
Interest on investments	<u>57,953</u>	<u>213,989</u>	<u>53,160</u>	<u>325,102</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(365,688)	293,575	354,118	282,005
Cash and Cash Equivalents - Beginning of Year	<u>1,158,875</u>	<u>4,811,030</u>	<u>959,810</u>	<u>6,929,715</u>
Cash and Cash Equivalents - End of Year	<u>\$ 793,187</u>	<u>\$ 5,104,605</u>	<u>\$ 1,313,928</u>	<u>\$ 7,211,720</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (628,351)	\$ (213,977)	\$ 575,107	\$ (267,221)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	603,209			603,209
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(28,287)	917		(27,370)
Decrease in accounts payable	(9,811)			(9,811)
Increase (decrease) in claims payable		<u>292,646</u>	<u>(274,149)</u>	<u>18,497</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (63,240)</u>	<u>\$ 79,586</u>	<u>\$ 300,958</u>	<u>\$ 317,304</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, 2006

	Private Purpose Trust Funds				
	Francis A. Nye	Charles and Claudia Dominioni	Elihu Spicer Trust	Flora Perkins Trust	Total
Assets:					
Cash	\$ <u>2,260</u>	\$ <u>5,632</u>	\$ <u>176,112</u>	\$ <u>92,481</u>	\$ <u>276,485</u>
Net Assets Held in Trust	\$ <u><u>2,260</u></u>	\$ <u><u>5,632</u></u>	\$ <u><u>176,112</u></u>	\$ <u><u>92,481</u></u>	\$ <u><u>276,485</u></u>

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	Private Purpose Trust Funds				Total
	Francis A. Nye	Charles and Claudia Dominioni	Elihu Spicer Trust	Flora Perkins Trust	
Additions:					
Interest and dividends	\$ 8	\$ 22	\$ 6,707	\$ 3,522	\$ 10,259
Deductions:					
Benefits	<u>8</u>	<u>15</u>	<u>6,256</u>	<u>3,000</u>	<u>9,271</u>
Change in Net Assets	8	7	451	522	988
Net Assets Held in Trust - Beginning of Year	<u>2,252</u>	<u>5,625</u>	<u>175,661</u>	<u>91,959</u>	<u>275,497</u>
Net Assets Held in Trust - End of Year	<u>\$ 2,260</u>	<u>\$ 5,632</u>	<u>\$ 176,112</u>	<u>\$ 92,481</u>	<u>\$ 276,485</u>

TOWN OF GROTON, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS - AGENCY FUNDS

JUNE 30, 2006

	Agency Funds		
	Performance Bonds	Student Activities	Total
Assets:			
Cash	\$ 1,489,184	\$ 232,973	\$ 1,722,157
Liabilities:			
Due to student groups		232,973	232,973
Due to contractors/developers	1,489,184		1,489,184
Total liabilities	1,489,184	232,973	1,722,157
Net Assets Held in Trust	\$ -	\$ -	\$ -

TOWN OF GROTON, CONNECTICUT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
Performance Bonds				
Assets:				
Cash	\$ <u>578,559</u>	\$ <u>1,175,969</u>	\$ <u>265,343</u>	\$ <u>1,489,185</u>
Liabilities:				
Due to contractors/developers	\$ <u>578,559</u>	\$ <u>1,175,969</u>	\$ <u>265,343</u>	\$ <u>1,489,185</u>
Student Activities				
Assets:				
Cash	\$ <u>224,620</u>	\$ <u>418,183</u>	\$ <u>409,830</u>	\$ <u>232,973</u>
Liabilities:				
Due to student groups	\$ <u>224,620</u>	\$ <u>418,183</u>	\$ <u>409,830</u>	\$ <u>232,973</u>
Total				
Assets:				
Cash	\$ <u>803,179</u>	\$ <u>1,594,152</u>	\$ <u>675,173</u>	\$ <u>1,722,158</u>
Liabilities:				
Due to contractors/developers	\$ <u>578,559</u>	\$ <u>1,175,969</u>	\$ <u>265,343</u>	\$ <u>1,489,185</u>
Due to student groups	<u>224,620</u>	<u>418,183</u>	<u>409,830</u>	<u>232,973</u>
Total Liabilities	\$ <u>803,179</u>	\$ <u>1,594,152</u>	\$ <u>675,173</u>	\$ <u>1,722,158</u>

Other Schedules

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED
AND OUTSTANDING - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

