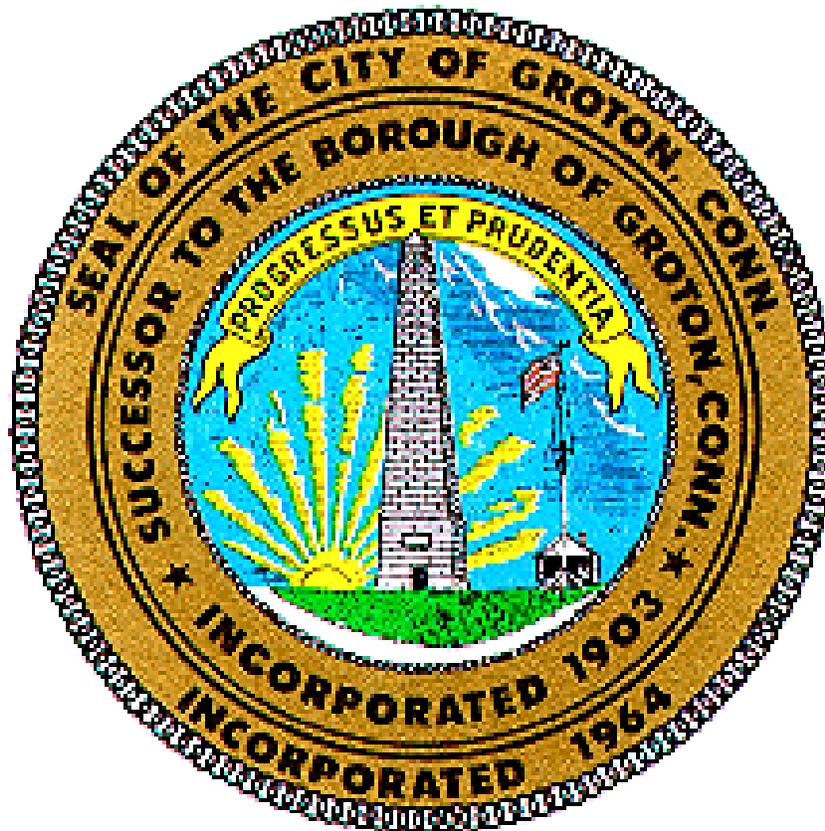


CITY OF GROTON, CONNECTICUT COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2018
DEPARTMENT OF FINANCE
CITY OF GROTON, CONNECTICUT

CITY OF GROTON, CONNECTICUT



Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

PREPARED BY:

RONALD YUHAS, JR.
DIRECTOR OF FINANCE

KEITH HEDRICK, MAYOR

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Introductory Section



CITY OF GROTON

295 Meridian Street
Groton, Connecticut 06340-4040

Department of Finance

Telephone (860) 446-4110

Fax (860) 446-4113

February 27, 2019

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Groton (City) for the year ended June 30, 2018. The report includes the independent auditors' report as required by City Charter and the General Statutes of the State of Connecticut (Statutes). The report is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

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

RSM US LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City, for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Groton's financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader Single Audit 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 separately.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Groton

The City is governed by an elected Mayor, a six-member council and a City Clerk. The City Council and Mayor, which act as a board, also serve as the Water Pollution Control Authority.

Elections for Mayor, Council and other officials are held on the first Monday of May of each odd numbered year for a term of two years. The Mayor is elected separately from the Council and presides as its Chairperson.

In addition to all the powers and privileges conferred in the Charter, the inhabitants have the powers and privileges conferred and granted to towns and cities under the Constitution and Statutes of Connecticut. The legislative power of the City is vested exclusively in the Council except as otherwise provided by the electors. The Council has the power to enact, amend or repeal ordinances consistent with the Statutes or the Charter. The electors have the power to approve or reject ordinances, by referendum, as provided in the Charter. The Mayor, as the Chief Executive Officer of the City, recommends the budget to the Freemen and electors for their approval at the annual meeting held on the first Monday of June.

The report includes all funds of the City. The City provides a full range of services. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; and recreational activities. In addition to general governmental activities, the governing body is the final authority of the Electric and Water Departments and the City of Groton Retirement System; therefore, these activities are included in the reporting entity. The reporting entity also includes the discretely presented component unit, Bozrah Light and Power Company.

The annual budget serves as the foundation for the City's financial planning and control. The City maintains budgetary controls with the objectives to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the Freemen or electors. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. As demonstrated by the budgetary schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The City is located in New London County in the southeast part of the State of Connecticut on the east bank of the Thames River and encompasses an area of 3.06 square miles. Groton is astride Interstate 95, a major highway between New York, Providence and Boston. Numerous state routes connect Groton with all points in Connecticut and with neighboring states. Passenger service is provided by Amtrak and by a number of interstate and intrastate bus companies. Air service is provided at Groton-New London Airport to major airports and cities. The Thames River provides a deep-water harbor with terminal and berth facilities for water transportation.

Rocky soil limited the City's early agricultural possibilities; therefore, the early inhabitants turned to the sea for fishing, trade, and shipbuilding. This seafaring heritage continues today in Groton, the self-proclaimed "Submarine Capital of the World." Nuclear-powered submarines, built in the City by Electric Boat division of General Dynamics, are home ported at the U. S. Naval Submarine Base here.

The Revolutionary War Battle of Groton Heights, which took place at Fort Griswold in 1781, is a hallmark of Groton's history. British forces, led by General Benedict Arnold, staged a massive attack on the fort and the colonists under the leadership of Colonel William Ledyard, who bravely resisted. Severely outnumbered they finally surrendered to the British and prepared for capture. The British took no prisoners, though, and instead brutally massacred all those who surrendered, killing Colonel Ledyard with his own sword.

Today, Fort Griswold is a state park featuring a monument and a museum. The Battle of Groton Heights is re-enacted here every year commemorating the soldiers who fought so bravely for freedom.

Factors Affecting Financial Condition

The City's economic base is supported by a diverse selection of goods producing industries and services. Pharmaceutical and submarine building continue to be the leading manufacturing sectors in Groton.

Property taxes, which account for approximately 36% of the General Fund revenue, have provided a reliable revenue source, with collections consistently at or above 99 percent. Current tax collections were approximately 99% of the adjusted tax levy.

Long-Term Financial Planning

Groton Utilities

Fiscal Year 2017-2018 marked another major milestone in the history of Groton Utilities as we continue the service of our customers and our community. Groton Utilities manages two types of services – water and electric.

The Electric Division continued upgrading its electrical infrastructure to meet the ever-increasing demands for reliable electric service. The Water Division started the Water Treatment Plant upgrade and the Waller Hill Standpipe while continuing to supply our neighboring communities.

Electric Division Upgrading its Infrastructure

During the past fiscal year, the Electric Division has been hard at work upgrading and improving the electric distribution system infrastructure. The various infrastructure improvement projects are designed to increase service reliability, increase capacity for future load growth and provide our customers with a level of service that is second to none. Costs associated with the Electric Division's infrastructure improvement projects have been approved by the Utility Commission, City Council and the Freeman in the form of the 2001, 2002, 2005, 2009, 2012 and 2016 Electric Bond Funds. The 2012 and 2016 Electric Bond Program calls for continued infrastructure improvements of two substations – Pleasant Valley and Buddington Road stations along with continued voltage improvements to our main transmission lines.

In order to meet our customers' demand for power and to provide the highest level of reliability, the distribution voltage throughout our service area will be increased from the present voltage of 8.32 kV to 13.8 kV. By increasing the voltage of the distribution system, primary conductors will be capable of distributing more power, more efficiency.

Water

The Water Division maintains its tradition of quality water and continues to look for ways to improve it. Protecting our water sources, purifying it, maintaining our water distribution system, and providing water testing to ensure the quality of the finished product is required to ensure regulatory compliance, while planning for the future. The Division is in 100 percent regulatory compliance. The 2016 Water Bond Fund calls for the replacement of the Walker Hill standpipe and meter replacements. The \$54 million Water Treatment Plant Upgrade and local interconnect project were started during the fiscal year.

Risk Management

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

The City's insured benefit program uses an alternative funding arrangement, known as a self-funded (ASO-Administrative Services Only) program with individual stop-loss provisions. Full-time employees of the City not covered under any collective bargaining agreement are also eligible for the group insurance program. The cost of the medical program is contributory for some full-time employees and their dependents who must contribute between 9% and 14%; however, certain employees electing dental coverage must contribute between 14% and 20% of the cost for the dental plan and Rider A.

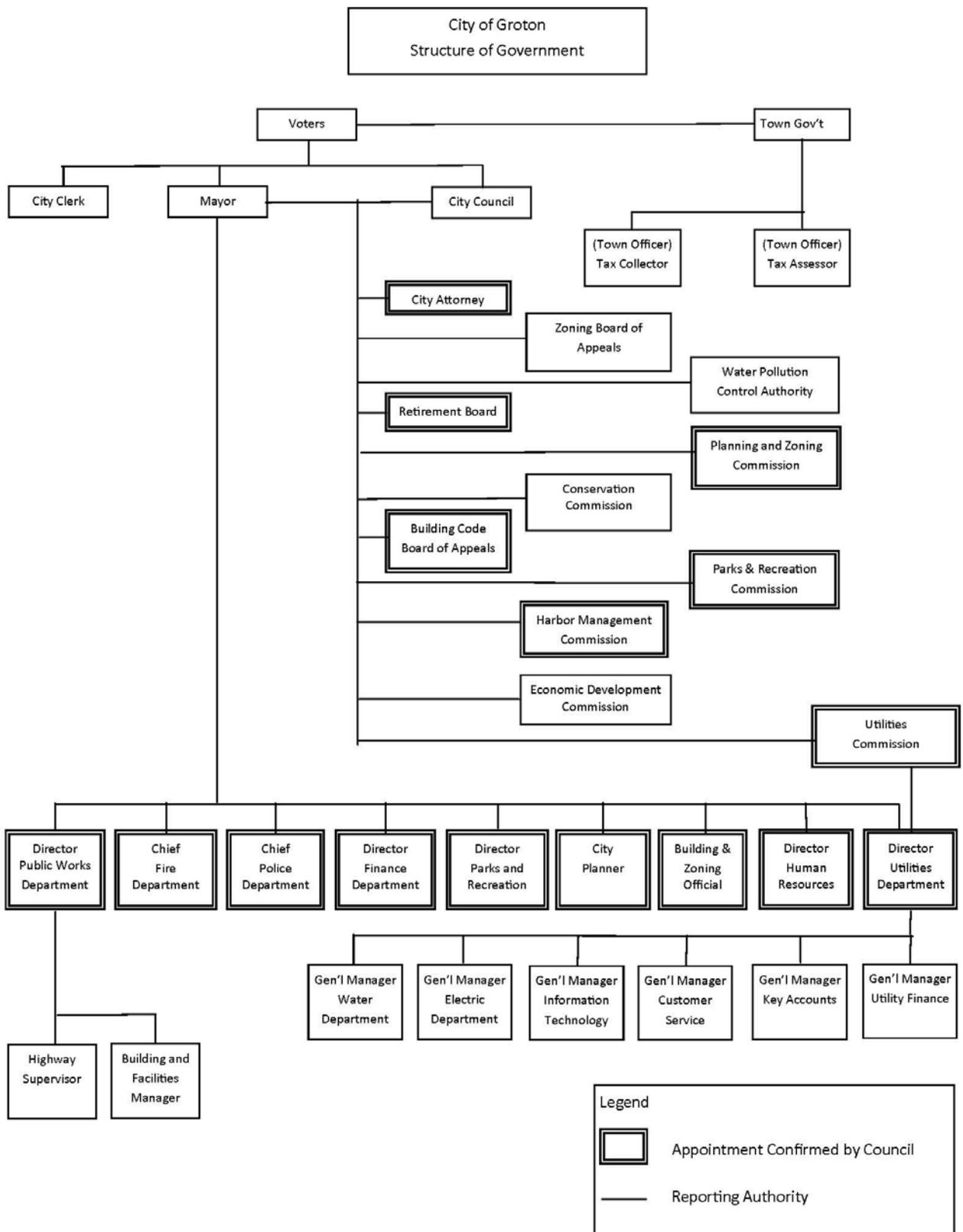
The individual stop-loss coverage protects the City from claims in excess of \$100,000 for hospitalization and in excess of \$100,000 for major medical, per eligible employee and each eligible dependent.

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

Respectfully submitted,



Ronald Yuhas, Jr.
Finance Director



THE CITY OF GROTON PRINCIPAL MUNICIPAL OFFICIALS

Elected Officials Term of Office – May 2015 to May 2017

Keith Hedrick – Mayor

Lawrence W. Gerrish (Deputy Mayor)	Councilor
Jamal Beckford	Councilor
Stephen Sheffield	Councilor
Rashad Carter	Councilor
Gweneviere Depot	Councilor
Jill Rusk	Councilor
Debra J. Patrick	City Clerk

Appointed Officials Term of Office – Indefinite

Michael Spellman – Civil Preparedness Coordinator

Department Heads Term of Office – Indefinite

Director of Finance	Ronald Yuhas, Jr.
Director of Utilities	Ronald Gaudet
Director of Public Works	Timothy Umrysz
Chief of Police	Michael Spellman
Director of Parks & Recreation	Mary K. Hill
Building & Zoning Official	Carlton Smith
Planner	Dennis Goderre
Fire Chief	Robert Tompkins

Financial Section



RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Groton, Connecticut (the City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with GAAP.

Emphasis of Matter—Adoption of Standards

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which resulted in the City restating net position for recognition of the City's OPEB related activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Prior-Year Comparative information

We also previously audited, in accordance with GAAS, the basic financial statements of the City as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated May 31, 2018, which contained unmodified opinions on the respective financial statements of governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. The accompanying General Fund Balance Sheet and Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds as of and for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The accompanying General Fund Balance Sheet and Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the General Fund Balance Sheet, Statements of Net Position and Statements of Revenue, Expenses and Changes in Fund Net Position and Statements of Cash Flows for the Electric and Water Departments and Internal Service Funds are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RSM US LLP

New Haven, Connecticut
February 27, 2019

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CITY OF GROTON

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Groton, Connecticut 06340-4040

Department of Finance

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MANAGEMENT DISCUSSION AND ANALYSIS – Unaudited FOR THE YEAR ENDED JUNE 30, 2018

As management of the City of Groton, Connecticut (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- As of July 1, 2017, the City was required to implement GASB Statement No. 75. – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. This Statement required that the unrestricted net positions in the government-wide and business-type statements as of July 1, 2017 to be restated and reduced by \$4,209,092 and \$5,750,306 respectively.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$75,090,938 (net position). Of this amount, \$12,041,304 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- On the government-wide basis, the City's total net position increased by \$8,799,269 for the fiscal year, with an increase in both the government activities and the business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,890,260 an increase of \$1,314,314 in comparison with the prior year. \$5,036,930 of the total amount of \$10,890,260 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,060,583 or 30.4% of total General Fund expenditures and other financing uses.
- The City's total long-term obligations increased by \$9,551,960 during the current fiscal year due to a bond issue as well as the start of the Drinking Water State Revolving Fund (DWSRF) loan from the State of Connecticut for the Water Treatment Plant Upgrade.

Overview of the Financial Statement

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, sewer operation and recreation. The business-type activities of the City include a Water and Electric distribution operation.

The government-wide financial statements not only include the City itself, but also a legally separate component unit, Bozrah Light and Power Company. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Equipment Replacement Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Major Governmental Funds

General Fund
Equipment Replacement Fund

Non-major Governmental Funds

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

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

The basic governmental fund financial statements can be found on Page 15 through Page 17 of this report.

Proprietary funds. The City operates two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric and Water operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured medical benefits and property and general liability claims. These services benefit both governmental and business-type activities and therefore the operations have been recorded in proportion in the respective financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Department and for the Water Department, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on Page 18 through Page 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Page 23 and Page 24 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on Page 25 to Page 63 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide benefits to its employees, and certain budgetary information for the General Fund.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$75.1 million at the close of the most recent fiscal year.

**City of Groton, Connecticut
Statement of Net Position**

	June 30, 2018			June 30, 2017		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 14,719,511	\$ 63,113,180	\$ 77,832,691	\$ 13,135,799	\$ 50,825,361	\$ 63,961,160
Capital assets	30,750,302	75,820,426	106,570,728	30,072,610	66,323,112	96,395,722
Total assets	45,469,813	138,933,606	184,403,419	43,208,409	117,148,473	160,356,882
Deferred pension related items	1,580,648	1,534,966	3,115,614	2,474,537	2,403,020	4,877,557
Deferred OPEB items	567,609	551,205	1,118,814	-	-	-
Deferred amounts on refunding	-	768,416	768,416	19,498	871,380	890,878
Total deferred outflows of resources	2,148,257	2,854,587	5,002,844	2,494,035	3,274,400	5,768,435
Current liabilities	1,657,108	13,098,635	14,755,743	1,514,078	13,003,786	14,517,864
Long-term liabilities outstanding	18,115,512	79,906,274	98,021,786	18,528,788	66,604,808	85,133,596
Total liabilities	19,772,620	93,004,909	112,777,529	20,042,866	79,608,594	99,651,460
Deferred pension credit	129,188	632,171	761,359	92,416	89,772	182,188
Deferred OPEB credit	650,984	125,453	776,437	-	-	-
Total deferred inflows of resources	780,172	757,624	1,537,796	92,416	89,772	182,188
Net position:						
Net investment in capital assets	18,940,538	44,049,096	62,989,634	19,349,984	39,427,816	58,777,800
Restricted	60,000	-	60,000	60,000	-	60,000
Unrestricted	8,064,740	3,976,564	12,041,304	6,157,178	1,296,691	7,453,869
Total net position	\$ 27,065,278	\$ 48,025,660	\$ 75,090,938	\$ 25,567,162	\$ 40,724,507	\$ 66,291,669

By far the largest portion of the City's net position (83.9%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A nominal portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, approximately \$12.0 million, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$8.8 million during the current fiscal year. The increase was due primarily to increased revenue in the Electric and Water Departments ahead of expenses.

Governmental activities. Governmental activities increased the City's net position by \$1.5 million, and business-type activities increased net position by \$7.3 million.