Grand List Year	Uncollected Taxes July 1, 2005	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2006	
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2004	\$	\$ 60,084,715	\$ 90,131	\$ 432,262	\$ 42,453	\$ 59,700,131	\$ 58,714,353	\$ 178,554	\$ 165	\$ 58,893,072	\$ 985,778
2003			80,909	78,346	118,432	829,558	516,784	110,218	570	627,572	312,774
2002			252,362	81,180	87,442	554,533	359,292	62,388	2,868	424,549	195,241
2001			506	8,189	36,879	165,820	56,015	34,601	2,619	93,236	109,804
2000			376	2,394	12,078	65,021	12,000	14,855	7,174	34,029	53,022
1999				493	2,524	15,724	3,581	9,940	5,469	18,990	12,142
1998					445	5,842	2,132	8,709	5,274	16,114	3,711
1997			17			1,813	660	6,163	3,567	10,391	1,152
1996						589		7,821	5,078	12,899	589
1995						178		5,678	3,287	8,964	178
1994						179		4,707	2,275	6,982	179
1993						448		5,270	2,362	7,632	448
1992						450		4,580	1,748	6,328	450
1991					30	7		9,133	3,601	12,735	7
1990						7		7,766	2,531	10,297	7
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	<u>1,734,430</u>	<u>60,084,715</u>	<u>424,301</u>	<u>602,865</u>	<u>300,282</u>	<u>61,340,299</u>	<u>59,664,817</u>	<u>470,384</u>	<u>48,589</u>	<u>60,183,790</u>	<u>1,675,482</u>

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

FOR THE YEAR ENDED JUNE 30, 2006

Grand List Year	Uncollected Taxes July 1, 2005	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2006	
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2004	\$	\$ 10,943	\$ 13	\$ 15	\$	\$ 10,941	\$ 10,928	\$ 24	\$	\$ 10,952	\$ 13
2003	8			1	5	2				-	2
2002	1					1				-	1
	<u>\$ 9</u>	<u>\$ 10,943</u>	<u>\$ 13</u>	<u>\$ 16</u>	<u>\$ 5</u>	<u>\$ 10,944</u>	<u>\$ 10,928</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 10,952</u>	<u>\$ 16</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, 2006

Grand List Year	Uncollected Taxes July 1, 2005	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2006	
			Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2004	\$	\$ 1,132,111	\$ 1,117	\$ 1,493	\$ 90	\$ 1,131,645	\$ 1,121,549	\$ 4,137	\$	\$ 1,125,686	\$ 10,096
2003	9,058		557	686	182	8,747	5,738	3,342		9,080	3,009
2002	3,807		3,490	1,736	(104)	5,665	3,512	1,578		5,090	2,153
2001	2,003		13	112	(149)	2,053	767	735	2	1,504	1,286
2000	832				42	790	260	421		681	530
1999	617				33	584	205	296		501	379
1998	302				8	294	81	390	222	693	213
1997	60		1			61	7	169	122	298	54
1996	64					64		362	233	595	64
1995	15					15		266	153	419	15
1994	12					12		292	151	443	12
1993	31					31		249	118	367	31
1992	2					2		266	114	380	2
1991	2				2			425	161	586	
1990								490	182	672	
	\$ 16,805	\$ 1,132,111	\$ 5,178	\$ 4,027	\$ 104	\$ 1,149,963	\$ 1,132,119	\$ 13,418	\$ 1,458	\$ 1,146,995	\$ 17,844

TOWN OF GROTON, CONNECTICUT
SCHEDULE OF CHANGES IN BOND INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2006</u>	<u>Interest Paid During Year</u>
Public Safety Project Bond issue of 2002	3.0-4.55	6/1/02	1/15/17	\$ 5,700,000	\$ 4,880,000	\$	\$ 410,000	\$ 4,470,000	\$ 196,750
Open Space Bond Issue of 2001 (Refunding)	4.0-4.5	1/1/01	9/1/09	2,706,300	1,547,500		317,000	1,230,500	61,719
Road Improvement Bond of 2001 (Refunding)	4.0-4.5	1/1/01	9/1/09	321,100	180,980		38,000	142,980	7,194
Road Improvement Bond of 2003(Refunding92)	2.0-5.0	10/1/03	10/15/06	924,000	470,000		239,000	231,000	13,940
Road Improvement Bond of 2003(Refunding93)	2.0-5.0	10/1/03	10/15/08	569,000	461,000		119,000	342,000	16,090
Library Additions/Alterations of 1996	4.5-6.125	10/15/96	10/15/11	2,380,000	160,000		160,000		3,900
Library Additions/Alt of 2003 (Refunding)	2.0-5.0	10/1/03	10/15/11	1,009,000	989,000		10,000	979,000	37,403
General Purpose Bond Issue of 2005	3.5-5.5	8/1/05	8/1/24	3,705,000		3,705,000		3,705,000	78,141
Fort Hill Water Line of 1996	4.5-6.125	10/15/96	10/15/11	1,340,000	90,000		90,000		2,194
Fort Hill Water Line of 2003 (Refunding)	2.0-5.0	10/1/03	10/15/11	566,000	556,000		5,000	551,000	21,023
WPCF Improvements Bond Issue of 2002	3.0-4.0	6/1/02	1/15/13	2,110,000	1,680,000		210,000	1,470,000	63,525
Sewer Bond Issue of 1986	7.1 -7.4	8/15/86	8-15-06	4,075,000	375,000		200,000	175,000	20,350
Sewer Bond Issue of 2001 (Refunding)	4.0-4.5	1/1/01	9-1-09	2,200,000	1,250,000		260,000	990,000	50,075
Sewer Bond Issue of 1992 (Phase V)	5.75-6.1	1/15/92	1-15-93/07	550,000	68,000		34,000	34,000	4,114
Sewer Bond Issue of 1992	5.75-6.1	1/15/92	1-15-93/07	100,000	12,000		6,000	6,000	726
Sewer Bond Issue 1993 (Phase V)	4.3-6.2	7/15/93	8/15/08	370,000	95,000		20,000	75,000	4,388
Sewer Bond Issue 1993	4.2-6.2	7/15/93	8/15/08	510,000	125,000		35,000	90,000	5,540
School and Water Bond Issue of 1986	6.8 -6.9	8/1/86	8-1-06	1,835,000	60,000		30,000	30,000	3,105
School Bond Issue of 2001 (Refunding)	4.0-4.5	1/1/01	9-1-09	917,600	521,520		110,000	411,520	20,725
School Bond Issue of 2003 Refunding (Fitch Sr)	2.0-5.0	10/1/03	10/15/11	236,000	120,000		61,000	59,000	3,560
School Bond Issue of 2003 Refunding (West Side)	2.0-5.0	10/1/03	10/15/11	1,871,000	1,519,000		386,000	1,133,000	53,010
School Bond Issue of 2005	3.5-5.5	8/1/05	8/1/25	1,300,000		1,300,000		1,300,000	27,603
Total					\$ 15,160,000	\$ 5,005,000	\$ 2,740,000	\$ 17,425,000	\$ 695,075

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Appropriation</u>	<u>Expenditures</u>			<u>Encumbrances</u>	<u>Unencumbered Balance</u>
		<u>Balance July 1, 2005</u>	<u>Current Year</u>	<u>Balance June 30, 2006</u>		
Bond Projects:						
S. Pleasant Valley Road improvements	\$ 3,833,986	\$ 298,958	\$ 1,903,084	\$ 2,202,042	\$ 666,264	\$ 965,680
Closure-Bulky Waste Sites	1,715,000	1,323,909	15,924	1,339,833		375,167
Bulky Waste Transfer Station	985,000	915,987	19,174	935,161		49,839
Annex Sewer Lines and Renovations	1,107,000	920,331	22,653	942,984		164,016
LOCIP Projects:						
Military Hwy Retaining Wall Repair	210,000	689	205,591	206,280	3,720	-
Fire Alarm/Sprinkler Vehicle Garage	190,000	37,084	152,916	190,000		-
Town Hall Elec Reconfigure	25,000	7,938		7,938	3,102	13,960
Police Station improvements	75,000	3,450	15,708	19,158		55,842
Human Svcs Bldg Renovations	230,000		11,410	11,410	10,190	208,400
Town Hall Emerg Generator	125,000		6,901	6,901	3,988	114,111
Golf Course Facilities	50,000		29,040	29,040		20,960
Public Safety Addition	393,098	354,960		354,960	28,135	10,003
FYE 2002 Capital						
Improvement Projects:						
Thomas Rd. sidewalk	75,000	33,896	1,216	35,112		39,888
Gales Ferry Road Bridge	436,500	415,132		415,132		21,368
Traffic preemption system	210,000	108,354	13,239	121,593		88,407
Watershed studies	65,000	24,192	37,072	61,264		3,736
Trail Improvement program	45,000	44,975		44,975		25
Esker Pt. Boat launch	25,000	7,942	2,806	10,748		14,252
Long Hill watershed improvements	125,000	1,350	123,650	125,000		-
Culvert rehabilitation	85,000	1,601	83,399	85,000		-
Mech Replacement-Town Buildings	110,000	102,332		102,332		7,668
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 Improvements	131,561	52,620	12,275	64,895	1,915	64,751
FYE 2004 Capital						
Improvement Projects:						
Thomas Road Sidewalk	96,000			-		96,000
Rt. 1 Claude Chester - Vergennes CT	100,000	6,200	78,726	84,926		15,074
Grove Avenue drainage	105,000		85,117	85,117		19,883
Human Service Bldg. renovation	25,000	24,969		24,969		31
Roof replacement-BOF	214,000	77,039	3,631	80,670		133,330
Town Hall emergency generator	42,000	6,751	33,248	39,999	818	1,183
Groton Ambulance building	30,000	26,689		26,689		3,311
Disaster recovery planning	12,000	1,500	4,000	5,500		6,500
Military Hwy Retaining Wall	15,000		9,610	9,610	669	4,721
Radio Base station replacement	35,000			-	35,000	-
Computer tech acquisition	44,000		15,431	15,431	3,600	24,969