**City of Groton, Connecticut
Statement of Activities**

	Year Ended					
	June 30, 2018			June 30, 2017		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,628,273	\$ 66,324,626	\$ 68,952,899	\$ 2,165,815	\$ 66,580,234	\$ 68,746,049
Operating grants and contributions	4,846,353	-	4,846,353	4,182,825	-	4,182,825
Capital grants and contributions	612,146	2,252,788	2,864,934	386,950	-	386,950
General revenues:						
Property taxes	6,239,400	-	6,239,400	6,428,808	-	6,428,808
Grants and contributions not restricted to specific programs	109,320	-	109,320	134,700	-	134,700
Other	39,059	496,287	535,346	61,249	281,576	342,825
Total revenues	14,474,551	69,073,701	83,548,252	13,360,347	66,861,810	80,222,157
Expenses:						
General government	2,254,789	-	2,254,789	2,602,416	-	2,602,416
Public safety	7,719,552	-	7,719,552	8,410,924	-	8,410,924
Public works	5,654,738	-	5,654,738	4,945,304	-	4,945,304
Recreation	1,145,844	-	1,145,844	1,254,836	-	1,254,836
Interest on long-term debt	272,674	-	272,674	83,240	-	83,240
Water	-	9,183,824	9,183,824	-	9,394,789	9,394,789
Electric	-	48,517,562	48,517,562	-	49,793,760	49,793,760
Total expenses	17,047,597	57,701,386	74,748,983	17,296,720	59,188,549	76,485,269
Change in net position before transfers	(2,573,046)	11,372,315	8,799,269	(3,936,373)	7,673,261	3,736,888
Transfers and	4,071,162	(4,071,162)	-	3,540,141	(3,540,141)	-
Change in net position	1,498,116	7,301,153	8,799,269	(396,232)	4,133,120	3,736,888
Net position, beginning	25,567,162	40,724,507	66,291,669	30,172,486	42,341,693	72,514,179
Restatement GASB No. 75	-	-	-	(4,209,092)	(5,750,306)	(9,959,398)
Net position, ending	\$ 27,065,278	\$ 48,025,660	\$ 75,090,938	\$ 25,567,162	\$ 40,724,507	\$ 66,291,669

Expenses and Program Revenues – Governmental Activities

Revenues

Governmental activities' revenues totaled \$14.5 million for fiscal year 2018. Property taxes are the largest revenue source for the City and represent 43.1% of the governmental revenues. Current tax collections were 99.1% of the adjusted tax levy. Operating grants and contributions are the City's second largest revenue and represent 33.5% of the governmental revenues. In operating grants and contributions, revenues include the City of Groton's contribution for Police and Highway Department operation and State of Connecticut grants for health district. Charges for services represents 18.2% and capital grants and contributions represent 4.2%. Investment income and miscellaneous revenue represent 0.3% of governmental revenues.

Capital grants and contributions increased by \$225,196 due to capital improvement grants being expended in the current year. Charges for services increased \$462,458 due to an increase in fines, fees and permits. Property taxes decreased by \$189,408 due to the increase in the return to the City from the Electric Department.

Expenses

Governmental expenses totaled \$17,047,597 for the fiscal year. Of the expenditures, 45.3% or \$7,719,552 is related to public safety. Public works expenses amounted to \$5,654,738, or 33.2%. Recreation expenses amounted to \$1,145,844 or 6.7%. Interest expense was \$272,674 or 1.6%. General government expenses were \$2,254,789 or 13.2%.

General government, public safety and recreation have slightly decreased while, public works expenses increased from the previous year.

Business-type activities. Business-type activities represent 64.0% of the City's net position and account for a large portion of the expenditures in the City. Key elements of the activity are as follows:

Charges for services and other for business-type activities increased by \$2,211,891 while expenses decreased by \$1,487,163 over the prior year.

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,890,260, an increase of \$1,314,314 in comparison with the prior year. Approximately 46% of this total amount, \$5,036,930 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,060,583, while total fund balance was \$5,673,782. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of total General Fund expenditures. Total fund balance represents 34% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$793,936 during the current fiscal year due to revenues being slightly better than expenses.

The fund balance of the Equipment Replacement Fund increased by \$520,701 during the current fiscal year due to expenditures for equipment and the issuance of bond anticipation notes.

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

The unrestricted net position of the Electric operation at the end of the year amounted to \$(1,989,251) and the unrestricted net position of the Water operation amounted to \$9,375,755. The change in net position for Electric funds was \$4,198,170 and the increase in net position for Water funds was \$3,102,983 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, total expenditures were less than budgetary estimates and total revenues were more than budgetary estimates. The City did not have use a portion of their fund balance as planned.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2018, amounts to approximately \$106.6 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, distribution systems, machinery and equipment, park facilities, sewer lines and roads. The total increase in the City's investment in capital assets for the current fiscal year was 11% (2% increase for governmental activities and 14% for business-type activities).

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

- The Municipal Building HVAC Project
- Construction began on various Governmental, Electric and Water projects; construction in progress as of the close of the fiscal year had reached \$18,096,316.

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

	June 30, 2018			June 30, 2017		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and land rights	\$ 3,789,257	\$ 2,840,487	\$ 6,629,744	\$ 3,789,257	\$ 2,840,487	\$ 6,629,744
Construction in progress	1,354,288	16,742,028	18,096,316	6,257,716	10,980,308	17,238,024
Land improvements	1,075,226	-	1,075,226	1,123,288	-	1,123,288
Buildings and improvements	10,850,981	3,532,411	14,383,392	5,601,928	3,666,129	9,268,057
Distribution systems	-	50,424,181	50,424,181	-	47,041,839	47,041,839
Machinery and equipment	529,241	1,529,240	2,058,481	478,784	1,117,640	1,596,424
Vehicles	2,513,987	752,079	3,266,066	1,886,534	676,709	2,563,243
Infrastructure	10,637,322	-	10,637,322	10,935,103	-	10,935,103
Total	\$ 30,750,302	\$ 75,820,426	\$ 106,570,728	\$ 30,072,610	\$ 66,323,112	\$ 96,395,722

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

Long-term debt. At the end of the current fiscal year, the City had total net bonded debt and note payable outstanding of \$66,029,560. Of this amount, \$9,503,000 comprises debt backed by the full faith and credit of the City and \$56,526,560 is Electric and Water debt for which the City is liable in the event of default by the Electric and Water Departments.

City of Groton, Connecticut
Changes in Bonded Debt and Note Payable During Fiscal 2018

	<u>Bonds and Notes Payable</u>
Outstanding at June 30, 2017	\$ 56,477,600
Debt issued	27,802,360
Bond principal payments	<u>(18,250,400)</u>
Outstanding at June 30, 2018	<u>\$ 66,029,560</u>

The City's total bonded debt increased by \$9,551,960 (17%) during the current fiscal year.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the City is \$43,894,760.

Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 4.1%. This compares favorably to the state's average unemployment rate of 4.5% and the national average rate of 4.0%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

During the current fiscal year, fund balance in the General Fund increased by \$793,936. The City has appropriated \$400,000 of the 2018 fiscal year fund balance for spending in the 2019 fiscal year budget. It is intended that this use of available fund balance will avoid the need to additionally raise taxes or charges during the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Ronald Yuhas, Jr., City of Groton, 295 Meridian Street, Groton, CT 06340.

Basic Financial Statements

City of Groton, Connecticut
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Bozrah Light and Power Company
Assets				
Cash and cash equivalents	\$ 14,005,474	\$ 31,154,849	\$ 45,160,323	\$ 1,623,646
Investments	515,264	-	515,264	-
Receivables, net of allowances for collection losses:				
Property taxes	57,490	-	57,490	-
Use charges	-	5,320,927	5,320,927	1,492,449
Accrued utility revenue	-	1,166,954	1,166,954	-
Intergovernmental and other	69,038	-	69,038	2,144
Inventory and prepayments	11,725	1,985,403	1,997,128	24,385
Internal balances	520	(520)	-	-
Due from component units	-	3,919,128	3,919,128	-
Amount held at CMEEC	-	13,579,956	13,579,956	-
Restricted cash	60,000	-	60,000	199,359
Other noncurrent assets	-	-	-	1,798,455
Equity investment in component unit	-	5,986,483	5,986,483	-
Capital assets, not being depreciated	5,143,545	19,582,515	24,726,060	542,673
Capital assets, net of accumulated depreciation	25,606,757	56,237,911	81,844,668	10,504,549
Total assets	45,469,813	138,933,606	184,403,419	16,187,660
Deferred outflows of resources:				
Deferred pension expense	1,580,648	1,534,966	3,115,614	-
Deferred OPEB expense	567,609	551,205	1,118,814	-
Deferred charge on refunding	-	768,416	768,416	-
Total deferred outflows of resources	2,148,257	2,854,587	5,002,844	-
Liabilities				
Accounts payable and accrued liabilities	1,185,982	11,883,037	13,069,019	2,837,108
Accrued interest payable	216,866	936,145	1,153,011	-
Unearned revenue - performance	254,260	279,453	533,713	-
Noncurrent liabilities:				
Due to primary government	-	-	-	3,919,128
Rate stabilization	-	12,814,398	12,814,398	-
Due within one year	854,915	4,450,400	5,305,315	264,400
Due in more than one year	17,260,597	62,641,476	79,902,073	3,169,686
Total liabilities	19,772,620	93,004,909	112,777,529	10,190,322
Deferred inflows of resources:				
Deferred OPEB charges	129,188	125,453	254,641	-
Deferred pension charges	650,984	632,171	1,283,155	10,855
Total deferred inflows of resources	780,172	757,624	1,537,796	-
Net position:				
Net investment in capital assets	18,940,538	44,049,096	62,989,634	7,206,392
Restricted for:				
Endowments - expendable	60,000	-	60,000	-
Unrestricted	8,064,740	3,976,564	12,041,304	(1,219,909)
Total net position	\$ 27,065,278	\$ 48,025,660	\$ 75,090,938	\$ 5,986,483

See notes to financial statements.

City of Groton, Connecticut

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Bozrah Light and Power Company
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ (2,254,789)	\$ 1,332,466	\$ 42,655	\$ -	\$ (879,668)	\$ -	\$ (879,668)	\$ -
Public safety	(7,719,552)	1,005,689	2,243,802	-	(4,470,061)	-	(4,470,061)	-
Public works	(5,654,738)	81,754	2,559,896	612,146	(2,400,942)	-	(2,400,942)	-
Parks and recreation	(1,145,844)	208,364	-	-	(937,480)	-	(937,480)	-
Interest expense	(272,674)	-	-	-	(272,674)	-	(272,674)	-
Total governmental activities	(17,047,597)	2,628,273	4,846,353	612,146	(8,960,825)	-	(8,960,825)	-
Business-type activities:								
Electric department	(48,517,562)	56,323,195	-	-	-	7,805,633	7,805,633	-
Water department	(9,183,824)	10,001,431	-	2,252,788	-	3,070,395	3,070,395	-
Total business-type activities	(57,701,386)	66,324,626	-	2,252,788	-	10,876,028	10,876,028	-
Total primary government	\$ (74,748,983)	\$ 68,952,899	\$ 4,846,353	\$ 2,864,934	(8,960,825)	10,876,028	1,915,203	-
Component unit:								
Bozrah Light and Power Company	\$ (17,809,343)	\$ 17,705,101	\$ -	\$ -	-	-	-	(104,242)
Total component unit	\$ (17,809,343)	\$ 17,705,101	\$ -	\$ -	-	-	-	(104,242)
General revenues:								
Property taxes					6,239,400	-	6,239,400	-
Grants and contributions not restricted to specific programs					109,320	-	109,320	-
Investment income					39,059	496,287	535,346	-
Transfers					4,071,162	(4,071,162)	-	-
Total general revenues and transfers					10,458,941	(3,574,875)	6,884,066	-
Change in net position					1,498,116	7,301,153	8,799,269	(104,242)
Net position - beginning, restated note 14					25,567,162	40,724,507	66,291,669	6,090,725
Net position - ending					\$ 27,065,278	\$ 48,025,660	\$ 75,090,938	\$ 5,986,483

See notes to financial statements.

City of Groton, Connecticut
Balance Sheet - Governmental Funds
June 30, 2018

	Major Funds		Non-Major	Total
	General Fund	Equipment Replacement Fund	Governmental Funds	Governmental Funds
Assets				
Cash and cash equivalents	\$ 9,287,954	\$ 1,279,367	\$ 825,403	\$ 11,392,724
Receivables:				
Property taxes	57,490	-	-	57,490
Intergovernmental and other	17,479	-	-	17,479
Restricted cash	-	-	60,000	60,000
Investments	-	515,264	-	515,264
Due from other funds	62,406	3,130,496	107,158	3,300,060
Inventory of supplies, at cost	11,725	-	-	11,725
Total assets	\$ 9,437,054	\$ 4,925,127	\$ 992,561	\$ 15,354,742
Liabilities				
Accounts payable and accrued liabilities	\$ 501,815	\$ 361,305	\$ 10,504	\$ 873,624
Due to other funds	3,213,380	21,487	53,654	3,288,521
Unearned revenue	-	195,460	58,800	254,260
Total liabilities	3,715,195	578,252	122,958	4,416,405
Deferred inflows of resources:				
Unavailable revenue	48,077	-	-	48,077
Fund balances:				
Nonspendable	11,725	-	-	11,725
Restricted	-	-	893,256	893,256
Committed	201,474	4,346,875	-	4,548,349
Assigned	400,000	-	-	400,000
Unassigned	5,060,583	-	(23,653)	5,036,930
Total fund balances	5,673,782	4,346,875	869,603	10,890,260
Total liabilities, deferred inflows of resources and fund balances	\$ 9,437,054	\$ 4,925,127	\$ 992,561	

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

Capital assets purchased by governmental funds are reported as expenditures, however, the Statement of Net Position includes those capital assets among the assets of the City as a whole.	30,750,302
Deferred outflows of resources-pension/opeb related items	2,148,257
Deferred inflows of resources-pension/opeb related items	(780,172)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.	48,077
Internal service funds are used by management to charge the costs of health insurance. Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,340,932
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(18,115,512)
Accrued interest payable not recorded in funds.	(216,866)

Net position of governmental activities \$ 27,065,278

See notes to financial statements.

City of Groton, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2018**

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Equipment Replacement Fund		
Revenues:				
Property taxes	\$ 6,228,104	\$ -	\$ -	\$ 6,228,104
Intergovernmental	5,101,717	461,152	4,950	5,567,819
Charges for services	1,716,213	-	-	1,716,213
Income from investments	18,723	18,241	2,095	39,059
Other	309,426	549,225	53,409	912,060
Total revenues	13,374,183	1,028,618	60,454	14,463,255
Expenditures:				
Current:				
General government	2,035,810	-	39,580	2,075,390
Public safety	7,811,981	-	6,197	7,818,178
Public works	4,722,013	-	-	4,722,013
Parks and recreation	1,120,551	-	-	1,120,551
Non-departmental	86,644	-	-	86,644
Capital outlay	269,588	1,459,791	-	1,729,379
Debt service:				
Bond principal	475,000	5,500,000	-	5,975,000
Bond and note interest	144,822	-	-	144,822
Total expenditures	16,666,409	6,959,791	45,777	23,671,977
Excess (deficiency) of revenues over expenditures	(3,292,226)	(5,931,173)	14,677	(9,208,722)
Other financing sources:				
Transfers in	4,086,162	-	-	4,086,162
Transfers out	-	-	(15,000)	(15,000)
Bond proceeds	-	5,998,000	-	5,998,000
Bond premiums	-	453,874	-	453,874
Total other financing sources	4,086,162	6,451,874	(15,000)	10,523,036
Net change in fund balances	793,936	520,701	(323)	1,314,314
Fund balances, beginning	4,879,846	3,826,174	869,926	9,575,946
Fund balances, ending	\$ 5,673,782	\$ 4,346,875	\$ 869,603	\$ 10,890,260

See notes to financial statements.

City of Groton, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances – total governmental funds	\$ 1,314,314
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	677,692
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,296
Change in net pension/opeb liability deferred outflows/inflows	(1,014,036)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(442,861)
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.	674,773
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>276,938</u>
Change in net position of governmental activities	<u><u>\$ 1,498,116</u></u>

See notes to financial statements.

City of Groton, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2018

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Assets				
Current assets:				
Cash	\$ 21,690,983	\$ 9,463,866	\$ 31,154,849	\$ 3,069,810
Receivables:				
Use charges (net of allowance for uncollectibles of \$75,000 and \$2,500, respectively)	4,465,408	855,519	5,320,927	60,578
Accrued utility revenue	1,166,954	-	1,166,954	-
Due from other funds	-	2,261,914	2,261,914	-
Prepaid expenses	138,138	164,337	302,475	-
Inventory	1,479,658	203,270	1,682,928	-
Total current assets	28,941,141	12,948,906	41,890,047	3,130,388
Noncurrent assets:				
Amount held at CMEEC	13,579,956	-	13,579,956	-
Equity in joint venture investments	5,986,483	-	5,986,483	-
Due from component units	3,919,128	-	3,919,128	-
Total noncurrent assets	23,485,567	-	23,485,567	-
Capital assets (net of accumulated depreciation):				
Land and land rights	704,844	2,135,643	2,840,487	-
Construction in progress	1,947,317	14,794,711	16,742,028	-
Buildings and improvements	208,309	3,324,102	3,532,411	-
Plant and pumping stations	-	3,520,861	3,520,861	-
Station equipment	8,442,272	-	8,442,272	-
Electric distribution system	20,508,488	-	20,508,488	-
Water distribution system	-	17,952,560	17,952,560	-
Machinery and equipment	1,005,565	523,675	1,529,240	-
Vehicles	531,103	220,976	752,079	-
Total capital assets (net of accumulated depreciation)	33,347,898	42,472,528	75,820,426	-
Total noncurrent assets	56,833,465	42,472,528	99,305,993	-
Deferred outflows of resources:				
Deferred pension related items	1,080,161	454,805	1,534,966	-
Deferred OPEB related items	387,885	163,320	551,205	-
Deferred charges on refundings	674,576	93,840	768,416	-
Total deferred outflows of resources	2,142,622	711,965	2,854,587	-
Total assets and deferred outflows of resources	87,917,228	56,133,399	144,050,627	3,130,388

See notes to financial statements.