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Appropriation</u>	<u>Expenditures</u>			<u>Encumbrances</u>	<u>Unencumbered Balance</u>
		<u>Balance July 1, 2005</u>	<u>Current Year</u>	<u>Balance June 30, 2006</u>		
Park improvement plan	\$ 30,000	\$	\$ 9,072	\$ 9,072	\$	\$ 20,928
Watershed studies	75,000			-		75,000
Facility repairs-WPCF	150,000	91,793		91,793		58,207
Pavement management program	270,000	229,619		229,619		40,381
Mechanical replacement-						
Town buildings	60,000	25,305		25,305		34,695
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	19,000	3,856	22,856	15,144	99,000
Human Service Building Repair/Renovation	45,000	27,306	6,537	33,843		11,157
Sidewalk Rt 184/Rt 12/Kings Hwy	30,000		3,315	3,315	585	26,100
Radio Base station replacement	18,000			-		18,000
Economic Assistance Fund	50,000			-		50,000
Info Tech Acquisition	69,000	19,699	16,049	35,748		33,252
Info Tech Recovery Planning	91,000	16,666	367	17,033		73,967
Park Improvement plan	15,000			-		15,000
Trail Improvement plan	15,000			-		15,000
Mech/Elec Equip Repair-WPCF	157,000	58,765	1,785	60,550	341	96,109
Facility repairs WPCF	500,000	34,264	337,649	371,913	19,724	108,363
Roof replacement-WPCF	30,000	4,243	24,485	28,728	1,273	(1)
Pavement management program	192,000	184,602		184,602		7,398
BOE-Fitch Sr.	252,000	34,193	100,535	134,728		117,272
BOE-Claude Chester	160,000	4,789	104,110	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	4,691	95,919	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	1,053	34,294	35,347		9,653
Town-Police Air Filtration	44,000			-		44,000
Homeland Security Renovation	55,000	5,617	5,725	11,342	12,548	31,110
Flanders Rd. Eng Assessment	100,000	1,048	60,853	61,901		38,099
FYE 2006 Capital						
Improvement Projects:						
Poq/South Rd Underpass	65,000		32,725	32,725	5,775	26,500
Police Station	75,000		7,829	7,829		67,171
Sidewalk-Thomas Rd. Bikeway	90,000			-		90,000
Economic Assistance Fund	50,000			-		50,000
Info Tech Recovery Planning	23,000			-		23,000
Info Tech Acq - Network	76,000		18,390	18,390	3,066	54,544
Info Tech Acq - Hansen	92,000		12,318	12,318		79,682
Annex Salt/Sand Storage	75,000		26,340	26,340	41,900	6,760
Jabez Smith House	28,000		8,179	8,179		19,821

(Continued on next page)

TOWN OF GROTON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Appropriation</u>	<u>Expenditures</u>			<u>Encumbrances</u>	<u>Unencumbered Balance</u>
		<u>Balance July 1, 2005</u>	<u>Current Year</u>	<u>Balance June 30, 2006</u>		
Welles Rd Facility Maint	\$ 55,000	\$	\$ 50,315	\$ 50,315	\$	\$ 4,685
Daycare/Comm Police Facility	90,000		3,620	3,620	4,880	81,500
Transfer Station	49,999		5,982	5,982	3,940	40,077
Asbestos Tile Removal Wm Seeley	120,000		92,338	92,338	5,182	22,480
Park Improvement Plan	25,000		-	-		25,000
Trail Improvement Program	15,000		-	-		15,000
Riverview Avenue Coastal Access	25,000		-	-		25,000
Culvert Rehabilitation	35,000		5,986	5,986	4,729	24,285
Mobile Data Terminals	30,000		-	-		30,000
Mech/Elec Equip repair-WPCF	640,000		-	-		640,000
Facility Repairs-WPCF	380,000		11,354	11,354	73,431	295,215
Pavement Management Program	150,000		-	-		150,000
Voicemail System	54,000		29,169	29,169		24,831
Fitch Sr High-small gym floor	20,000		20,000	20,000		-
West Side Middle School-gym floor	450,000		398,598	398,598		51,402
Charles Barnum-playscape-windows-parking lot	55,000		55,000	55,000		-
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 Improvements	85,000		-	-		85,000
Downtown Gateway/Streetscapes	20,000		-	-		20,000
Open Space Acquisition/Develop	25,000		25,000	25,000		-
FYE 2002 Capital						
Maintenance Projects:						
Major repairs-town bldgs.	50,000	22,601		22,601		27,399
Mech/elec equip. repair-WPCF	188,000	184,394	2,638	187,032		968
Mech. replacement-town bldg.	95,000	71,667		71,667		23,333
Roof replacement-var. Town bldgs.	47,363	46,694		46,694		669
Air conditioning-BOE	22,000	10,500		10,500		11,500
FYE 2003 Capital						
Maintenance Projects:						
Fuel pump replacement	95,000	25,390		25,390	6,560	63,050
Park improvement plan	35,000	4,357	30,643	35,000		-
Mech/Elec Repair-WPCF	203,000	195,139	7,099	202,238		762
Underground Storage Tank Completion	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	273,886		273,886	79,988	15,126
Mystic Streetscapes Improvements	1,226,000	295,949	33,378	329,327	93,608	803,065
Mystic Streetscapes Utility Relocation	118,276	99,039	9,681	108,720	9,556	-
Mystic Streetscapes Demand Deposit			18,800	18,800		(18,800)
Total before retainage payable	20,092,008	7,253,762	4,714,511	11,968,273	1,139,953	6,983,782
Retainage Payable - 2005		7,099	(7,099)	-		-
Retainage Payable - 2006			129,338	129,338	(129,338)	-
Total	\$ 20,092,008	\$ 7,260,861	\$ 4,836,750	\$ 12,097,611	\$ 1,010,615	\$ 6,983,782

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
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	97-100
These schedules contain information to help the reader assess the Town's most significant local revenue source, property taxes.	
Debt Capacity	101-103
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.	
Demographic and Economic Information	104-105
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	
Operating Information	106-108
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.	

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
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 66,992,502	\$ 64,173,597	\$ 63,018,879	\$ 64,716,282
Restricted			129,493	329,493
Unrestricted	<u>17,159,527</u>	<u>28,026,939</u>	<u>34,005,368</u>	<u>37,764,291</u>
Total Governmental Activities Net Assets	<u>\$ 84,152,029</u>	<u>\$ 92,200,536</u>	<u>\$ 97,153,740</u>	<u>\$ 102,810,066</u>
Primary Government:				
Invested in capital assets, net of related debt	\$ 66,992,502	\$ 64,173,597	\$ 63,018,879	\$ 64,716,282
Restricted			129,493	329,493
Unrestricted	<u>17,159,527</u>	<u>28,026,939</u>	<u>34,005,368</u>	<u>37,764,291</u>
Total Primary Government Net Assets	<u>\$ 84,152,029</u>	<u>\$ 92,200,536</u>	<u>\$ 97,153,740</u>	<u>\$ 102,810,066</u>

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
Expenses:				
Governmental activities:				
General government/services	\$ 6,298,542	\$ 7,121,638	\$ 6,556,489	\$ 6,783,421
Public safety	9,488,936	9,593,919	9,318,994	9,562,141
Public works	11,289,191	11,231,581	10,953,441	12,491,299
Planning and development	1,294,398	1,232,639	1,316,039	1,417,725
Human services	2,289,607	2,337,982	2,384,276	2,265,894
Community services	5,885,209	6,410,212	6,082,289	6,545,450
Board of Education	66,871,403	69,084,296	70,362,735	75,498,717
Sewer operations	3,440,434	3,985,526	3,899,926	4,120,740
Solid waste management	3,677,443	3,409,455	3,378,654	2,651,573
Interest on long-term debt	914,390	886,717	554,543	750,785
Total governmental activities expenses	<u>111,449,553</u>	<u>115,293,965</u>	<u>114,807,386</u>	<u>122,087,745</u>
Program Revenues:				
Governmental activities:				
Charges for services	11,395,133	12,541,216	12,887,980	12,114,418
Operating grants and contributions	35,764,639	39,835,750	37,313,290	38,689,866
Capital grants and contributions	424,815	1,155,334	476,168	3,518,613
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>
Net Expenses	<u>(63,864,966)</u>	<u>(61,761,665)</u>	<u>(64,129,948)</u>	<u>(67,764,848)</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
Payments in lieu of taxes	5,355,847	6,974,514	6,839,719	7,071,935
Grants and contributions not restricted to specific programs	1,098,676	1,339,721	3,043,004	2,585,131
Unrestricted investment earnings	431,383	537,626	1,086,734	2,280,538
Contributions received				200,000
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>
Change in Net Assets	<u>\$ (2,681,868)</u>	<u>\$ 8,048,507</u>	<u>\$ 4,953,204</u>	<u>\$ 5,656,326</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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund:										
Reserved	\$ 4,966,000	\$ 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
Designated for subsequent year budget	5,541,000	695,354	1,335,016	3,052,433	4,067,004	4,081,919		2,506,713	3,521,736	2,298,358
Unreserved/undesignated	<u>5,292,000</u>	<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>
Total General Fund	<u>\$ 15,799,000</u>	<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>
All other governmental funds:										
Reserved	\$ 944,000	\$ 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
Unreserved, reported in:										
Special revenue funds	2,785,000	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
Capital projects funds	3,787,000	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)
Debt service funds	491,000	621,014	725,979	488,222	1,125,501	1,825,003	1,938,037	1,985,305	2,097,656	2,377,377
Permanent fund						154,231	148,574	156,837	31,457	43,678
Total All Other Governmental Funds	<u>\$ 8,007,000</u>	<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>