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Electric Department	Water Department	Total	
Liabilities				Internal Service Fund
Current liabilities:				
Accounts payable	\$ 5,478,740	\$ 2,546,221	\$ 8,024,961	\$ 367,000
Accrued payroll and compensated absences	388,337	288,238	676,575	-
Accrued taxes	364,880	38,349	403,229	-
Accrued interest payable	673,982	262,163	936,145	-
Unearned revenue	279,453	-	279,453	-
Due to other funds	2,262,434	-	2,262,434	11,019
General obligation bonds and BAN's - current portion	3,733,400	717,000	4,450,400	-
Customer deposits payable	2,663,126	115,146	2,778,272	-
Total current liabilities	15,844,352	3,967,117	19,811,469	378,019
Noncurrent liabilities:				
Rate stabilization	12,814,398	-	12,814,398	-
General obligation bonds and notes payable - net of premium and deferred amounts	37,700,800	14,375,360	52,076,160	-
Unamortized premium	2,439,193	650,931	3,090,124	-
Net pension liability	1,382,151	581,958	1,964,109	-
Net OPEB liability	3,689,363	1,821,720	5,511,083	-
Total noncurrent liabilities	58,025,905	17,429,969	75,455,874	-
Total liabilities	73,870,257	21,397,086	95,267,343	378,019
Deferred inflows of resources:				
Deferred pension related amounts	444,861	187,310	632,171	-
Deferred OPEB related amounts	88,282	37,171	125,453	-
Total deferred inflows of resources	533,143	224,481	757,624	-
Net position:				
Net investment in capital assets	15,913,847	28,135,249	44,049,096	-
Unrestricted	(2,400,019)	6,376,583	3,976,564	2,752,369
Total net position	\$ 13,513,828	\$ 34,511,832	48,025,660	\$ 2,752,369
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			411,437	
Net position of business-type activities			\$ 48,437,097	

See notes to financial statements.

City of Groton, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Operating revenues	\$ 56,323,195	\$ 10,001,431	\$ 66,324,626	\$ 5,000,763
Operating expenses:				
Direct expenses:				
Purchased power	33,122,248	-	33,122,248	-
Other	3,325,621	3,758,922	7,084,543	-
Overhead expenses:				
Customer account	1,691,224	506,524	2,197,748	-
Administrative and general	5,403,799	3,361,157	8,764,956	-
Claims and administration	-	-	-	4,697,106
Taxes	1,663,264	340,597	2,003,861	-
Depreciation	1,948,844	931,366	2,880,210	-
Total operating expenses	47,155,000	8,898,566	56,053,566	4,697,106
Operating income	9,168,195	1,102,865	10,271,060	303,657
Nonoperating revenues (expenses):				
Grant	-	2,252,788	2,252,788	-
Investment income	463,699	32,588	496,287	6,160
Interest expense	(1,258,320)	(285,258)	(1,543,578)	-
Equity in earnings/losses in investments	(104,242)	-	(104,242)	-
Total nonoperating revenues (expenses)	(898,863)	2,000,118	1,101,255	6,160
Income before transfers	8,269,332	3,102,983	11,372,315	309,817
Transfers out	(4,071,162)	-	(4,071,162)	-
Changes in net position	4,198,170	3,102,983	7,301,153	309,817
Net position, beginning as restated, see note 14	9,315,658	\$ 31,408,849	40,724,507	2,442,552
Net position, ending	<u>\$ 13,513,828</u>	<u>\$ 34,511,832</u>	48,025,660	<u>\$ 2,752,369</u>
Adjustment to reflect the consolidation of internal service fund activities:				
Related to proprietary funds			<u>32,879</u>	
Change in net position of business-type activities			<u>\$ 7,334,032</u>	

See notes to financial statements.

City of Groton, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 59,116,361	\$ 10,020,969	\$ 69,137,330	\$ -
Cash payments to suppliers for goods and services	(38,379,710)	(2,445,802)	(40,825,512)	-
Cash payments to employees for services	(8,408,022)	(4,083,047)	(12,491,069)	-
Cash received from premiums	-	-	-	5,000,763
Cash paid for claims	-	-	-	(3,907,822)
	-	-	-	(916,793)
Net cash provided by operating activities	12,328,629	3,492,120	15,820,749	176,148
Cash flows from investing activities:				
Interest and dividends on investments	463,699	32,588	496,287	6,160
Net cash provided by investing activities	463,699	32,588	496,287	6,160
Cash flows from noncapital and related financing activities:				
Transfers to other funds	(4,071,162)	-	(4,071,162)	-
Amount held at CMEEC	(4,980,275)	-	(4,980,275)	-
Net cash used in noncapital and related financing activities	(9,051,437)	-	(9,051,437)	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,694,653)	(8,682,871)	(10,377,524)	-
Repayment of CMEEC loan	(200,400)	-	(200,400)	-
Net Proceeds/Loans to/from Bozrah Light and Power	16,556	-	16,556	-
Capital grants	-	2,252,788	2,252,788	-
Principal paid on general obligation bond maturities and equipment contracts	(8,525,864)	(2,664,319)	(11,190,183)	-
Debt proceeds	10,442,000	11,362,360	21,804,360	-
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(1,074,094)	(119,248)	(1,193,342)	-
Net cash used in capital and related financing activities	(1,036,455)	2,148,710	1,112,255	-
Net increase in cash and cash equivalents	2,704,436	5,673,418	8,377,854	182,308
Cash and cash equivalents, beginning	18,986,547	3,790,448	22,776,995	2,887,502
Cash and cash equivalents, ending	\$ 21,690,983	\$ 9,463,866	\$ 31,154,849	\$ 3,069,810

(Continued)

City of Groton, Connecticut

**Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2018**

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Electric Department	Water Department	Total	Internal Service Fund
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 9,168,195	\$ 1,102,865	\$ 10,271,060	\$ 303,657
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,948,844	931,366	2,880,210	-
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(80,403)	19,538	(60,865)	(3,528)
Accrued utility revenue	-	-	-	-
Inventory	(283,677)	(28,054)	(311,731)	-
Prepaid expenses	(3,496)	(39,369)	(42,865)	-
Due from other funds	(1,249,175)	1,244,733	(4,442)	-
Customer deposits	(1,557,050)	-	(1,557,050)	-
Deferred outflows/inflows related to pension and OPE	692,948	291,753	984,701	-
Increase (decrease) in:				
Accounts payable	(395,493)	135,810	(259,683)	(123,981)
Accrued payroll and compensated absences	62,286	19,975	82,261	-
Accrued taxes	37,961	-	37,961	-
Rate stabilization	4,989,495	-	4,989,495	-
Unearned revenue	(558,876)	-	(558,876)	-
Net pension liability	(442,934)	(186,499)	(629,433)	-
Net OPEB liability	4	2	6	-
Net cash provided by operating activities	\$ 12,328,629	\$ 3,492,120	\$ 15,820,749	\$ 176,148

See notes to financial statements.

City of Groton, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018

	Trust Funds
Assets	
Cash	\$ 5,543,959
Investments, at fair value	
U.S. government bonds	8,374,885
Mortgage backed securities	3,997,064
Collateralized mortgage obligations	3,043,949
Fixed Income - non-profit	88,717
Partnerships	2,238,560
Corporate bonds	5,067,792
Foreign bonds	1,469,023
Common stocks	208,498
Foreign stocks	65,705
Mutual funds:	
Equities and related securities	54,182,923
Fixed income	5,004,379
Total investments	<u>83,741,495</u>
Accrued interest	116,568
Total assets	<u>89,402,022</u>
Liabilities	
Pending purchases	<u>695,174</u>
Net position - restricted for pension and other post-retirement benefits	<u>\$ 88,706,848</u>

See notes to financial statements.

City of Groton, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2018

	Trust Funds
Additions:	
Contributions:	
Employer	\$ 2,612,350
Plan members	851,739
Total contributions	<u>3,464,089</u>
Investment income:	
Change in fair value of investments	3,914,693
Interest and dividends	2,116,162
Total investment income	<u>6,030,855</u>
Less investment expenses	<u>64,116</u>
Net investment income	<u>5,966,739</u>
Total additions	<u>9,430,828</u>
Deductions:	
Benefits	5,243,106
Administration	66,562
Total deductions	<u>5,309,668</u>
Change in net position	4,121,160
Net position restricted for pension and other post-retirement benefits:	
Beginning of year	<u>84,585,688</u>
End of year	<u>\$ 88,706,848</u>

See notes to financial statements.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: The City of Groton, Connecticut (the City) lies entirely within the Town of Groton (the Town) and covers an area of 3.06 square miles. The City operates under a Council-Mayor form of government as prescribed by its charter. The City provides the following services as authorized by its charter: utilities, public safety, public works, sanitation services and recreation.

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City's component unit is discretely presented component unit, which is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Bozrah Light and Power Company (the Company) has a June 30 year-end.

Discretely presented component unit: The Company is wholly owned by the City. The Company operates as an electric utility, purchasing power and selling it to consumers. It owns and maintains electric distribution facilities for the purpose of delivering electricity to others. The Company is subject to requirements of Chapter 101 of the Connecticut General Statutes (the Statutes), which sets forth the regulatory structure applicable to municipal electric utilities. Under Chapter 101, the City is permitted to realize an average rate of return on its investment of five to eight percent. Any excess revenues may be used for capital expansion, economic development or to effect a rate reduction for electric consumers. The information presented for the Company is for the year ended June 30, 2018.

Accounting standards adopted in the current year:

The Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, was implemented on July 1, 2017. This statement revised and established new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. Among other requirements, Statement No. 75 required governments to report a liability on the face of the financial statements for the OPEB that they provide: 1) Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. 2) Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. 3) Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. See Note 14.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following other fund types:

The **Internal Service Funds** account for risk financing activities for medical insurance benefits.

The **Trust Funds** account for the activities of the City of Groton Employees Retirement System and the OPEB, which accumulates resources for pension and OPEB benefit payments to qualified employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Electric Department and Water Department and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Department enterprise fund, of the Water Department enterprise fund, and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, liabilities, deferred outflows/inflows of resources and net position or equity:

Deposits and investments:

Cash and cash equivalents: The City's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at fair value. In general, the Statutes allow the City to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating services. For the Equipment Replacement Account, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

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

Fair value: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The City's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

See Note 3 for additional information regarding fair value.

Investments measured at the net asset value (NAV): Investments valued using the net asset value per share (or its equivalent) as a practical expedient are considered “alternative investments” and, unlike traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The City values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is determined from the most recently available valuation taking into account subsequent calls and distributions.

Receivables and payables:

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

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

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

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

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Asset Type</u>	<u>Years</u>
Buildings	25-67
Improvements	17-100
Vehicles and equipment	5-33
Roads	50
Sewer plant	30-40
Sewer distribution system	40-50
Station equipment	20
Electrical distribution system	17-25
Plant and pumping stations	50
Water distribution system	40-50

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports a deferred inflow of resources related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs.

These amounts are deferred and included in pension and OPEB expenses in a systematic and rational manner. The governmental funds report unavailable revenues from property taxes, interest on property taxes, and sewer use charges. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

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

The liability for sick leave occurs only at the time of retirement and only for employees other than utility employees. As of June 30, 2018, an estimate of future retirements has been recorded based upon years of service.

The Electric and Water Departments have recorded the liability for accumulated vacation. The Electric and Water Departments' vacation time is expensed as earned, as is the vacation time of governmental employees in the government-wide statements. The City's governmental employees' vacation time is recorded as expenditures as used in the government funds financial statements. Sick time for the City and Electric and Water Departments does not vest.

Long-term obligations: In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the current period.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Net pension liability (asset): The net pension liability (asset) is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability (asset) is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Net OPEB liability: The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability) The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The net OPEB liability is reported in the statement of net position. In the governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources.

Fund equity and net position: In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets: This category groups all capital assets, including infrastructure, into one component of net position, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted net position (deficits): This category represents the net position of the City, which are not restricted for any project or other purpose.

City of Groton, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Nonspendable fund balance: These amounts cannot be spent because they are not in spendable form.

Restricted fund balance: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Committed fund balance: This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Groton City Council is the highest level of decision making authority for the City and can commit fund balance through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until similar action is taken to remove or revise the limitation.

Assigned fund balance: These amounts are approved and committed to by the City Council subsequent to June 30. The balance also includes encumbrances assigned for goods and services.

Unassigned fund balance: includes residual positive fund balance within the general fund which has not been classified within the other abovementioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

Accounting estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

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

Bonds payable	\$ 9,503,000
Premium	648,246
Compensated absences	1,234,573
Net pension liability	2,022,564
Net OPEB liability	4,675,104
Heart and hypertension	32,025
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 18,115,512</u>

City of Groton, Connecticut

Notes to Financial Statements

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 2,219,494
Depreciation expense	<u>(1,050,421)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 677,692</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (5,998,000)
Premium	(453,874)
Principal repayments:	
General obligation debt	5,975,000
Amortization of bond premiums	53,511
Amortization of deferred items	<u>(19,498)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (442,861)</u>

City of Groton, Connecticut

Notes to Financial Statements

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

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

Changes in accrued liabilities for	
Compensated absences	\$ 171,406
Accrued interest	(161,866)
Net pension liability	648,166
Net OPEB liability	(4)
Heart and hypertension	17,071
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 674,773</u>

Note 3. Cash, Cash Equivalents and Investments

Deposits: The City and the Pension Trust Funds do not have a policy for deposits. The City also does not have a custodial credit risk policy. However, as a practice, the City follows state statutes. The State of Connecticut (the State) requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

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

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

Concentration of credit risk: The City, including its Trust Funds, does not have a formal policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer. Approximately 10% of the City's investments are concentrated in mortgage-backed securities.

City of Groton, Connecticut

Notes to Financial Statements

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2018, \$41,154,666 of the entity's bank balance of \$47,007,406 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another

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

Cash and cash equivalents:

Deposits with financial institutions	\$ 50,764,282
Total cash and cash equivalents	50,764,282

Investments:

Pension and OPEB trust funds:

U.S. government bonds	8,374,885
Mortgage backed securities	3,997,064
Collateralized mortgage obligations	3,043,949
Fixed Income - non-profit	88,717
Partnerships	2,238,560
Corporate bonds	5,067,792
Foreign bonds	1,469,023
Common stocks	208,498
Foreign stocks	65,705
Mutual funds	
Equities and related securities	54,182,923
Fixed income	5,004,379
	83,741,495

Other governmental funds:

U.S. Government Bonds	128,460
Fixed Income Mutual Funds	46,814
Common Stock	299,595
Corporate Bonds	40,395
	515,264

Total investments	84,256,759
Total cash, cash equivalents and investments	\$ 135,021,041

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

City of Groton, Connecticut

Notes to Financial Statements

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

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

Statement of net position:

Cash and cash equivalents	\$ 45,160,323
Restricted cash	60,000
Investments	515,264
Total statement of net position	<u>45,735,587</u>

Fiduciary funds:

Cash and cash equivalents	5,543,959
Investments	83,741,495
Total cash, cash equivalents and investments	<u><u>\$ 135,021,041</u></u>

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	5-10 Years	Over 10 Years
U.S. Government bonds	\$ 8,503,345	\$ 1,602,458	\$ 3,276,318	\$ 1,796,971	\$ 1,827,598
Collateralized mortgage obligations	3,043,949	-	-	-	3,043,949
Mortgage-backed securities	3,997,064	-	-	3,997,064	-
Fixed Income - non-profit	88,717	-	-	-	88,717
Corporate bonds	5,108,187	-	1,528,116	2,323,423	1,256,648
Foreign bonds	1,469,023	18,178	794,145	361,715	294,985
Fixed income mutual funds	5,051,193	-	-	-	5,051,193
Total	<u>\$ 27,261,478</u>	<u>\$ 1,620,636</u>	<u>\$ 5,598,579</u>	<u>\$ 8,479,173</u>	<u>\$11,563,090</u>

City of Groton, Connecticut

Notes to Financial Statements

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

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment as of June 30, 2018:

Average Rating	Mortgage-Backed Securities	Collateralized Mortgage Obligation	Corporate Bonds	Foreign Bonds
AAA	\$ -	\$ -	\$ -	\$ -
AA+	-	-	-	-
AA	-	-	-	201,892
AA-	-	-	14,119	-
A+	-	-	91,913	323,483
A	-	-	12,787	245,823
A-	-	-	642,892	421,320
BBB+	-	-	669,802	129,511
BBB	-	-	1,008,666	109,816
BBB-	-	-	1,456,020	-
BB+	-	-	-	37,178
Unrated	3,997,064	3,043,949	1,211,988	-
	<u>\$ 3,997,064</u>	<u>\$ 3,043,949</u>	<u>\$ 5,108,187</u>	<u>\$ 1,469,023</u>

City of Groton, Connecticut

Notes to Financial Statements

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

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements Using			
	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level:				
Stocks	\$ 573,798	\$ 573,798	\$ -	\$ -
Mutual funds	59,234,116	59,234,116	-	-
Debt securities:				
U.S. Government Bonds	8,503,345	-	8,503,345	-
Corporate bonds	5,108,187	-	5,108,187	-
Asset and mortgage backed	3,997,064	-	3,997,064	-
Collateralized mortgage obligations	3,043,949	-	3,043,949	-
Other bonds	1,557,740	-	1,557,740	-
Total debt securities	22,210,285	59,234,116	22,210,285	-
Total investments by fair value level	82,018,199	59,234,116	22,210,285	-
Investments measured at the net asset level (NAV):				
Partnerships	2,238,560			
Total investments measured at the NAV	2,238,560			
Total investments measured at fair value	\$ 84,256,759			

Partnerships: These limited partnerships provide for the portfolio exposure to private companies through equity and/or debt investments. Fund managers invest in private companies with the goal of enhancing value over the long-term.

City of Groton, Connecticut

Notes to Financial Statements

Note 4. Unearned Revenue/Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue/deferred inflows of resources were as follows:

	Deferred Inflows	Unearned Revenue
General fund:		
Taxes and accrued interest on delinquent property taxes	\$ 48,077	\$ -
Equipment Replacement fund:		
Intergovernmental revenue	-	195,460
Other nonmajor governmental funds:		
Intergovernmental revenue	-	58,800
	<u>\$ 48,077</u>	<u>\$ 254,260</u>

Note 5. Interfund Balances and Interfund Transfers

Interfund balances: A summary of interfund balances as of June 30, 2018 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 62,406	\$ 3,213,380
Equipment Replacement Fund	3,130,496	21,487
Nonmajor funds	107,158	53,654
Proprietary funds	2,261,914	2,273,453
Total	<u>\$ 5,561,974</u>	<u>\$ 5,561,974</u>

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

Interfund transfers: A summary of interfund transfers for the year ended June 30, 2018 is as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 4,086,162	\$ -
Special Revenue Funds	-	15,000
Proprietary funds	-	4,071,162
Total	<u>\$ 4,086,162</u>	<u>\$ 4,086,162</u>

Transfers are used to account for the financing by the General Fund of electric utilities and miscellaneous special revenue funds.