TOWN OF GROTON, CONNECTICUT
REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

LAST TEN YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes, interest and lien fees	\$ 45,566,000	\$ 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
Assessments	481,000	476,961	365,257	338,546	232,002	213,315	151,823	98,251	40,927	73,258
Licenses and permits	83,000	141,094	351,038	437,957	407,496	233,495	374,585	613,593	473,777	284,774
Intergovernmental - state	31,849,000	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
Intergovernmental - federal	6,966,000	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
Interest on investments	2,006,000	1,676,501	1,512,003	2,387,768	2,209,901	1,174,286	575,446	454,514	921,353	1,954,655
Charges for current services	2,030,000	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
Schools, library and recreation fees	675,000	615,642	741,499	869,006	744,723	685,732	642,550	395,262	437,436	397,320
Sewer use charges	2,712,000	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
Solid waste management charges	2,842,000	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
Other revenue	1,293,000	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
Total revenues	96,503,000	97,032,946	103,860,675	106,265,892	108,967,262	112,272,191	109,435,903	123,225,551	119,779,294	127,727,158
Expenditures:										
Current:										
General government	2,134,000	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
General services	762,000	785,363	745,712	919,377	913,448	4,650,593	4,669,418	4,641,646	3,989,388	4,167,487
Public safety	5,706,000	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
Public works	4,604,000	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
Planning and development	620,000	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
Health and human services	2,455,000	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
Community services	4,033,000	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
Education	55,709,000	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
Subdivisions	3,203,000	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
Sewer operations	3,371,000	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
Solid waste management	3,524,000	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
Nondepartmental (1)	4,001,000	3,742,650	3,535,413	3,813,842	578,554	1,110,178	719,725	823,330	4,115,410	4,520,784
Outside agencies (2)									1,610,548	1,632,556
Debt service miscellaneous		1,194	425	1,049	205,379	250,426	300	114,287	465	
Debt service interest	1,831,000	1,733,308	1,540,049	1,348,968	955,451	910,359	914,090	811,639	692,503	695,072
Debt service principal	2,895,000	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
Capital outlay	3,476,000	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
Total expenditures	98,324,000	99,926,733	100,557,628	105,830,184	115,430,924	116,572,921	116,165,833	115,147,376	118,902,832	129,978,323
Excess (Deficiency) of Revenues over Expenditures	(1,821,000)	(2,893,787)	3,303,047	435,708	(6,463,662)	(4,300,730)	(6,729,930)	8,078,175	876,462	(2,251,165)
Other Financing Sources (Uses):										
Proceeds of bonds	3,720,000					7,810,000				5,005,000
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	3,709,000	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
Operating transfers out	(3,709,000)	(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)
Total other financing sources (uses)	3,720,000	-	100,000	-	82,218	8,853,807	(279,295)	(205,110)	(319,396)	4,735,000
Net Change in Fund Balances	1,899,000	(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
Fund Balance at Beginning of Year	23,019,000	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
Residual equity transfer (out)		(836,902)								
Fund Balance at End of Year	\$ 24,918,000	\$ 21,267,482	\$ 24,670,529	\$ 25,106,237	\$ 18,724,793	\$ 23,230,213	\$ 16,220,988	\$ 24,094,053	\$ 24,651,119	\$ 27,134,954
Debt Service as a Percentage to Noncapital Expenditures	4.98%	5.04%	4.84%	4.44%	3.21%	3.00%	3.03%	3.13%	3.08%	2.84%

(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								
1997	\$ 846,235	\$ 580,513	\$ 120,973	\$ 458,557	\$ 1,281,209	\$ 78,700	1,927,577	\$ 22.30	\$ 2,971,038	64.9 %
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

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	2006			1997		
			Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List	Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List
	Pfizer, Inc.	Pharmaceutical	\$ 505,371	1	18.6%	\$ 458,659	1	23.8%
86	Electric Boat Corp.	Submarine Mfg./R&D	178,844	2	6.6%	160,559	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%	9,741	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%	8,625	6	0.4%
	Kalimian Elias Trustee	LaTriumphe Apartments	9,487	7	0.3%	6,334	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%	16,433	3	0.9%
	Branford Manor Assoc	Apartment Complex	7,420	10	0.3%			
	Wyman-Gordon Inv. Castings	Manufacturer of Metal Products				9,623	5	0.5%
	Groton Residence Retirement Ltd	Retirement Residence				7,689	7	0.4%
	Colonial Manor Associates	Apartment Complex				6,925	8	0.4%
	Groton Medical Park	Convalescent Home				6,638	9	0.3%
			<u>\$ 775,595</u>		<u>28.5%</u>	<u>\$ 691,226</u>		<u>35.9%</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>
1997	\$ 42,917	\$ 41,484	96.66 %	\$ 1,423	\$ 42,907	99.98 %
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	n/a	58,714	98.35