City of Groton, Connecticut

Notes to Financial Statements

Note 6. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,789,257	\$ -	\$ -	\$ 3,789,257
Construction in progress	6,257,716	1,270,267	6,173,695	1,354,288
Total capital assets, not being depreciated	10,046,973	1,270,267	6,173,695	5,143,545
Capital assets, being depreciated:				
Land improvements	1,774,568	24,000	-	1,798,568
Buildings and improvements	13,343,674	6,146,571	552,305	18,937,940
Machinery and equipment	3,918,171	108,111	12,000	4,014,282
Vehicles	5,633,120	844,240	232,999	6,244,361
Infrastructure	18,071,770	-	-	18,071,770
Total capital assets being depreciated	42,741,303	7,122,922	797,304	49,066,921
Less accumulated depreciation for:				
Land improvements	651,280	72,062	-	723,342
Buildings and improvements	7,741,746	345,213	-	8,086,959
Machinery and equipment	3,439,387	56,774	11,120	3,485,041
Vehicles	3,746,586	278,591	294,803	3,730,374
Infrastructure	7,136,667	297,781	-	7,434,448
Total accumulated depreciation	22,715,666	1,050,421	305,923	23,460,164
Total capital assets, being depreciated, net	20,025,637	6,072,501	491,381	25,606,757
Governmental activities capital assets, net	\$ 30,072,610	\$ 7,342,768	\$ 6,665,076	\$ 30,750,302

City of Groton, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,840,487	\$ -	\$ -	\$ 2,840,487
Construction in progress	10,161,682	18,451,860	11,871,514	16,742,028
Total capital assets, not being depreciated	13,002,169	18,451,860	11,871,514	19,582,515
Capital assets, being depreciated:				
Buildings and improvements	8,126,598	32,522	-	8,159,120
Station equipment	22,029,892	813,338	358,828	22,484,402
Electric distribution system	39,760,292	3,436,882	187,048	43,010,126
Plant and pumping stations	10,827,075	-	54,450	10,772,625
Water distribution system	26,543,966	1,411,794	-	27,955,760
Machinery and equipment	7,364,234	798,503	-	8,162,737
Vehicles	3,699,980	325,226	145,972	3,879,234
Total capital assets, being depreciated	118,352,037	6,818,265	746,298	124,424,004
Less accumulated depreciation for:				
Buildings and improvements	4,460,469	166,240	-	4,626,709
Station equipment	13,874,555	453,269	285,694	14,042,130
Electric distribution system	21,538,165	1,021,193	57,720	22,501,638
Plant and pumping stations	7,316,221	-	64,457	7,251,764
Water distribution system	9,390,445	602,751	(10,004)	10,003,200
Machinery and equipment	6,210,156	423,341	-	6,633,497
Vehicles	3,059,711	213,416	145,972	3,127,155
Total accumulated depreciation	65,849,722	2,880,210	543,839	68,186,093
Total capital assets, being depreciated, net	52,502,315	3,938,055	202,459	56,237,911
Business-type activities capital assets, net	\$ 65,504,484	\$ 22,389,915	\$ 12,073,973	\$ 75,820,426

City of Groton, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 62,286
Public safety	188,270
Public works	716,388
Recreation	83,477
Total depreciation expense – governmental activities	<u>\$ 1,050,421</u>

Business-type activities:	
Electric department	\$ 1,948,844
Water system	931,366
Total depreciation expense – business-type activities	<u>\$ 2,880,210</u>

Discretely presented component units: Activity for Bozrah Light and Power Company for the year ended June 30, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land and land rights	\$ 67,706	\$ -	\$ -	\$ 67,706
Intangibles	4,711	-	-	4,711
Construction in progress	712,379	818,525	1,060,648	470,256
Total capital assets not being depreciated	<u>784,796</u>	<u>818,525</u>	<u>1,060,648</u>	<u>542,673</u>
Capital assets being depreciated				
Buildings and improvements	390,615	-	-	390,615
Electric distribution system	16,225,500	986,125	155,168	17,056,457
Machinery and equipment	443,991	-	-	443,991
Vehicles	756,791	-	20,750	736,041
Total capital assets, being depreciated	<u>17,816,897</u>	<u>986,125</u>	<u>175,918</u>	<u>18,627,104</u>
Less accumulated depreciation for				
Building and improvements	288,746	7,624	-	296,370
Electric distribution system	6,713,168	528,897	155,075	7,086,990
Machinery and equipment	418,016	1,123	-	419,139
Vehicles	274,978	65,828	20,750	320,056
Total accumulated depreciation	<u>7,694,908</u>	<u>603,472</u>	<u>175,825</u>	<u>8,122,555</u>
Total capital assets, being depreciated, net	<u>10,121,989</u>	<u>382,653</u>	<u>93</u>	<u>10,504,549</u>
Governmental activities capital assets, net	<u>\$ 10,906,785</u>	<u>\$ 1,201,178</u>	<u>\$ 1,060,741</u>	<u>\$ 11,047,222</u>

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations

A summary of changes in outstanding long-term debt during the year ended June 30, 2018 is as follows:

Governmental activities:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Bonds									
General	\$ 849,000	10/08/09	07/15/22	1.75%-5.00%	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
General	1,725,000	10/01/09	10/01/29	1.75%-5.00%	920,000	-	115,000	805,000	115,000
General	3,115,000	4/18/13	4/1/33	3.00%-5.00%	2,515,000	-	150,000	2,365,000	150,000
General	85,000	7/19/14	10/1/17	1.00%-5.00%	85,000	-	85,000	-	-
Sewer BANS	5,500,000	9/27/16	10/4/17	3.60%-4.00%	5,500,000	-	5,500,000	-	-
Sewer	460,000	4/8/13	4/1/33	3.00%-5.00%	360,000	-	25,000	335,000	25,000
Sewer Treatment	5,998,000	10/04/2017	10/01/2037	2.25%-5.00%	-	5,998,000	-	5,998,000	300,000
					9,480,000	5,998,000	5,975,000	9,503,000	590,000
Premiums					247,883	453,874	53,511	648,246	-
Total bonds					9,727,883	6,451,874	6,028,511	10,151,246	590,000
Compensated absences					1,405,979	859,807	1,031,213	1,234,573	246,915
Net pension liability					2,670,730	-	648,166	2,022,564	-
Net OPEB liability*					4,675,100	4	-	4,675,104	-
Heart and Hypertension					49,096	-	17,071	32,025	18,000
Total governmental activities long-term liabilities					\$ 18,528,788	\$ 13,763,559	\$ 7,724,961	\$ 18,115,512	\$ 854,915

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

Business-type activities:

Purpose	Original Amount	Date of Issue	Date of -	Interest Rate	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Bonds									
Electric bonds	\$ 5,640,000	10/08/09	07/15/22	1.75%-5.00%	\$ 2,950,000	\$ -	\$ 505,000	\$ 2,445,000	\$ 500,000
Electric bonds	5,800,000	10/01/09	10/01/29	1.75%-5.00%	3,770,000	-	290,000	3,480,000	290,000
Electric bonds	1,845,000	4/18/13	4/1/33	3.00%-5.00%	1,465,000	-	95,000	1,370,000	95,000
Electric bonds	4,300,000	7/9/14	10/1/27	1.00%-5.00%	3,925,000	-	395,000	3,530,000	405,000
Electric bonds	9,158,000	10/4/17	10/01/37	2.25%-5.00%	-	9,158,000	-	9,158,000	459,000
Electric BANs	6,025,000	9/27/16	10/4/17	3.60%-4.00%	6,025,000	-	6,025,000	-	-
Electric bonds BLP	1,284,000	10/4/17	10/01/37	2.25%-5.00%	-	1,284,000	-	1,284,000	64,000
Telecommunication	13,875,000	4/18/13	4/1/33	3.00%-5.00%	11,160,000	-	775,000	10,385,000	800,000
Telecommunication	5,520,000	7/9/14	10/1/27	1.00%-5.00%	5,425,000	-	530,000	4,895,000	510,000
Telecommunication	3,595,000	7/9/14	10/1/27	1.00%-5.00%	2,710,000	-	420,000	2,290,000	410,000
					<u>37,430,000</u>	<u>10,442,000</u>	<u>9,035,000</u>	<u>38,837,000</u>	<u>3,533,000</u>
Premiums					2,028,681	692,994	282,480	2,439,195	-
Total bonds					<u>39,458,681</u>	<u>11,134,994</u>	<u>9,317,480</u>	<u>41,276,195</u>	<u>3,533,000</u>
Note payable					2,797,600	-	200,400	2,597,200	200,400
Net pension liability					1,825,085	-	442,934	1,382,151	-
Net OPEB liability*					3,689,359	4	-	3,689,363	-
Total electric long-term obligations					<u>47,770,725</u>	<u>11,134,998</u>	<u>9,960,814</u>	<u>48,944,909</u>	<u>3,733,400</u>
Water									
Water bonds	1,656,000	10/08/09	07/15/22	1.75%-5.00%	595,000	-	160,000	435,000	155,000
Water bonds	2,460,000	4/18/13	4/01/33	3.00%-5.00%	1,960,000	-	125,000	1,835,000	125,000
Water bonds	1,755,000	7/09/14	10/01/27	1.00%-5.00%	1,615,000	-	155,000	1,460,000	160,000
Water bonds	5,525,000	10/04/17	10/01/37	2.25%-5.00%	-	5,525,000	-	5,525,000	277,000
Water BANs	2,600,000	9/27/16	10/04/17	3.60%-4.00%	2,600,000	-	2,600,000	-	-
					<u>6,770,000</u>	<u>5,525,000</u>	<u>3,040,000</u>	<u>9,255,000</u>	<u>717,000</u>
Premiums					279,590	418,081	46,740	650,931	-
Total bonds					<u>7,049,590</u>	<u>5,943,081</u>	<u>3,086,740</u>	<u>9,905,931</u>	<u>717,000</u>
Net pension liability					768,457	-	186,499	581,958	-
Net OPEB liability*					1,821,718	2	-	1,821,720	-
DWSRF Interim Loan	39,000,000	10/4/17			-	5,837,360	-	5,837,360	-
Total water long-term obligations					<u>9,639,765</u>	<u>11,780,443</u>	<u>3,273,239</u>	<u>18,146,969</u>	<u>717,000</u>
Total business-type long-term liabilities					<u>\$ 57,410,490</u>	<u>\$ 22,915,441</u>	<u>\$ 13,234,053</u>	<u>\$ 67,091,878</u>	<u>\$ 4,450,400</u>

* Restated for GASB 75

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

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

The annual requirements to amortize all bonded debt outstanding as of June 30, were as follows:

Year Ending June 30	General Fund				Enterprise Fund				Total Payments
	General Government Principal Payments	General Government Interest Payments	Sewer Principal Payments	Sewer Interest Payments	Electric Principal Payments	Electric Interest Payments	Water Principal Payments	Water Interest Payments	
2019	\$ 265,000	\$ 118,706	\$ 325,000	\$ 360,629	\$ 3,533,000	\$ 1,663,725	\$ 717,000	\$ 461,841	\$ 7,444,901
2020	265,000	109,400	323,000	227,650	3,536,000	1,329,445	646,000	325,300	6,761,795
2021	265,000	98,800	325,000	211,700	3,572,000	1,188,120	648,000	296,650	6,605,270
2022	270,000	85,838	325,000	195,450	3,598,000	1,029,555	647,000	266,200	6,417,043
2023	275,000	73,775	325,000	179,200	3,603,000	875,425	637,000	236,488	6,204,888
2024-2028	1,030,000	226,225	1,610,000	657,050	13,765,000	2,463,574	2,600,000	792,555	23,144,404
Thereafter	800,000	77,400	3,100,000	461,362	7,230,000	880,813	3,360,000	473,602	16,383,177
	<u>\$ 3,170,000</u>	<u>\$ 790,144</u>	<u>\$ 6,333,000</u>	<u>\$ 2,293,041</u>	<u>\$ 38,837,000</u>	<u>\$ 9,430,657</u>	<u>\$ 9,255,000</u>	<u>\$ 2,852,636</u>	<u>\$ 72,961,478</u>

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

Note payable: The City has a note payable to the Connecticut Municipal Electric Energy Cooperative's (CMEEC) Rate Stabilization Fund Trust. The proceeds were loaned to the Company, a discretely presented component unit, which were used to fund upgrades to its Stockhouse Road Substation. The Company will pay back the loan directly to CMEEC with a 4.5% interest rate per annum. Payment of principal became required when construction was completed in October 2011. The loan's principal balance is \$2,597,200. The City's Electric Utility has a corresponding note receivable at 4.5% interest, which is included in "Due From Component Units".

Statutory debt limitation: The City's indebtedness does not exceed the legal debt limitations as required by the Statutes as reflected in the following schedule:

Category	Debt Limit	Total	
		Indebtedness	Balance
General purpose	\$ 14,109,030	\$ 4,024,189	\$ 10,084,841
Sewers	\$ 23,515,050	\$ 6,439,000	\$ 17,076,050

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$43,894,760.

City of Groton, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

The total indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

Authorized/unissued bonds: The following is a summary of authorized/unissued bonds:

Description	Bonds Authorized	Cumulative Bonded, Rescinded Or Paid	Bonds Unissued
Improvements:			
Beach and parks	\$ 1,500,000	\$ 1,085,000	\$ 415,000
Land purchase	1,160,000	880,000	280,000
Fire department enhancement program	1,727,500	1,725,000	2,500
Public improvements	2,461,689	2,305,000	156,689
Systems:			
Water	70,589,000	13,756,800	56,832,200
Electric	50,955,569	39,536,700	11,418,869
Sewer	6,309,000	6,203,000	106,000
	<u>\$134,702,758</u>	<u>\$ 65,491,500</u>	<u>\$ 69,211,258</u>

Accrued liabilities, primarily compensated absences: The City accrues compensated absences as they are earned by employees if the leave is attributable to past service and it is probable that the employer will compensate the employee by cash payments at termination or retirement. The amount of this estimated obligation at June 30, 2018 is recorded in the government-wide statements since the benefits are to be funded from future financial resources and will be paid from the general fund. Compensated absences were \$1,234,573 at June 30, 2018.

Heart and Hypertension: The amount recorded for heart and hypertension liability is for employees or spouses who have retired on a disability pension under state statutes relating to heart or hypertension health issues. Payments are made over a period of years based upon the settlement agreement.

Note 8. Risk Management

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

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

City of Groton, Connecticut

Notes to Financial Statements

Note 8. Risk Management (Continued)

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

In addition, the City has established an Internal Service Fund to reduce the cost of commercial insurance by raising the deductibles on the policies purchased. The City charges its departments premiums based on historical data.

Health insurance premiums are based upon estimates by number of employees and type of coverage (single or family), trends in the insurance claims and estimates for administration. The claims liability reported in the fund, is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2017	\$ 370,000	\$ 3,482,602	\$ 3,450,602	\$ 402,000
2018	\$ 402,000	\$ 3,773,717	\$ 3,808,717	\$ 367,000

Such amounts are reported as a component of accounts payable and accrued liabilities in the statement of net position.

The City currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Statutes for workers' compensation and employer liability coverage. CIRMA currently has 218 members in the workers' compensation pool. The City pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$750,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

The City purchases commercial insurance for all other risks of loss, including blanket and umbrella Policies. Settled claims have not exceeded commercial coverage in any of the past three years. There have not been any significant reductions in insurance coverage from the amounts held in prior years

Note 9. Related Party Transactions

CMEEC: The Board of Directors of the Electric Department's present wholesale electric supplier, CMEEC, consists of two representatives from each of the municipalities which created CMEEC. The representatives for the City of Groton are the Electric Department's Director/Utility Commissioner and another member of the Utility Commission. The amount of power purchased from the wholesale supplier for the fiscal year ended June 30, 2018 is \$33,122,248.

City of Groton, Connecticut

Notes to Financial Statements

Note 9. Related Party Transactions (Continued)

As part of the City's contract with CMEEC, the members agreed to proportionally share in the benefits and detriments resulting from the changes in load from the base assumptions set forth in the contract as a single integrated participant in the New England Power Pool. Amounts are computed annually, based upon nonfuel revenues, less any direct and assigned nonfuel expenses.

In March of 2003, the Board of Directors of CMEEC formed a Municipal Competitive Trust for the purpose to accumulate funds to be applied to fixed cost obligations (debt defeasance) and rate stabilization (rate support) to ensure competitive margins in rates and to mitigate any negative impacts to customers as a result of the restructuring of the electric industry in Connecticut and restructuring of power supply markets. Rate stabilization funds are held with CMEEC and are deferred revenue to be applied against future power costs unless changed by regulators. The rates and amortization of the deferred revenue are included in the rate setting policies approved by regulators. Each beneficiary (member) has an account and sub accounts within the trust, and no beneficiary shall have any interest in any account or sub account of any other beneficiary.

Major taxpayers/customers: The City's two major taxpayers account for approximately 53.1% of the October 1, 2016 Grand List.

The two taxpayers and a third customer also account for approximately 37.5% of the Electric Department revenues and approximately 25.6% of the Water Department revenues.

Note 10. Contingencies and Commitments

Lawsuits: There are several personal injury and negligence lawsuits pending against the City. The City's management, based upon consultation with legal counsel, estimates that potential claims against the City resulting from such litigation would not have a material adverse effect on the financial position of the City.

Commitments: The City Council authorized and directed either the Chairman of the Utility Commission or Director of Utilities to execute and deliver a "Power Sales Contract for the Supply of Electric Power and Energy Cooperative". Such a contract was entered into on December 1, 1979. The contract contains at least the following provisions:

1. Term of the contract - 50 years commencing with date executed.
2. "Participant" shall not, after the date of the contract, execute or adopt any instrument securing bonds, notes or other indebtedness payable from and secured by a lien on the net revenues derived from the ownership or operation of its electric system unless such instrument provides that any payments to be made under the contract shall be payable as operating expenses of such electric system.

The Company has a power purchase agreement with CMEEC for interruptible power to supply a major customer, Airgas Merchant Gases, Inc. The agreement, which runs through December 31, 2020, is based on customer usage. The Company has contracted with CMEEC to purchase its full requirements for electric capacity and energy from CMEEC.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits

Retirement Plan for the Employees of the City:

Plan description: The City is the administrator of a single-employer, contributory, defined benefit plan established and administered by the City to provide pension benefits for its employees. The pension plan is considered to be part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. The fund's pooled investments may be used to pay benefits to members or beneficiaries of all employee groups. The plan does not issue a stand-alone financial report.