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	Poquonoock Bridge Fire District	Second Taxing District
1997	\$ 22.30	\$ 5.100	\$ 4.800	\$ 5.500	\$ 4.890	\$ 1.850	\$ 0.380	\$ 4.220	\$ 1.600	\$ 1.600	\$ 1.820	\$ 5.800	\$ 5.550
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

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				
1997	\$ 19,385,000	\$ 9,835,000	1.5% %	\$ 29,220,000	4.29%	\$ 663
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

(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, 2006

Tax Base:	
Total tax collections (including interest and lien fees)	\$ 60,355,955
Total tax collections (including interest and lien fees) of coterminous municipalities	10,795,881
Reimbursement of Revenue Loss from Tax Relief for the Elderly	7,050
Total Base	\$ 71,158,886

	Public Improvement	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times base	\$ 160,107,494	\$	\$	\$	\$
4 1/2 times base		320,214,987			
3 3/4 times base			266,845,823		
3 1/4 times base				231,266,380	
3 times base					213,476,658
Total limitations	160,107,494	320,214,987	266,845,823	231,266,380	213,476,658
Indebtedness:					
Bonds outstanding	11,100,480	2,903,520	2,840,000		
Serial notes	2,300,000	6,090,000	1,100,000		
Authorized and unissued	909,086	81,752,431	12,922,887		
Underlying debt:					
Bonds and serial notes	4,305,183		4,054,000		
Authorized and unissued	525,000				
Less school building grants		(987,209)			
Total indebtedness	19,139,749	89,758,742	20,916,887		
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ 140,967,745	\$ 230,456,245	\$ 245,928,936	\$ 231,266,380	\$ 213,476,658

Notes: (1) The total of the above indebtedness amounts to: \$ 129,815,378

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 498,112,202

(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 \$581,000 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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 381,780	\$ 357,480	\$ 365,630	\$ 374,014	\$ 372,319	\$ 378,926	\$ 427,460	\$ 474,791	\$ 473,734	\$ 498,112
Total net debt applicable to limit	<u>35,669</u>	<u>32,194</u>	<u>48,132</u>	<u>42,100</u>	<u>49,905</u>	<u>48,366</u>	<u>52,206</u>	<u>62,803</u>	<u>143,016</u>	<u>129,815</u>
Legal Debt Margin	<u>\$ 346,111</u>	<u>\$ 325,286</u>	<u>\$ 317,498</u>	<u>\$ 331,914</u>	<u>\$ 322,414</u>	<u>\$ 330,560</u>	<u>\$ 375,254</u>	<u>\$ 411,988</u>	<u>\$ 330,718</u>	<u>\$ 368,297</u>
Total net debt applicable to the limit as a percentage of debt limit	9.34%	9.01%	13.16%	11.26%	13.40%	12.76%	12.21%	13.23%	30.19%	26.06%

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)
1997	44,084	\$ 681,274	\$ 15,454	28.1		6,189	5.7%
1998	42,922	663,317	15,454	28.1		5,863	4.4%
1999	41,284	1,022,398	24,765	28.1		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%

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.

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

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<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>
Electric Boat Corporation	Submarine Mfg/R&D	7,979	1	30.7%	8,000	1	28.5%
Pfizer, Inc.	Pharmaceutical	5,260	2	20.2%	3,500	2	12.5%
U.S. Navy Submarine Base	Military Base	2,400	3	9.2%	2,400	3	8.6%
Town of Groton	Municipality	945	4	3.6%	986	4	3.5%
AVCRAD	Helicopter repair	400	5	1.5%			
Wyman Gordon Company	Manufacturer	275	6	1.1%	557	5	2.0%
City of Groton	Municipality	218	7	0.8%	232	7	0.8%
Pequot Medical Center	Hospital	145	8	0.6%			
Doncasters Precision Castings	Manufacturer	128	9	0.5%			
Proto-Power Corporation	Engineering/Design	120	10	0.5%	80	9	0.3%
Vitro Corporation	High Tech Design				239	6	0.9%
Merocell Corporation	Medical Products				80	8	0.3%
General Systems Solutions	Computer Systems Design				48	10	0.2%
		<u>17,870</u>		<u>68.6%</u>	<u>16,122</u>		<u>57.5%</u>