Classes of employees covered: Based upon the actuarial valuation dated July 1, 2017, membership consisted of:

	City	Police	Fire	Utilities	Total
Inactive employees or beneficiaries currently receiving benefits	36	29	14	59	138
Inactive employees entitled to, but not yet receiving benefits	11	6	-	10	27
Active employees	47	24	17	104	192
	<u>94</u>	<u>59</u>	<u>31</u>	<u>173</u>	<u>357</u>

Benefit provisions: The plan covers all City employees. Employees are fully vested after five (5) years of service, except police, firefighters and utilities union are vested after ten (10) years of service. If an employee leaves covered employment or dies before being vested, accumulated employee contributions and related investment earnings are refunded. Benefits and contributions are established by collective bargaining and may be amended only by the City Council.

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

- 2.10% City and utility non-union excluding management and steelworkers
- 2.10% for utility AFSCME – 007 and utility AFSCME – 818, AFSCME-135, CSEA 91
- 2.67% for police and firefighters with a maximum benefit of 80%
- 2.30% for City and utility non-union management

Average annual compensation is the highest three consecutive years for police and firefighters, and five consecutive years for all other groups.

Contributions: The City's contributions are actuarially determined on an annual basis using the project unit credit method. Contributions from the general, electric and water funds are recognized when due. Administrative costs are generally financed through investment earnings.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Employee contributions are required as follows:

- 5.2% of pay for City and utility non-union employees
- 5.5% of pay for Other City and Utility Union employees
- 5.8% of pay for Utility AFSCME007 employees
- 6.0% of pay for steelworkers – CSEA 91, AFSCME-135, AFSCME-818
- 8.25% of pay for police and fire (fire for the first 30 years of service)

The City’s contributions for the current year were determined as part of the July 1, 2017 actuarial valuation. Actuarial assumptions are summarized later in this note.

Assumed rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan’s target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Pension Funds	Weighting
		Long-Term Expected Real Rate of Return	
U.S. large cap core equity	27%	4.00%	1.08%
U.S. mid cap core equity	7%	4.60%	0.32%
U.S. small cap core equity	7%	5.10%	0.36%
Developed international equity	13%	6.10%	0.79%
Emerging market international equity	4%	8.30%	0.33%
Global Real Estate Investment Trusts	7%	5.20%	0.36%
Intermediate taxable fixed income	29%	1.20%	0.35%
High-yield taxable fixed income	4%	3.50%	0.14%
Cash equivalents	2%	-0.20%	0.00%
	<u>100%</u>		<u>3.73%</u>
Long- term inflation expectation			<u>2.50%</u>
Long-term expected nominal return			<u><u>6.23%</u></u>

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Net pension liability of the City: The components of the net pension liability of the City at June 30, were as follows:

<u>Net Pension Liability</u>	<u>June 30, 2018</u>
Total pension liability	\$ 86,575,627
Plan fiduciary net position	82,588,954
Net pension liability	<u>\$ 3,986,673</u>
Plan fiduciary net position as a percentage of total pension liability	95.40%
Covered payroll	\$ 14,763,245
Net pension liability as a % of covered payroll	27.00%

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2017, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2018.

Other key actuarial assumptions:

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Inflation	2.75%
Salary increases including inflation	3.50%
Mortality	RP-2014 Mortality Table adjusted to Total Dataset Mortality Table projected to valuation date with Scale MP-2017.
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial Value of Assets, as developed over a five-year, 20% per year recognition period.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2000 through July 1, 2006 updated to reflect experience from 2007 to 2013.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Sensitivity analysis: The following table presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% point lower (6.25%) or 1.0% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability (asset) as of June 30, 2018	\$ 14,115,073	\$ 3,986,673	\$ (4,535,903)

Changes in the Net Pension Liability

	City Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 84,663,011	\$ 79,398,739	\$ 5,264,272
Changes for the year:			
Service cost	1,712,955	-	1,712,955
Interest	6,099,703	-	6,099,703
Differences between expected and actual experiences	(1,360,984)	-	(1,360,984)
Change of assumptions	25,042	-	25,042
Contributions - employer	-	1,346,461	(1,346,461)
Contributions - members	-	851,739	(851,739)
Net investment income	-	5,617,560	(5,617,560)
Benefit payments, including refunds of employee contributions	(4,564,100)	(4,564,100)	-
Administrative expense	-	(61,445)	61,445
Net changes	1,912,616	3,190,215	(1,277,599)
Balances at June 30, 2018	\$ 86,575,627	\$ 82,588,954	\$ 3,986,673

Deferred outflows and inflows: For fiscal year ended June 30, 2018, the recognized pension expense is \$2,931,772. As of June 30, 2018, deferred outflows and deferred inflows of resources related to pensions are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 533,207	\$ (1,283,155)	\$ (749,948)
Change of assumptions	1,224,883	-	1,224,883
Net difference between projected and actual earnings on pension plan investments	1,357,524	-	1,357,524
	\$ 3,115,614	\$ (1,283,155)	\$ 1,832,459

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2019	\$ 1,579,367
2020	641,831
2021	(320,751)
2022	103,680
2023	(128,576)
Thereafter	(43,092)
	<u>\$ 1,832,459</u>

Other Post-Employment Benefits (OPEB):

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

The valuation date is July 1, 2017. The measurement date is June 30, 2018, which was based on a roll forward of the July 1, 2017 valuation. The net OPEB liability is report at the measurement date of June 30, 2018.

Participant counts: Based upon the actuarial valuation dated July 1, 2017, participants consisted of:

	City	Police	Fire	Utilities	Total
Retirees and beneficiaries	18	11	1	17	47
Active participants	47	24	17	104	192
	<u>65</u>	<u>35</u>	<u>18</u>	<u>121</u>	<u>239</u>

Benefit provisions: The City plan provides for medical and life insurance benefits for all eligible City retirees. Employees are fully vested after five (5) years of service, except police and firefighters are vested after twenty-five (25) years of service. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from current operations.

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Actuarial assumptions are as follows:

Valuation date:	July 1, 2017
Actuarial cost method:	Entry Age Normal Cost
Amortization method:	30 years, level dollar, open
Asset valuation method:	Fair value
Actuarial assumptions:	
Investment rate of return:	7.0%
Discount rate:	7.0%
Inflation rate:	2.6%
Healthcare cost trend rates:	7.6% decreasing to 4.6%

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2000 through July 1, 2006 updated to reflect experience from 2007 to 2013.

Change in assumptions: The valuation reflects changes in the assumptions from the previous valuation.

Investment rate of return prior 7.5% to current 7.0%
Inflation prior 2.75%, current 2.60%
Healthcare cost trend rates – prior 7.75% to final 4.75%, current 7.6% decreasing to 4.6%

Investment policy: The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was as follows. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	<u>OPEB Plan</u>
Rate of return	6.63%

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Net OPEB liability: The components of the net OPEB liability at June 30, were as follows:

Net OPEB Liability as of June 30, 2018	OPEB Plan
Total OPEB liability	\$ 16,304,081
Plan fiduciary net position	6,117,894
Net OPEB liability	10,186,187
Plan fiduciary net position as a percentage of total OPEB liability	37.52%
Covered Payroll	\$ 16,246,112
Net OPEB liability as a % of covered payroll	62.70%

Changes in the Net OPEB Liability

	City OPEB		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 15,373,125	\$ 5,186,949	\$ 10,186,176
Changes for the year:			
Service cost	501,305	-	501,305
Interest	1,165,580	-	1,165,580
Change of benefit terms	(948,932)	-	(948,932)
Differences between expected and actual experiences	(280,105)	-	(280,105)
Change of assumptions	1,172,114	-	1,172,114
Contributions - employer	-	1,265,889	(1,265,889)
Net investment income	-	344,062	(344,062)
Benefit payments, including refunds of employee contributions	(679,006)	(679,006)	-
Net changes	930,956	930,945	11
Balances at June 30, 2018	\$ 16,304,081	\$ 6,117,894	\$ 10,186,187

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Assumed rate of return: The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of the real rates of returns for each major asset class are included in the OPEB plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018, and the final vestment return assumption, are summarized in the following table:

Asset Class	Allocation	Long-Term Expected Real Rate of Return	Weighting
U.S. Large Cap Core Equity	28.00%	4.00%	1.12%
U.S. Mid Cap Core Equity	7.00%	4.60%	0.32%
U.S. Small Cap Core Equity	7.00%	5.10%	0.36%
Developed International Equity	13.00%	6.10%	0.79%
Emerging Market International Equity	6.00%	8.30%	0.50%
Global REITs	4.00%	5.20%	0.21%
Intermediate Taxable Fixed Income	29.00%	1.20%	0.35%
High-Yield Taxable Fixed Income	4.00%	3.50%	0.14%
Cash Equivalents	2.00%	0.20%	0.00%
	<u>100.00%</u>		<u>3.79%</u>
Long-Term Inflation Expectation			<u>2.60%</u>
Long-term Expected Nominal Return			<u>6.39%</u>

Discount rate: The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Also, based on the net position of the plans and contribution policies, it was assumed the plan's projected fiduciary net position would be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rates of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1.0% Decrease (6.6% decreasing to 3.6%)	Healthcare Cost Trend Rates (7.6% decreasing to 4.6%)	1.0% Increase (8.6% decreasing to 5.6%)
Net OPEB liability as of June 30, 2018	\$ 8,516,556	\$ 10,186,187	\$ 12,188,047

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Sensitivity of estimates used in calculating the net OPEB liability: The following presents the net OPEB liability, calculated using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the rate utilized.

Net OPEB Liability	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
OPEB Plan	\$ 11,945,256	\$ 10,186,187	\$ 8,679,796

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2018, the City recognized OPEB expense of \$401,727. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ -	\$ (254,641)	\$ (254,641)
Change of assumptions	1,065,558	-	1,065,558
Net difference between projected and actual earnings on pension plan investments	53,256	-	53,256
	\$ 1,118,814	\$ (254,641)	\$ 864,173

Amounts reported in deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2019	\$ 94,406
2020	94,406
2021	94,406
2022	94,406
2023	81,092
Thereafter	405,457
	\$ 864,173

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

Separate plan financial information:

	Schedule of Plan Net Position - Trust Funds		
	As of June 30, 2018		
	Pension	OPEB	Total Trust Funds
Assets			
Cash	\$ 4,707,630	\$ 836,329	\$ 5,543,959
Investments, at fair value:			
U.S. government bonds	8,374,885	-	8,374,885
Mortgage backed securities	3,997,064	-	3,997,064
Collateralized mortgage obligations	3,043,949	-	3,043,949
Fixed Income - non-profit	88,717	-	88,717
Partnerships	2,238,560	-	2,238,560
Corporate bonds	5,067,792	-	5,067,792
Foreign bonds	1,469,023	-	1,469,023
Common stocks	208,498	-	208,498
Foreign stocks	65,705	-	65,705
Mutual funds			
Equities and related securities	50,474,794	3,708,129	54,182,923
Fixed income	3,284,020	1,720,359	5,004,379
Total investments	78,313,007	5,428,488	83,741,495
Accrued interest	116,568	-	116,568
Total assets	83,137,205	6,264,817	89,402,022
Liabilities			
Pending purchases	548,251	146,923	695,174
Total liabilities	548,251	146,923	695,174
Net position – restricted for pension benefits and other	\$ 82,588,954	\$ 6,117,894	\$ 88,706,848

City of Groton, Connecticut

Notes to Financial Statements

Note 11. Employee Retirement Plans and Other Post-Employment Benefits (Continued)

	Schedule of Changes in Plan Net Position - Trust Funds For the Year Ended June 30, 2018		
	Pension	OPEB	Total Trust Funds
Additions:			
Contributions:			
Employer	\$ 1,346,461	\$ 1,265,889	\$ 2,612,350
Plan members	851,739	-	851,739
Total contributions	2,198,200	1,265,889	3,464,089
Investment income:			
Change in fair value of investments	3,678,162	236,531	3,914,693
Interest and dividends	2,000,304	115,858	2,116,162
Total investment income	5,678,466	352,389	6,030,855
Less investment expenses	60,906	3,210	64,116
Net investment income	5,617,560	349,179	5,966,739
Total additions	7,815,760	1,615,068	9,430,828
Deductions:			
Benefits	4,564,100	679,006	5,243,106
Administration	61,445	5,117	66,562
Total deductions	4,625,545	684,123	5,309,668
Change in net position	3,190,215	930,945	4,121,160
Net position:			
Beginning of year	79,398,739	5,186,949	84,585,688
End of year	\$ 82,588,954	\$ 6,117,894	\$ 88,706,848

City of Groton, Connecticut

Notes to Financial Statements

Note 12. Fund Balances (Deficits)

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

	Major Funds		Nonmajor Governmental Funds
	General Fund	Equipment Replacement	
Fund balances (deficits)			
Non-spendable:			
Inventory	\$ 11,725	\$ -	\$ -
Total non-spendable	<u>11,725</u>		<u>-</u>
Restricted:			
Public safety	-	-	38,887
Public works	-	-	793,407
Capital outlay	-	4,346,875	60,962
Total restricted	<u>-</u>	<u>4,346,875</u>	<u>893,256</u>
Committed:			
General government	201,474		-
Total committed	<u>201,474</u>		<u>-</u>
Assigned:			
Subsequent years budget	400,000	-	-
Total assigned	<u>400,000</u>		<u>-</u>
Unassigned:			
General government	5,060,583	-	-
Public works	-	-	(23,653)
Total unassigned (deficit)	<u>5,060,583</u>		<u>(23,653)</u>
Total fund balance	<u>\$ 5,673,782</u>	<u>\$ 4,346,875</u>	<u>\$ 869,603</u>

City of Groton, Connecticut

Notes to Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for reporting periods beginning after June 15, 2018. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in the statement. The City is aware of this statement and will assess its impact to ensure timely implementation.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City is aware of this statement and will assess its impact to ensure timely implementation.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, defines debt purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash, or other assets in lieu of cash, to settle a fixed amount established at the date of obligation. The statement requires additional information related to debt to be disclosed in the notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and specified terms in debt agreements related to significant events of default and the resulting financial consequences. The statement also requires disclosure be provided for direct borrowings and direct placements of debt separate from other forms of debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

City of Groton, Connecticut

Notes to Financial Statements

Note 14. Restatement for Adoption of New Accounting Standard

The City's financial statements have been restated as of June 30, 2017. The restatement is a result of the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Governmental Activities and Business Type Activities will show a restatement of net position for the beginning of the year net OPEB liability as follows:

	Governmental Activities	Electric Department	Water Department	Total
Net position, June 30, 2017, as previously reported	\$ 29,776,254	\$ 13,751,697	\$ 32,723,116	\$ 76,251,067
Remove: June 30, 2017 net OPEB obligation under GASB 45 before implementation of GASB Statement No. 75	466,008	622,735	507,451	1,596,194
Less: Implementation of GASB Statement No. 75: Beginning net OPEB liability for City OPEB Plan	(4,675,100)	(3,689,359)	(1,821,718)	(10,186,177)
Less: Implementation of GASB Statement No. 75: Beginning net OPEB liability for BLP OPEB Plan	-	(1,369,415)	-	(1,369,415)
Net position, June 30 2017, as restated	\$ 25,567,162	\$ 9,315,658	\$ 31,408,849	\$ 66,291,669

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**Required Supplementary
Information – Unaudited**

City of Groton, Connecticut

**Required Supplementary Information - unaudited
Schedule of Employer Contributions - Pension Trust Fund
Last Ten Fiscal Years**

	Schedule of Contributions									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,407,000	\$ 1,117,900	\$ 1,054,700	\$ 1,166,100	\$ 2,313,700	\$ 2,026,400	\$ 2,016,200	\$ 1,818,700	\$ 1,423,100	\$ 1,704,300
Contributions in relation to the actuarially determined contribution	1,346,461	1,147,616	1,213,572	1,479,095	1,362,750	1,726,093	1,790,134	1,779,312	1,787,483	1,798,260
Contribution deficiency (excess)	\$ 60,539	\$ (29,716)	\$ (158,872)	\$ (312,995)	\$ 950,950	\$ 300,307	\$ 226,066	\$ 39,388	\$ (364,383)	\$ (93,960)
Covered-employee payroll	\$ 14,763,245	\$ 14,714,020	\$ 14,851,967	\$ 15,356,366	\$ 15,121,066	\$ 15,121,066	\$ 16,321,691	\$ 15,891,574	\$ 15,551,655	\$ 15,672,642
Contributions as a percentage of covered-employee payroll	9.12%	7.80%	8.17%	9.63%	9.01%	11.42%	10.97%	11.20%	11.49%	11.47%

City of Groton, Connecticut

**Required Supplementary Information - unaudited
Schedule of Investment Returns- Pension Trust Fund
Last Five Fiscal Years***

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment income	7.17%	11.08%	1.01%	1.26%	14.97%

*Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

City of Groton, Connecticut

**Required Supplementary Information - unaudited
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Last Five Fiscal Years***

Changes in Net Pension Liability (Asset)	2018	2017	2016	2015	2014
Total pension liability :					
Interest on total pension liability	\$ 6,099,703	\$ 5,963,408	\$ 5,650,092	\$ 5,414,289	\$ 5,201,190
Service cost	1,712,955	1,609,260	1,581,277	1,548,634	1,496,265
Differences between expected and actual experience	(1,360,984)	775,575	(260,729)	(2,856)	-
Change of assumptions	25,042	614,842	1,450,755	-	-
Benefit payments, including refunds of member contributions	(4,564,100)	(4,372,215)	(4,175,013)	(3,978,282)	(3,886,877)
Changes of benefit terms	-	22,710	-	226,193	-
Net change in total pension liability	1,912,616	4,613,580	4,246,382	3,207,978	2,810,578
Total pension liability, beginning	84,663,011	80,049,431	75,803,049	72,595,071	69,784,493
Total pension liability ending (a)	86,575,627	84,663,011	80,049,431	75,803,049	72,595,071
Fiduciary net position:					
Employer contributions	\$ 1,346,461	\$ 1,147,616	\$ 1,213,572	\$ 1,479,095	\$ 1,362,750
Member contributions	851,739	826,649	900,394	886,610	643,617
Net investment income	5,617,560	8,024,806	747,797	942,516	10,500,769
Benefit payments	(4,564,100)	(4,372,215)	(4,175,013)	(3,978,282)	(3,886,877)
Administrative expenses	(61,445)	(45,000)	(48,210)	(24,676)	(39,131)
Net change in plan fiduciary net position	3,190,215	5,581,856	(1,361,460)	(694,737)	8,581,128
Fiduciary net position, beginning	79,398,739	73,816,883	75,178,343	75,873,080	67,291,952
Fiduciary net position, ending (b)	82,588,954	79,398,739	73,816,883	75,178,343	75,873,080
Net pension liability (asset), ending = (a) - (b)	\$ 3,986,673	\$ 5,264,272	\$ 6,232,548	\$ 624,706	\$ (3,278,009)
Fiduciary net position as a % of total pension liability	95.40%	93.78%	92.21%	99.18%	104.52%
Covered payroll	\$ 14,763,245	\$ 14,714,020	\$ 14,851,967	\$ 15,356,366	\$ 15,121,066
Net pension liability (asset) as a % of covered payroll	27.00%	35.78%	41.96%	4.07%	-21.68%

*Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

City of Groton, Connecticut

**Required Supplementary Information - unaudited
Schedule of Employer Contributions - OPEB Trust Fund
Last Two Fiscal Years***

Schedule of Contributions - OPEB Plan	2018	2017
Actuarially determined contribution	\$ 1,362,210	\$ 1,344,451
Contributions in relation to the actuarially determined contribution	<u>1,265,889</u>	<u>1,221,385</u>
Contribution deficiency (excess)	<u>\$ 96,321</u>	<u>\$ 123,066</u>
Covered-employee payroll	\$ 16,246,112	\$ 13,060,714
Contributions as a percentage of covered-employee payroll	7.79%	9.35%

*Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

City of Groton, Connecticut

**Required Supplementary Information - unaudited
Schedule of Changes in the City's OPEB Liability and Related Ratios
Last Two Fiscal Years***

Changes in Net OPEB Liability	OPEB Plan	
	2018	2017
Total OPEB liability:		
Service cost	\$ 501,305	\$ 489,066
Change of benefit terms	(948,932)	-
Interest	1,165,580	1,099,164
Differences between expected and actual experience	(280,105)	(124,086)
Changes in assumptions	1,172,114	-
Benefit payments, including refunds of member contributions	(679,006)	(625,491)
Net change in total OPEB liability	<u>930,956</u>	<u>838,653</u>
Total OPEB liability, beginning	<u>15,373,125</u>	<u>14,534,472</u>
Total OPEB liability, ending (a)	<u>16,304,081</u>	<u>15,373,125</u>
Fiduciary net position:		
Employer contributions	1,265,889	1,221,385
Investment (loss) income net of investment expenses	344,062	467,233
Benefit payments, including refunds of member contributions	(679,006)	(625,491)
Other		
Net change in plan fiduciary net position	<u>930,945</u>	<u>1,063,127</u>
Fiduciary net position, beginning	<u>5,186,949</u>	<u>4,123,822</u>
Fiduciary net position, ending (b)	<u>6,117,894</u>	<u>5,186,949</u>
Net OPEB liability, ending = (a) - (b)	<u>\$ 10,186,187</u>	<u>\$ 10,186,176</u>
Fiduciary net position as a % of total OPEB liability	37.52%	33.74%
Covered payroll	\$ 16,246,112	\$ 13,060,714
Net OPEB liability as a % of covered payroll	62.70%	77.99%

*Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

City of Groton, Connecticut

**Required Supplementary Information - unaudited
Schedule of Investment Returns - OPEB Trust Fund
Last Two Fiscal Years***

	2018	2017
Annual money-weighted rate of return, net of investment income	6.63%	11.00%

*Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

City of Groton, Connecticut

Required Supplementary Information - Unaudited
 Schedule of Revenues and Expenditures - Budget and Actual -
 Budgetary Basis - General Fund
 For the Year Ended June 30, 2018
 (Unaudited)

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 6,118,960	\$ 6,118,960	\$ 6,228,104	\$ 109,144
Intergovernmental	4,534,080	4,534,080	5,101,717	567,637
Charges for services	1,613,977	1,613,977	1,716,213	102,236
Miscellaneous revenues	89,500	89,500	309,426	219,926
Investment income and other sources	5,000	5,000	18,723	13,723
Total revenues	12,361,517	12,361,517	13,374,183	1,012,666
Expenditures:				
Current:				
General government	2,165,425	2,165,425	2,046,108	119,317
Public safety	7,683,750	7,683,750	7,764,006	(80,256)
Public works	4,696,166	4,696,166	4,555,844	140,322
Parks and recreation	1,159,519	1,159,519	1,120,551	38,968
Non-departmental	110,000	110,000	86,644	23,356
Contingency	463,475	463,475	206,856	256,619
Debt service:				
Bond principal	475,500	475,500	475,000	500
Bond and note interest	144,822	144,822	144,822	-
Total expenditures	16,898,657	16,898,657	16,399,831	498,826
Excess (deficiency) of expenditures	(4,537,140)	(4,537,140)	(3,025,648)	1,511,492
Other financing sources (uses):				
Transfers in	4,086,140	4,086,140	4,086,162	22
Appropriation of fund balance	451,000	451,000	-	(451,000)
Total other financing sources (uses)	4,537,140	4,537,140	4,086,162	(450,978)
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ -	1,060,514	\$ 1,060,514
Budgetary fund balance, beginning			\$ 3,951,759	
Change in budget expenditures not recognized for GAAP purposes, inventories and prepaids			48,310	
Budgetary fund balance, ending			\$ 5,060,583	

See note to required supplementary information.

City of Groton, Connecticut

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

Note 1. Stewardship, Compliance and Accountability

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

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

Budget – GAAP reconciliation: A reconciliation of general fund operations presented on a budgetary basis to the amounts presented in the fund financial statements in accordance with GAAP is as follows:

	Revenue and Other Financing Sources	Expenditures, Encumbrances, and Other Financing Uses
Balance, budgetary basis, for year ended June 30, 2018	\$ 17,460,345	\$ 16,399,831
Changes in reserves for encumbrances, continued appropriations and liquidation of encumbrances	-	266,578
Balance, GAAP basis, for year ended June 30, 2018	\$ 17,460,345	\$ 16,666,409

City of Groton, Connecticut

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

Note 1. Stewardship, Compliance and Accountability (Continued)

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

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

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

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**Combining and Individual Fund
Financial Statements and Other Schedules**

General Fund

The General Fund is the principal fund of the City and is used to account for all activities of the City, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the City (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental funds.

City of Groton, Connecticut

Comparative Balance Sheets

General Fund

June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 9,287,954	\$ 8,266,434
Receivables:		
Property taxes	57,490	88,802
Intergovernmental and other	17,479	16,969
Due from other funds	62,406	139,059
Inventory of supplies, at cost	11,725	9,035
	<u>9,437,054</u>	<u>8,520,299</u>
Total assets	\$ 9,437,054	\$ 8,520,299
Liabilities		
Accounts payable and accrued liabilities	\$ 501,815	\$ 565,114
Due to other funds	3,213,380	3,038,558
Total liabilities	3,715,195	3,603,672
Deferred inflows of resources:		
Unavailable revenue	48,077	36,781
Fund balance:		
Nonspendable	11,725	9,035
Committed	201,474	468,052
Assigned	400,000	451,000
Unassigned	5,060,583	3,951,759
Total fund balance	5,673,782	4,879,846
Total liabilities, deferred inflows of resources, and fund balance	\$ 9,437,054	\$ 8,520,299

City of Groton, Connecticut

**Schedule of Revenues and Other Financing Sources - Budgetary Basis - Budget and Actual -
General Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Budgetary Basis	
Taxes				
Current levy	\$ 6,087,460	\$ 6,087,460	\$ 6,197,212	\$ 109,752
Interest on taxes	30,000	30,000	30,148	148
Lien fees on taxes	1,500	1,500	744	(756)
Total taxes	6,118,960	6,118,960	6,228,104	109,144
Intergovernmental				
Town of Groton:				
Highway grant	1,963,250	1,963,250	1,963,250	-
Highway grant - Prior Year	-	-	596,646	596,646
Police grant	2,243,802	2,243,802	2,243,802	-
Health District	68,069	68,069	68,069	-
PILOT program	37,707	37,707	37,705	(2)
State of Connecticut:				
Civil preparedness	4,600	4,600	27,059	22,459
Town Aid Road	113,531	113,531	113,277	(254)
Total disabled	125	125	137	12
Elderly property	3,214	3,214	-	(3,214)
Telephone access line	12,848	12,848	10,726	(2,122)
Miscellaneous grants	86,934	86,934	37,717	(49,217)
State nitrogen credits	-	-	3,329	3,329
Total intergovernmental revenue	4,534,080	4,534,080	5,101,717	567,637
Charges for Services and Facilities				
Municipal building rental:				
Electric Department	111,495	111,495	111,492	(3)
Water Department	23,555	23,555	21,593	(1,962)
Finance Department services:				
Electric Department	207,646	207,646	207,646	-
Water Department	111,809	111,809	111,809	-
Human Resources Department Services:				
Electric Department	115,617	115,617	115,617	-
Water Department	62,255	62,255	62,255	-
Building Maintenance:				
Electric Department	30,550	30,550	30,550	-
Water Department	16,450	16,450	16,450	-
Highway Department sales	1,000	1,000	514	(486)
Sewer use	30,000	30,000	42,328	12,328
Public beach receipts	120,000	120,000	131,670	11,670
Recreation receipts	62,000	62,000	52,499	(9,501)
Parks receipts	13,000	13,000	10,457	(2,543)
Gravel Sales	27,000	27,000	38,912	11,912
Recycling/Bulky Waste	11,500	11,500	13,738	2,238
Lease of City Land	-	-	-	-

(Continued)

City of Groton, Connecticut

**Schedule of Revenues and Other Financing Sources - Budgetary Basis - Budget and Actual -
General Fund (Continued)
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget
	Original	Final		
Changes for Service and Facilities, Continued				
Fire protection:				
West Pleasant Valley Fire District	350,000	350,000	365,697	15,697
Outside services - police	15,500	15,500	35,452	19,952
Rent	10,000	10,000	10,000	-
Fines and forfeits	12,000	12,000	43,460	31,460
Licenses and permits	282,600	282,600	294,074	11,474
Total	1,613,977	1,613,977	1,716,213	102,236
Miscellaneous Revenues				
Investment income	5,000	5,000	18,723	13,723
Other revenue	89,500	89,500	309,426	219,926
Total miscellaneous revenues	94,500	94,500	328,149	233,649
Total revenues	12,361,517	12,361,517	13,374,183	1,012,666
Other Financing Sources				
Transfer in	4,086,140	4,086,140	4,086,162	22
Appropriation of fund balance	451,000	451,000	-	(451,000)
Total other financing sources	4,537,140	4,537,140	4,086,162	(450,978)
Total revenues and other financing sources	\$ 16,898,657	\$ 16,898,657	\$ 17,460,345	\$ 561,688

City of Groton, Connecticut

**Schedule of Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual - General Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
General Government				
Mayor's office	\$ 410,602	\$ 410,602	\$ 382,450	\$ 28,152
Human Resources	216,918	216,918	214,710	2,208
Finance Department	638,911	638,911	599,609	39,302
Building, Planning and Zoning	592,071	592,071	524,134	67,937
Health services	68,069	68,069	68,069	-
Municipal building operation	195,170	195,170	193,381	1,789
Civil preparedness	11,459	11,459	38,532	(27,073)
Unallocated	32,225	32,225	25,223	7,002
Total general government	2,165,425	2,165,425	2,046,108	119,317
Public Safety				
Police Department:				
Supervision	227,228	227,228	197,611	29,617
Criminal investigation	345,534	345,534	459,989	(114,455)
Uniformed patrol	4,121,528	4,121,528	4,077,090	44,438
Harbor patrol	2,500	2,500	-	2,500
Traffic control	17,041	17,041	24,633	(7,592)
Police training	72,000	72,000	80,831	(8,831)
DWI project	2,435	2,435	-	2,435
Outside charges	-	-	31,342	(31,342)
Total police department	4,788,266	4,788,266	4,871,496	(83,230)
Fire Department	2,895,484	2,895,484	2,892,510	2,974
Total public safety	7,683,750	7,683,750	7,764,006	(80,256)
Public Works				
Highway Department:				
Highway maintenance	1,962,581	1,962,581	1,789,108	173,473
Sanitation	915,911	915,911	937,337	(21,426)
Snow removal	115,200	115,200	105,698	9,502
Total highway department	2,993,692	2,993,692	2,832,143	161,549
Pollution Abatement Facility	1,702,474	1,702,474	1,723,701	(21,227)
Total public works	4,696,166	4,696,166	4,555,844	140,322

(Continued)

City of Groton, Connecticut

**Schedule of Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Parks and Recreation				
Supervision and general expenditures	170,900	170,900	185,352	(14,452)
Summer recreation	174,761	174,761	144,770	29,991
Beach activities	129,769	129,769	123,165	6,604
Winter recreation	50,600	50,600	45,828	4,772
Beach and park maintenance	633,489	633,489	621,436	12,053
Total parks and recreation	1,159,519	1,159,519	1,120,551	38,968
Non-Departmental				
General insurance	90,000	90,000	86,644	3,356
Pay adjustment	20,000	20,000	-	20,000
Total non-departmental	110,000	110,000	86,644	23,356
Contingency	463,475	463,475	206,856	256,619
Debt Service				
Bonded principal:				
Public improvements	450,500	450,500	450,000	500
Sewer Authority	25,000	25,000	25,000	-
Total bonded principal	475,500	475,500	475,000	500
Bond and Note Interest:				
Public improvements	130,747	130,747	130,747	-
Sewer Authority	14,075	14,075	14,075	-
Total bond and note interest	144,822	144,822	144,822	-
Total debt service	620,322	620,322	619,822	500
Total expenditures and other financing uses	\$ 16,898,657	\$ 16,898,657	\$ 16,399,831	\$ 498,826

City of Groton, Connecticut

**Schedule of Property Taxes Levied, Collected and Outstanding - General Fund
For the Year Ended June 30, 2018**

Grand List Year	Uncollected Taxes	Current Levy	Lawful Corrections		Suspense Transfers and Adjustments	Adjusted Uncollected Taxes	Collections			Uncollected Taxes June 30, 2018	
	July 1, 2017		Additions	Deletions			Taxes	Interest, Liens and Other Fees	Suspense Taxes Collected		Total
2016	\$ -	\$ 6,206,504	\$ 9,770	\$ 13,124	\$ 14,762	6,188,388	\$ 6,153,259	\$ 13,554	\$ 280	\$ 6,167,093	\$ 35,129
2015	33,701	-	229	850	2,178	30,902	21,277	6,231	4,333	31,841	9,625
2014	21,076	-	15,232	14	964	35,330	16,770	7,544	1,703	26,017	18,560
2013	39,525	-	-	-	145	39,380	38,601	1,101	860	40,562	779
2012	1,164	-	-	-	93	1,071	674	1,045	657	2,376	397
2011	335	-	-	-	335	-	-	322	501	823	-
2010	-	-	-	-	-	-	-	202	170	372	-
2009	-	-	-	-	-	-	-	189	154	343	-
2008	-	-	-	-	-	-	-	208	135	343	-
2007	-	-	-	-	-	-	-	140	79	219	-
2006	-	-	-	-	-	-	-	116	223	339	-
2005	-	-	-	-	-	-	-	123	60	183	-
2004	-	-	-	-	-	-	-	102	47	149	-
2003	-	-	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	15	5	20	-
Subtotal	\$ 95,801	\$ 6,206,504	\$ 25,231	\$ 13,988	\$ 18,477	\$ 6,295,071	\$ 6,230,581	\$ 30,892	\$ 9,207	\$ 6,270,680	\$ 64,490

Nonmajor Governmental Funds

Special Revenue Funds

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

State Aid Road

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

Bridge Street

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

Forfeiture Grant

This fund is used to account for a State grant dealing with drug investigations.

Miscellaneous Grants

This fund is used to account for various grants and donations principally for drug awareness and drunk driving.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Submarine Memorial Fund

This fund will be used to maintain the Wall of Honor for Submarine Veterans of World War II.

City of Groton, Connecticut

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue Funds				Permanent Fund	Totals
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants	Submarine Memorial Fund	
Assets						
Cash	\$ 360,885	\$ -	\$ 28,126	\$ 435,430	\$ 962	\$ 825,403
Restricted cash	-	-	-	-	60,000	60,000
Due from other funds	63,075	-	13,240	30,843	-	107,158
Total assets	\$ 423,960	\$ -	\$ 41,366	\$ 466,273	\$ 60,962	\$ 992,561
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 2,479	\$ 8,025	\$ -	\$ 10,504
Due to other funds	-	23,653	-	30,001	-	53,654
Unearned revenue - performance	58,800	-	-	-	-	58,800
Total liabilities	58,800	23,653	2,479	38,026	-	122,958
Fund balances (deficits):						
Restricted	365,160	-	38,887	428,247	60,962	893,256
Unassigned (deficits)	-	(23,653)	-	-	-	(23,653)
Total fund balances (deficits)	365,160	(23,653)	38,887	428,247	60,962	869,603
Total liabilities and fund balances (deficits)	\$ 423,960	\$ -	\$ 41,366	\$ 466,273	\$ 60,962	\$ 992,561

City of Groton, Connecticut

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	Special Revenue Funds				Permanent Fund	Totals
	State Aid Road	Bridge Street	Forfeiture Grant	Miscellaneous Grants	Submarine Memorial Fund	
Revenues:						
Income from investments	\$ -	\$ -	\$ -	\$ 1,832	\$ 263	\$ 2,095
Intergovernmental	-	-	4,950	-	-	4,950
Other	-	-	-	51,554	1,855	53,409
Total revenues	-	-	4,950	53,386	2,118	60,454
Expenditures:						
Current:						
General government	-	-	-	37,725	1,855	39,580
Public safety	-	-	2,479	3,718	-	6,197
Total expenditures	-	-	2,479	41,443	1,855	45,777
Excess (deficiency) of expenditures	-	-	2,471	11,943	263	14,677
Other financing sources (uses):						
Operating transfer out	-	-	-	(15,000)	-	(15,000)
	-	-	-	(15,000)	-	(15,000)
Net change in fund balances	-	-	2,471	(3,057)	263	(323)
Fund balances (deficits), beginning	365,160	(23,653)	36,416	431,304	60,699	869,926
Fund balances, ending	\$ 365,160	\$ (23,653)	\$ 38,887	\$ 428,247	\$ 60,962	\$ 869,603

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City’s Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City’s council has decided that periodic determination of net income is appropriate for accountability purposes.

Electric Department

This fund is used to account for the activities of the City’s electric system.

Water System

This fund is used to account for the activities of the City’s water system.

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City of Groton, Connecticut

Comparative Statements of Net Position - Electric Department - Enterprise Funds
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 21,690,983	\$ 18,986,547
Receivables:		
Use charges (net of allowance for uncollectibles of \$75,000 and \$75,000, respectively)	4,465,408	4,385,005
Accrued utility revenue	1,166,954	1,166,954
Due from other funds	-	-
Prepaid expenses	138,138	134,642
Inventory	1,479,658	1,195,981
Total current assets	28,941,141	25,869,129
Noncurrent assets:		
Amount held at CMEEC	13,579,956	8,599,681
Equity in joint venture investments	5,986,483	6,090,725
Due from component unit	3,919,128	3,935,684
Total noncurrent assets	23,485,567	18,626,090
Capital assets (net of accumulated depreciation):		
Land and land rights	704,844	704,844
Construction in progress	1,947,317	5,026,287
Buildings and improvements	208,309	201,374
Station equipment	8,442,272	8,155,337
Electric distribution system	20,508,488	18,222,127
Machinery and equipment	1,005,565	705,773
Vehicles	531,103	586,347
Total capital assets (net of accumulated depreciation)	33,347,898	33,602,089
Total noncurrent assets	56,833,465	52,228,179
Total assets	\$ 85,774,606	\$ 78,097,308
Deferred outflows of resources:		
Deferred pension expense	1,080,161	1,691,014
Deferred OPEB expense	387,885	-
Deferred amount on bond refunding	674,576	773,200
Total deferred outflows of resources	2,142,622	2,464,214

	2018	2017
Liabilities		
Current liabilities:		
Accounts payable	\$ 5,478,740	\$ 5,874,233
Accrued payroll and compensated absences	388,337	326,051
Accrued taxes	364,880	326,919
Accrued interest payable	673,982	489,756
General obligation bonds/BAN payable - current portion	3,733,400	9,235,400
Customer deposits payable	2,663,126	4,220,176
Due to other funds	2,262,434	3,511,609
Total current liabilities	15,564,899	23,984,144
Noncurrent liabilities:		
Rate stabilization	12,814,398	7,824,903
General obligation bonds and notes payable - net of premium and deferred amount on refunding	37,700,800	30,992,200
Unamortized premium	2,439,193	2,028,681
Unearned revenue	279,453	838,329
Net pension liability	1,382,151	1,825,085
Net OPEB liability	3,689,363	622,735
Total non-current liabilities	58,305,358	36,307,030
Total liabilities	73,870,257	36,307,030
Deferred inflows of resources:		
Deferred OPEB credit	88,282	-
Deferred pension credit	444,861	63,163
Total deferred inflows of resources	533,143	63,163
Net investment in capital assets	15,913,847	13,337,169
Unrestricted (deficit)	(2,400,019)	(4,021,511)
Total net position	\$ 13,513,828	\$ 9,315,658

City of Groton, Connecticut

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position -
 Electric Department - Enterprise Fund
 For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:	\$ 56,323,195	\$ 55,883,773
Operating expenses:		
Direct expenses:		
Purchased power	33,122,248	34,615,889
Other	3,325,621	3,145,707
Overhead expenses:		
Customer account	1,691,224	1,811,113
Administrative and general	5,403,799	5,451,080
Taxes	1,663,264	1,650,202
Depreciation	1,948,844	1,828,524
Total operating expenses	47,155,000	48,502,515
Operating income	9,168,195	7,381,258
Nonoperating revenues (expenses):		
Investment income	463,699	372,985
Interest expense	(1,258,320)	(1,070,730)
Equity losses in investments	(104,242)	(91,409)
Total nonoperating revenues (expenses)	(898,863)	(789,154)
Income before transfers out	8,269,332	6,592,104
Transfers out	(4,071,162)	(3,540,141)
Changes in net position	4,198,170	3,051,963
Net position, beginning	9,315,658	10,699,734
Restatement GASB No.75	-	(4,436,039)
Net position, ending	\$ 13,513,828	\$ 9,315,658

City of Groton, Connecticut

Comparative Statements of Cash Flows - Electric Department - Enterprise Fund
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from customers	\$ 59,116,361	\$ 61,327,479
Cash payments to suppliers for goods and services	(38,379,710)	(39,155,920)
Cash payments to employees for services	(8,408,022)	(8,272,295)
Net cash provided by operating activities	12,328,629	13,899,264
Cash flows from noncapital and related financing activities:		
Transfers to other funds	(4,071,162)	(3,540,141)
Amount held at CMEEC	(4,980,275)	(4,054,381)
Net cash used in noncapital and related	(9,051,437)	(7,594,522)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,694,653)	(3,218,673)
Payments Bozrah Light and Power	16,556	(184,841)
Repayment from CMEEC loan	(200,400)	(200,400)
Principal paid on general obligation bond maturities and equipment contracts	(8,525,864)	(6,518,846)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(1,074,094)	(1,062,889)
Debt proceeds	10,442,000	6,025,000
Net cash (used in) capital and related financing activities	(1,036,455)	(5,160,649)
Cash flows from investing activities:		
Interest and dividends on investments	463,699	372,985
Net cash provided by investing activities	463,699	372,985
Net increase in cash and cash equivalents	2,704,436	1,517,078
Cash and cash equivalents, beginning	18,986,547	17,469,469
Cash and cash equivalents, ending	\$ 21,690,983	\$ 18,986,547
Schedule of noncash, noncapital and related financing activities:		
Equity earnings/loss in joint venture investments	\$ (104,242)	\$ (91,409)

(Continued)

City of Groton, Connecticut

Comparative Statements of Cash Flows - Electric Department - Enterprise Fund, (Continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,168,195	\$ 7,381,258
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,948,844	1,828,524
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(80,403)	212,814
Accrued utility revenue	-	112,572
Inventory	(283,677)	(21,238)
Prepaid expenses	(3,496)	(416)
Customer deposits	(1,557,050)	666,774
Deferred outflows/inflows related to pension and OPEB	692,948	1,030,521
Increase (decrease) in:		
Accounts payable	(395,493)	(946,850)
Accrued payroll and compensated absences	62,286	(96,873)
Accrued taxes	37,961	(266)
Unearned revenue	(558,876)	838,329
Due to other funds	(1,249,175)	(425,820)
Rate stabilization	4,989,495	3,613,217
Net pension liability	(442,934)	(335,694)
Net OPEB liability	4	42,412
Net cash provided by operating activities	\$ 12,328,629	\$ 13,899,264

City of Groton, Connecticut

**Comparative Schedules of Revenues
Electric Department
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Electric service revenues:		
Residential	\$ 15,754,423	\$ 15,911,666
Commercial	14,182,560	14,892,281
Industrial	23,397,560	23,946,039
Private street lighting	222,784	223,364
Public street lighting	319,593	321,652
Total electric service revenues	53,876,920	55,295,002
Other electric revenue:		
Miscellaneous - rents, scrap, jobbing sales, etc.	2,446,275	588,771
Total operating revenues	\$ 56,323,195	\$ 55,883,773

City of Groton, Connecticut

Comparative Schedules of Expenses -
Electric Department
For the Years Ended June 30, 2018 and 2017

	2018	2017
Direct expenses:		
Purchased power	\$ 33,122,248	\$ 34,615,889
Other expenses:		
Transmission expenses:		
Station expenses	\$ 42,144	\$ 74,530
Maintenance:		
Station equipment	49,953	61,850
Overhead conductors and devices	6,050	38,846
Total transmission expenses	98,147	175,226
Distribution expenses:		
Supervision and engineering	586,868	725,041
Station expenses	45,624	32,902
Line expenses	95,945	124,882
Street lighting and signal system expenses	60,704	73,244
Meter expenses	93,059	140,532
Customer installation expenses	56,117	70,262
Miscellaneous	67,458	135,300
Maintenance:		
Supervision and engineering	150,171	106,494
Station expenses	603,939	557,282
Overhead lines	1,166,782	784,465
Services	73,576	57,360
Underground lines	3,739	7,726
Line transformers	2,637	2,421
Signal lights and fire alarms	121,548	59,057
Meters	99,307	93,513
Total distribution expenses	3,227,474	2,970,481
Total other expenses	\$ 3,325,621	\$ 3,145,707
Customer account expenses:		
Meter reading	\$ 162,201	\$ 154,483
Customer records and collection	493,781	517,925
Uncollectible accounts	113,104	134,568
Miscellaneous	922,138	1,004,137
Total customer account expenses	\$ 1,691,224	\$ 1,811,113
Administrative and general expenses:		
Administrative and general salaries	\$ 1,279,356	\$ 1,133,115
General office supplies and expenses	315,846	351,698
Outside services employed	729,264	695,453
Injuries and damages	500,160	381,392
Employee welfare and benefits	2,315,166	2,679,482
Miscellaneous general expenses	178,412	175,692
Rent	111,492	111,495
Maintenance:		
General plant	724,514	710,155
Miscellaneous	258,310	249,133
Deduct: expenses transferred for transportation and administrative	(1,008,721)	(1,036,535)
Total administrative and general expenses	\$ 5,403,799	\$ 5,451,080

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City of Groton, Connecticut

Comparative Statements of Net Position - Water Department - Enterprise Funds
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 9,463,866	\$ 3,790,448
Receivables (net of allowance for uncollectibles of \$2,453 and \$2,453, respectively)	855,519	875,057
Due from other funds	2,261,914	3,506,647
Prepaid expenses	164,337	124,968
Inventory	203,270	175,216
Total current assets	12,948,906	8,472,336
Capital assets (net of accumulated depreciation):		
Land and land rights	2,135,643	2,135,643
Construction in progress	14,794,711	5,954,021
Buildings and improvements	3,324,102	3,464,755
Plant and pumping stations	3,520,861	3,510,854
Water distribution system	17,952,560	17,153,521
Machinery and equipment	523,675	411,867
Vehicles	220,976	90,362
Total capital assets (net of accumulated depreciation)	42,472,528	32,721,023
Total noncurrent assets	42,472,528	32,721,023
Total assets	\$ 55,421,434	\$ 41,193,359
Deferred outflows of resources:		
Deferred pension expense	454,805	712,006
Deferred OPEB expense	163,320	-
Deferred amounts on bond refunding	93,840	98,180
Total deferred outflows of resources	711,965	810,186

	2018	2017
Liabilities		
Current liabilities:		
Accounts payable	\$ 2,546,221	\$ 388,775
Accrued payroll and compensated absences	288,238	268,263
Accrued taxes	38,349	38,349
Accrued interest payable	262,163	96,153
General obligation bonds/BAN payable - current portion	717,000	3,040,000
Customer deposits payable	115,146	136,782
Total current liabilities	3,967,117	3,968,322
Noncurrent liabilities:		
General obligation bonds and notes payable - net of premium	14,375,360	3,730,000
Unamortized premium	650,931	279,590
Net pension liability	581,958	768,457
Net OPEB liability	1,821,720	1,821,718
Total non-current liabilities	17,429,969	6,599,765
Total liabilities	21,397,086	10,568,087
Deferred inflows of resources:		
Deferred pension credit	187,310	26,609
Deferred OPEB credit	37,171	-
Total deferred inflows of resources	224,481	26,609
Net position:		
Net investment in capital assets	28,135,249	26,090,647
Unrestricted	6,376,583	5,318,202
Total net position	\$ 34,511,832	\$ 31,408,849

City of Groton, Connecticut

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position -
Water Department - Enterprise Fund
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:	\$ 10,001,431	\$ 10,696,461
Operating expenses:		
Direct expenses:		
Other	3,758,922	4,021,261
Overhead expenses:		
Customer account	506,524	474,495
Administrative and general	3,361,157	3,503,551
Taxes	340,597	324,103
Depreciation	931,366	901,711
Total operating expenses	8,898,566	9,225,121
Operating income	1,102,865	1,471,340
Nonoperating revenues (expenses):		
Grant	2,252,788	-
Investment income	32,588	-
Interest expense	(285,258)	(169,668)
Net nonoperating revenue(expenses)	2,000,118	(169,668)
Changes in net position	3,102,983	1,301,672
Net position, beginning	31,408,849	31,421,444
Restatement GASB No.75	-	(1,314,267)
Net position, ending	\$ 34,511,832	\$ 31,408,849

City of Groton, Connecticut

Comparative Statements of Cash Flows - Water Department - Enterprise Fund
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from customers	\$ 10,020,969	\$ 10,840,650
Cash payments to suppliers for goods and services	(2,445,802)	(3,743,882)
Cash payments to employees for services	(4,083,047)	(4,034,589)
Net cash provided by operating activities	3,492,120	3,062,179
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,682,871)	(1,405,094)
Capital grants	2,252,788	-
Principal paid on general obligation bond maturities and equipment contracts	(2,664,319)	(2,442,307)
Interest paid on general obligation bonds, bond anticipation notes and equipment contracts	(119,248)	(164,726)
Debt proceeds	11,362,360	2,600,000
Net cash (used in) capital and related financing activities	2,148,710	(1,412,127)
Cash flows from investing activities:		
Interest and dividends	32,588	-
Net cash provided by investing activities	32,588	-
Net increase in cash and cash equivalents	5,673,418	1,650,052
Cash and cash equivalents, beginning	3,790,448	2,140,396
Cash and cash equivalents, ending	\$ 9,463,866	\$ 3,790,448

(Continued)

City of Groton, Connecticut

Comparative Statements of Cash Flows - Water Department - Enterprise Fund (Continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,102,865	\$ 1,471,340
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	931,366	901,711
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	19,538	76,398
Inventory	(28,054)	(33,234)
Prepaid expenses	(39,369)	23,234
Due from other funds	1,244,733	428,527
Deferred outflows/inflows related to pension/OPEB	291,753	433,931
Increase (decrease) in:		
Accounts payable	135,810	(73,357)
Accrued payroll and compensated absences	19,975	(42,884)
Accrued interest		
Net pension liability	(186,499)	(141,345)
Net OPEB obligation	2	17,858
Net cash provided by operating activities	\$ 3,492,120	\$ 3,062,179

City of Groton, Connecticut

Comparative Schedules of Revenues
Water System
For the Years Ended June 30, 2018 and 2017

	2018	2017
Water service revenues:		
Residential	\$ 2,890,505	\$ 2,885,930
Commercial	1,650,760	1,730,810
Industrial	2,699,226	3,167,145
Private fire protection	107,040	103,965
Public fire protection	286,403	286,403
Other sales to public authorities	1,906,384	1,997,020
Total water service revenues	9,540,318	10,171,273
Other water revenue:		
Miscellaneous - rents, lien fees, scrap sales, etc.	461,113	525,188
Total operating revenues	\$ 10,001,431	\$ 10,696,461

City of Groton, Connecticut

Comparative Schedules of Expenses - Water System
For the Years Ended June 30, 2018 and 2017

	2018	2017
Direct expenses:		
Source of Water Supply Expenses:		
Operation labor	\$ 116,640	\$ 103,638
Supplies and expenses	79,019	75,611
Rent	10,000	10,000
Total source of water supply expenses	205,659	189,249
Pumping expenses:		
Fuel for power production	-	118
Power purchased	565,481	584,630
Operation labor	214,062	219,078
Maintenance - structure and equipment	130,626	219,812
Total pumping expenses	910,169	1,023,638
Water treatment expenses:		
Chemicals	164,750	206,661
Operation labor	1,082,043	1,071,940
Supplies and expenses	102,427	74,750
Maintenance - structure and equipment	-	390,294
Total water treatment expenses	1,349,220	1,743,645
Transmission and distribution expenses:		
Supervision and engineering	88,615	96,463
Storage facilities	8,723	8,387
Supplies and expenses	229,435	211,363
Maintenance:		
Structures and improvements	557,433	381,563
Mains	170,350	153,400
Services	226,122	209,209
Meters	(625)	(2,796)
Hydrants	13,821	7,140
Total transmission and distribution expenses	1,293,874	1,064,729
Total other expenses	\$ 3,758,922	\$ 4,021,261

(Continued)

City of Groton, Connecticut

Comparative Schedules of Expenses - Water System (Continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
Customer account expenses:		
Meter reading	\$ 78,713	\$ 75,213
Customer records and collection	178,092	221,577
Uncollectible accounts	2,894	3,384
Miscellaneous	246,825	174,321
Total customer account expenses	\$ 506,524	\$ 474,495
Administrative and general expenses:		
Administrative and general salaries	\$ 902,293	\$ 790,401
General office supplies and expenses	183,862	192,515
Outside services employed	79,197	221,659
Insurance	93,794	73,180
Injuries and damages	347,797	378,281
Employee welfare and benefits	1,372,301	1,480,151
Miscellaneous general expenses	70,786	55,777
Rent	23,556	23,556
Maintenance:		
Office furniture and equipment	7,257	10,076
Communication equipment	537	53
Miscellaneous general property	279,777	277,902
Total administrative and general expenses	\$ 3,361,157	\$ 3,503,551

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Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the City to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Self-Insurance

This fund is used to account for losses arising from property and general liability claims.

Health Plan

This fund is used to account for losses arising from medical claims of the City's employees.