Source: Telephone survey

TOWN OF GROTON, CONNECTICUT

FULL-TIME EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
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	45.00	46.00	49.00	37.00	56.50	57.00	55.00	52.00	52.00
Public safety	71.00	72.00	72.00	72.00	88.00	73.00	74.00	73.00	72.00	72.00
Public works	56.00	56.00	48.00	52.00	50.00	47.50	47.50	46.50	52.25	52.25
Planning and development	17.00	18.00	17.00	18.00	19.00	19.00	19.00	18.00	18.00	18.00
Human services	19.00	21.00	18.00	18.00	18.00	17.00	16.00	13.00	13.00	10.00
Community services	36.00	38.00	39.00	39.00	42.00	45.25	43.50	42.75	42.75	43.00
Golf course	6.00	7.00	7.00	7.00	7.00	7.75	7.50	7.25	7.25	7.00
Sewer system maintenance	23.00	23.00	21.00	21.00	19.00	20.25	20.25	17.75	17.75	17.75
Solid waste management	6.00	6.00	4.00	5.00	10.00	8.75	10.25	7.75	0.00	0.00
Project manager - school construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Fleet reserve	<u>0.00</u>	<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>
Subtotal town government	284.00	291.00	277.00	286.00	295.00	308.00	308.00	294.00	288.00	286.00
Board of Education	<u>705.00</u>	<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>
Total	<u><u>989.00</u></u>	<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>

Source:

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>General Government</u>										
Marriages and civil unions of residents	462	422	403	468	403	432	405	479	456	524
Births to Groton residents	658	624	627	603	581	594	616	634	619	610
Deaths of Groton residents	347	378	303	350	361	362	331	375	365	350
<u>Boards and Agencies</u>										
Registered voters	16,594	16,472	16,368	16,155	17,824	17,447	17,187	17,718	18,723	17,909
Elections and referenda	2	1	2	2	2	2	1	3	2	1
<u>Planning and Development</u>										
Building permits issued	1,215	1,400	1,532	1,581	1,510	1,472	1,596	1,614	1,523	1,600
Building inspections conducted	2,300	4,100	4,400	4,600	4,600	4,900	5,400	5,510	4,389	4,500
Value of building permits	\$ 18,358,264	\$ 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
<u>Public Safety</u>										
Arrests	1,260	1,085	1,145	1,120	1,114	1,273	1,207	1,151	905	672
Parking violations	564	366	557	662	697	903	960	903	450	336
Traffic violations	5,360	6,481	5,879	5,727	4,573	5,750	4,756	4,270	3,547	4,752
<u>Public Works</u>										
Street resurfacing (in miles)	2	5	1	5	5	3	3	6	3	4
Number of snow and ice control callouts	16	14	17	12	16	9	20	13	21	9
Miles of roads maintained (excludes GLP in 2006)	87	90	90	90	94	94	94	97	98	92
<u>Parks and Recreation</u>										
Athletic field permits issued	589	919	837	573	1,072	1,269	1,233	1,189	1,325	1,198
Summer season programs	110	123	183	192	180	196	232	204	163	181
Indoor season programs	559	480	452	488	530	627	599	541	637	583
Acres of grounds maintained	1,256	1,278	1,278	1,342	1,527	1,545	1,561	1,686	1,710	1,726
<u>Public Libraries</u>										
Volumes in collection	126,452	127,967	126,939	133,276	119,032	123,869	129,603	132,398	134,280	136,759
Items circulated	356,318	351,386	346,156	343,220	339,765	344,517	367,490	362,455	355,310	347,833
<u>Senior Center</u>										
Meals on wheels provided	8,676	17,530	19,792	21,569	27,328	31,595	35,207	34,620	31,046	34,068
Senior mini-bus trips	119	97	94	120	122	107	88	81	61	54
<u>Human Services</u>										
Households provided energy assistance	1,200	1,200	1,200	1,300	1,300	1,300	1,300	1,300	1,500	1,500
Households utilizing Groton Food Locker	4,000	4,000	4,000	4,000	4,300	4,300	4,300	4,500	4,500	4,500
Households receiving rent assistance	1,000	1,000	1,000	1,500	1,500	1,500	1,500	1,700	1,700	1,700
<u>Education</u>										
Elementary schools	10	10	10	10	10	10	10	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
<u>Sewer</u>										
Average daily sewage treatment (thousands of gallons)	126.0	126.5	127.0	127.0	128.0	129.1	129.8	130.0	130.7	130.7

Source(s): Various Town Departments

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

	FISCAL YEAR									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<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	41	44	42	45	45	47	46
<u>Public Works</u>										
Miles of town streets	93.6	93.6	93.6	93.6	93.6	97.88	97.88	98.76	97.66	98.9
Streetlights	950	1198	950	1292	1292	1308	1308	1308	1350	1330
Public works vehicles	186	186	186	186	194	194	194	228	228	227
<u>Parks and Recreation</u>										
Acreage	61	61	66.5	360	360	641	641	754	768	780
Parks	15	15	17	17	17	22	22	30	32	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	7	5
<u>Education</u>										
Schools	14	14	14	14	14	14	14	13	13	13
<u>Sewer</u>										
Sanitary sewers (miles)	123	123	123	127	128	128	128	130	130	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

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