City of Groton, Connecticut

Combining Statement of Net Position - Internal Service Funds
 June 30, 2018 (With Comparative Totals at June 30, 2017)

	Self-Insurance	Health Plan	2018	2017
Assets				
Cash	\$ 688,733	\$ 2,381,077	\$ 3,069,810	\$ 2,887,502
Accounts/claims receivables	-	60,578	60,578	57,050
Total current assets	688,733	2,441,655	3,130,388	2,944,552
Liabilities				
Liabilities:				
Due to other funds	-	11,019	11,019	100,000
Accounts/claims payable	-	367,000	367,000	402,000
Total liabilities	-	378,019	378,019	502,000
Net position:				
Unrestricted	\$ 688,733	\$ 2,063,636	\$ 2,752,369	\$ 2,442,552

City of Groton, Connecticut

**Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds
For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)**

	Self-Insurance	Health Plan	2018	2017
Operating revenues:				
Premiums	\$ 24,438	\$ 4,976,325	\$ 5,000,763	\$ 4,892,625
Operating expenses:				
Claims paid:				
Public safety	2,849	-	2,849	33,741
Public works	2,275	-	2,275	-
General government	5,000	-	5,000	-
Electric department	-	-	-	5,068
Water department	-	-	-	5,332
Health plan	-	3,770,189	3,770,189	3,986,087
Administration:				
Health plan	-	916,793	916,793	759,407
Total operating expenses	10,124	4,686,982	4,697,106	4,789,635
Operating income (loss)	14,314	289,343	303,657	102,990
Nonoperating revenue:				
Interest income	-	6,160	6,160	2,145
Total nonoperating revenue	-	6,160	6,160	2,145
Transfers:				
Transfer Out	-	-	-	(100,000)
Total nonoperating revenue	-	-	-	(100,000)
Change in net position	14,314	295,503	309,817	5,135
Net position, beginning	674,419	1,768,133	2,442,552	2,437,417
Net position, ending	\$ 688,733	\$ 2,063,636	\$ 2,752,369	\$ 2,442,552

City of Groton, Connecticut

**Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)**

	Self-Insurance	Health Plan	2018	2017
Cash flows from operating activities:				
Cash received for premiums	\$ 24,438	\$ 4,976,325	\$ 5,000,763	\$ 4,892,625
Cash paid to claimants	(10,124)	(3,897,698)	(3,907,822)	(3,494,743)
Cash paid for administration	-	(916,793)	(916,793)	(759,407)
Net cash provided by operating activities	14,314	161,834	176,148	638,475
Cash flows provided by investing activities:				
Interest income	-	6,160	6,160	2,145
Cash flows used in financing activities:				
Transfer out	-	-	-	(100,000)
Net increase in cash and cash equivalents	14,314	167,994	182,308	540,620
Cash and cash equivalents, beginning	674,419	2,213,083	2,887,502	2,346,882
Cash and cash equivalents, ending	\$ 688,733	\$ 2,381,077	\$ 3,069,810	\$ 2,887,502
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 14,314	\$ 289,343	\$ 303,657	\$ 102,990
Adjustment to reconcile operating income to net cash provided by operating activities:				
Change in assets and liabilities:				
(Increase) in accounts receivable	-	(3,528)	(3,528)	403,485
Decrease in accrued liabilities	-	(123,981)	(123,981)	132,000
Net cash provided by operating activities	\$ 14,314	\$ 161,834	\$ 176,148	\$ 638,475

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Statistical Section – Unaudited

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

Financial Trends (Tables 1-4)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (Tables 5-8)

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity (Tables 9-13)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 14-15)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information (Tables 16-18)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number.

**Net Position by Component
Last Ten Years
(Unaudited)**

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 18,940,538	\$ 19,349,984	\$ 21,611,939	\$ 20,466,258	\$ 18,001,407	\$ 20,912,472	\$ 20,566,312	\$ 20,204,792	\$ 18,698,216	\$ 17,940,109
Restricted for:										
Endowment - expendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Permanent funds - expendable	-	-	-	-	427	246	246	12,398	12,196	11,431
Special revenue funds	-	-	544,000	543,091	633,791	668,551	677,811	580,192	-	-
Unrestricted	\$ 8,064,740	10,366,270	7,956,547	9,179,006	9,456,594	6,514,415	6,256,564	7,194,347	9,406,900	8,961,352
Total governmental activities	27,065,278	29,776,254	30,172,486	30,248,355	28,152,219	28,155,684	27,560,933	28,051,729	28,177,312	26,972,892
Business-type activities:										
Net investment in capital assets	\$ 44,049,096	44,049,096	39,510,537	34,891,780	32,574,605	34,198,112	38,646,385	34,724,535	31,679,508	32,193,110
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	-	9,662,286
Economic development	-	-	-	-	-	-	-	-	-	4,422
Energy and efficiency	-	-	-	-	-	-	-	-	-	413,457
Unrestricted	\$ 3,976,564	7,046,997	2,831,156	3,604,247	(2,830,813)	(10,260,873)	(26,243,049)	3,709,903	5,192,868	6,350,066
Total business-type activities	48,025,660	51,096,093	42,341,693	38,496,027	29,743,792	23,937,239	12,403,336	38,434,438	36,872,376	48,623,341
City net position:										
Net investment in capital assets	62,989,634	63,399,080	61,122,476	55,358,038	50,576,012	55,110,584	59,212,697	54,929,327	46,977,724	50,133,219
Restricted for:										
Capital projects	-	-	-	-	-	-	-	-	-	-
Endowment-expendable	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Permanent funds-expendable	-	-	-	-	427	246	246	12,398	12,196	11,431
Public works	-	-	544,000	543,091	633,791	668,551	677,811	580,192	-	-
Debt service	-	-	-	-	-	-	-	-	-	9,662,286
Economic development	-	-	-	-	-	-	-	-	-	4,422
Energy and efficiency	-	-	-	-	-	-	-	-	-	413,457
Unrestricted	12,041,304	17,413,267	10,787,703	12,783,253	6,625,781	(3,746,458)	(19,986,485)	10,904,250	17,999,768	15,311,418
Total City net position	\$ 75,090,938	\$ 80,872,347	\$ 72,514,179	\$ 68,744,382	\$ 57,896,011	\$ 52,092,923	\$ 39,964,269	\$ 66,486,167	\$ 65,049,688	\$ 75,596,233

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Governmental activities:										
General government	\$ 2,254,789	\$ 2,602,416	\$ 2,564,351	\$ 2,353,876	\$ 2,471,659	\$ 2,070,702	\$ 2,103,355	\$ 1,905,884	\$ 1,883,687	\$ 1,862,419
Public safety	7,719,552	8,410,924	7,873,997	8,107,091	7,926,207	7,462,297	7,921,386	8,236,685	8,135,137	7,491,823
Public works	5,654,738	4,945,304	5,319,979	5,744,427	5,363,235	5,730,214	5,084,289	5,869,143	4,948,692	4,786,325
Parks and Recreation	1,145,844	1,254,836	1,183,923	1,323,902	1,357,588	1,330,321	1,148,723	1,230,512	1,087,662	1,069,777
Interest expense	272,674	83,240	201,986	172,874	219,652	106,801	125,814	137,112	207,406	188,952
Total governmental expenses	17,047,597	17,296,720	17,144,236	17,702,170	17,338,341	16,700,335	16,383,567	17,379,336	16,262,584	15,399,296
Business-type activities:										
Electric department	48,517,562	49,793,760	50,892,927	54,018,154	56,354,668	59,384,748	86,423,334	61,548,644	66,672,893	68,840,133
Water department	9,183,824	9,394,789	8,622,052	8,226,487	8,694,227	8,235,438	7,984,553	8,140,017	8,178,970	8,516,675
Total business-type expenses	57,701,386	59,188,549	59,514,979	62,244,641	65,048,895	67,620,186	94,407,887	69,688,661	74,851,863	77,356,808
Total expenses	74,748,983	76,485,269	76,659,215	79,946,811	82,387,236	84,320,521	110,791,454	87,067,997	91,114,447	92,756,104
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,332,466	1,415,868	1,346,842	1,029,699	1,196,809	313,397	1,179,037	1,009,264	924,262	1,033,369
Public safety	1,005,689	480,227	426,712	394,490	358,433	328,811	508,484	259,705	384,644	310,747
Public works	81,754	56,639	38,161	45,563	39,364	59,995	60,212	55,799	43,234	79,352
Recreation	208,364	213,081	215,108	171,091	172,502	146,755	130,635	113,709	131,648	104,780
Operating grants and contributions	4,846,353	4,182,825	3,447,538	4,278,561	4,639,990	5,131,028	4,273,734	4,388,296	4,860,134	5,135,871
Capital grants and contributions	612,146	386,950	657,177	2,127,673	1,316,601	759,986	519,122	1,712,368	1,094,709	-
Total governmental activities	8,086,772	6,735,590	6,131,538	8,047,077	7,723,699	6,739,972	6,671,224	7,539,141	7,438,631	6,664,119
Business-type activities:										
Electric department	56,323,195	55,883,773	56,482,331	61,853,220	63,494,427	64,892,454	60,553,199	63,134,404	66,675,238	72,497,383
Water department	12,254,219	10,696,461	10,256,269	9,743,591	9,858,947	9,603,898	9,708,205	9,893,954	8,233,088	7,946,755
Total business-type activities	68,577,414	66,580,234	66,738,600	71,596,811	73,353,374	74,496,352	70,261,404	73,028,358	74,908,326	80,444,138
Total program revenues	76,664,186	73,315,824	72,870,138	79,643,888	81,077,073	81,236,324	76,932,628	80,567,499	82,346,957	87,108,257
Net (expense)/revenue:										
Governmental activities	(8,960,825)	(10,561,130)	(11,012,698)	(9,655,093)	(9,614,642)	(9,960,363)	(9,712,343)	(9,840,195)	(8,823,953)	(8,735,177)
Business-type activities	10,876,028	7,391,685	7,223,621	9,352,170	8,304,479	6,876,166	(24,146,483)	3,339,697	56,463	3,087,330
Total net expenses	1,915,203	(3,169,445)	(3,789,077)	(302,923)	(1,310,163)	(3,084,197)	(33,858,826)	(6,500,498)	(8,767,490)	(5,647,847)

(Continued)

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 6,239,400	\$ 6,428,808	\$ 7,041,746	\$ 6,261,303	\$ 6,143,075	\$ 6,419,394	\$ 5,615,381	\$ 6,144,038	\$ 5,901,139	\$ 5,803,801
Grants and contributions not restricted to specific purposes	109,320	134,700	96,432	249,464	130,053	132,174	19,088	77,264	408,771	111,351
Investment income	39,059	61,249	5,045	31,911	218,553	230,423	383,372	305,794	294,327	240,744
Miscellaneous	-	-	206,194	170,215	-	53,627	102,082	85,892	322,512	113,176
Transfers	4,071,162	3,540,141	3,587,412	3,119,496	3,119,496	3,119,496	3,101,624	3,101,624	3,101,624	3,119,490
Total governmental activities	10,458,941	10,164,898	10,936,829	9,832,389	9,611,177	9,955,114	9,221,547	9,714,612	10,028,373	9,388,562
Business-type activities:										
Investment income	496,287	281,576	209,457	593,358	621,570	893,174	1,217,005	1,323,989	1,629,491	2,317,834
Transfers	(4,071,162)	(3,540,141)	(3,587,412)	(3,119,496)	(3,119,496)	(3,119,496)	(3,101,624)	(3,101,624)	(3,101,624)	(3,119,490)
Total business-type activities	(3,574,875)	(3,258,565)	(3,377,955)	(2,526,138)	(2,497,926)	(2,226,322)	(1,884,619)	(1,777,635)	(1,472,133)	(801,656)
Total general revenues	6,884,066	6,906,333	7,558,874	7,306,251	7,113,251	7,728,792	7,336,928	7,936,977	8,556,240	8,586,906
Change in net position:										
Governmental activities	1,498,116	(396,232)	(75,869)	177,296	(3,465)	(5,249)	(490,796)	(125,583)	1,204,420	653,385
Business-type activities	7,301,153	4,133,120	3,845,666	6,826,032	5,806,553	4,649,844	(26,031,102)	1,562,062	(1,415,670)	2,285,674
Change in net position	\$ 8,799,269	\$ 3,736,888	\$ 3,769,797	\$ 7,003,328	\$ 5,803,088	\$ 4,644,595	\$ (26,521,898)	\$ 1,436,479	\$ (211,250)	\$ 2,939,059

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Property taxes	\$ 6,228,104	\$ 6,457,027	\$ 7,041,746	\$ 6,240,201	\$ 6,166,362	\$ 6,417,756	\$ 5,628,575	\$ 6,137,303	\$ 5,913,531	\$ 5,812,388
Intergovernmental	5,567,819	4,704,475	4,201,147	6,655,698	6,086,644	6,055,232	4,830,557	6,177,928	6,363,614	5,245,422
Charges for services	1,716,213	1,795,524	1,878,175	1,516,247	1,478,824	1,356,688	1,740,471	1,438,477	1,483,788	1,528,248
Income from investments	39,059	61,249	(24,006)	29,252	215,894	227,439	369,356	291,858	276,820	191,014
Contributions	-	-	-	-	-	-	-	-	-	1,800
Other	912,060	370,291	392,977	294,811	288,284	125,030	230,674	85,892	322,512	118,439
Total revenues	14,463,255	13,388,566	13,490,039	14,736,209	14,236,008	14,182,145	12,799,633	14,131,458	14,360,265	12,897,311
Expenditures:										
Current:										
General government	2,075,390	1,966,793	2,144,414	2,141,306	2,090,838	1,676,925	1,813,522	1,706,352	1,605,410	1,789,364
Public safety	7,818,178	7,705,695	7,476,859	7,331,992	7,208,553	7,166,333	7,224,753	7,229,895	7,306,685	6,987,176
Public works	4,722,013	4,234,108	4,839,142	4,924,827	4,666,194	5,264,004	4,450,747	5,163,704	4,256,569	4,266,753
Parks and recreation	1,120,551	1,166,765	1,123,025	1,222,490	1,290,576	1,323,722	1,085,185	1,123,010	1,029,072	1,029,690
Non-departmental and other	86,644	82,052	73,573	140,021	84,429	62,407	64,922	148,211	148,473	36,386
Capital outlay	1,729,379	1,994,492	4,155,972	3,119,487	1,012,139	872,963	606,560	1,432,761	3,092,237	407,667
Debt service:										
Bond principal	5,975,000	475,000	585,000	590,000	793,000	640,000	676,000	905,500	953,585	930,500
Bond and note interest	144,822	160,400	177,294	194,909	196,185	114,103	125,259	152,616	188,286	195,161
Total expenditures	23,671,977	17,785,305	20,575,279	19,665,032	17,341,914	17,120,457	16,046,948	17,862,049	18,580,317	15,642,697
Deficiency of revenues over expenditures	(9,208,722)	(4,396,739)	(7,085,240)	(4,928,823)	(3,105,906)	(2,938,312)	(3,247,315)	(3,730,591)	(4,220,052)	(2,745,386)
Other financing sources (uses):										
Bond proceeds	5,998,000	-	-	-	-	3,575,000	-	-	1,725,000	-
Refunding bond proceeds	-	-	-	190,000	-	-	-	-	1,614,200	-
Payment to refunding bond escrow	-	-	-	(210,251)	-	-	-	-	(1,713,838)	-
Bond anticipation note proceeds	-	5,500,000	-	-	-	-	-	-	-	-
Premium on bond sale	453,874	49,115	39,573	23,888	-	295,000	-	-	124,602	-
Transfers in	4,086,162	3,655,141	3,587,412	3,119,496	3,584,029	3,119,496	3,277,456	3,101,624	3,101,624	3,421,852
Transfers out	(15,000)	(15,000)	-	-	(464,533)	-	(175,832)	-	-	(302,362)
Net other financing sources (uses)	10,523,036	9,189,256	3,626,985	3,123,133	3,119,496	6,989,496	3,101,624	3,101,624	4,851,588	3,119,490
Net changes in fund balances	\$ 1,314,314	\$ 4,792,517	\$ (3,458,255)	\$ (1,805,690)	\$ 13,590	\$ 4,051,184	\$ (145,691)	\$ (628,967)	\$ 631,536	\$ 374,104
Debt service as a Percentage of noncapital expenditures	3.92%	4.19%	4.87%	4.98%	6.45%	4.87%	5.47%	6.44%	7.00%	7.00%

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund:										
Nonspendable	\$ 11,725	\$ 9,035	\$ 34,814	\$ 33,017	\$ 9,750	\$ 49,908	\$ 17,138	\$ 16,768	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	201,474	468,052	-	-	-	-	-	-	-	-
Assigned	400,000	451,000	400,000	720,172	819,652	703,263	704,798	1,115,054	-	-
Unassigned	5,060,583	3,951,759	3,463,375	2,718,163	3,324,488	3,899,210	3,484,919	3,070,485	-	-
Reserved	-	-	-	-	-	-	-	-	91,645	75,056
Unreserved:										
Designated	-	-	-	-	-	-	-	-	973,606	808,410
Undesignated	-	-	-	-	-	-	-	-	3,874,650	3,553,401
Total unreserved	-	-	-	-	-	-	-	-	4,848,256	4,361,811
Total general fund	5,673,782	4,879,846	3,898,189	3,471,352	4,153,890	4,652,381	4,206,855	4,202,307	4,939,901	4,436,867
All other governmental funds:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	893,256	4,719,753	867,024	1,083,303	633,791	6,084,045	737,811	640,192	-	-
Committed	4,346,875	-	41,869	3,710,682	5,283,346	246	1,505,291	1,596,000	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(23,653)	(23,653)	(23,653)	(23,653)	(23,653)	(702,888)	(467,357)	(310,208)	-	-
Endowment	-	-	-	-	-	-	-	-	60,000	60,000
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	497,845	367,679
Capital funds	-	-	-	-	-	-	-	-	1,247,316	1,249,745
Permanent funds	-	-	-	-	-	-	-	-	12,196	11,431
Total all other governmental funds	5,216,478	4,696,100	885,240	4,770,332	5,893,484	5,381,403	1,775,745	1,925,984	1,817,357	1,688,855
Total all governmental funds	\$ 10,890,260	\$ 9,575,946	\$ 4,783,429	\$ 8,241,684	\$ 10,047,374	\$ 10,033,784	\$ 5,982,600	\$ 6,128,291	\$ 6,757,258	\$ 6,125,722

**Assessed and Estimated Actual Value of Taxable Property⁽¹⁾
Last Ten Years
(Unaudited)**

Year Ended June 30,	Grand List of October 1,	Real Property		Personal Property		Total		Ratio of Total Assessed Value To Total Estimated Actual Value	Total Direct City Rate
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2009	2007	1,049,560,390	1,499,371,986	308,965,716	441,379,594	1,358,526,106	1,940,751,580	70.00%	4.14
2010	2008	1,049,470,816	1,499,244,023	282,742,288	403,917,554	1,332,213,104	1,903,161,577	70.00%	4.14
2011	2009	1,049,648,005	1,499,497,150	264,971,922	378,531,317	1,314,619,927	1,878,028,467	70.00%	4.14
2012	2010	1,016,705,163	1,452,435,947	316,240,195	451,771,707	1,332,945,358	1,904,207,654	70.00%	4.60
2013	2011	1,011,029,157	1,444,327,361	247,047,195	352,952,564	1,258,076,348	1,797,251,925	70.00%	4.60
2014	2012	1,043,066,050	1,490,094,357	254,071,365	362,959,093	1,297,137,415	1,853,053,450	70.00%	4.60
2015	2013	1,043,075,570	1,490,107,957	254,071,365	362,959,093	1,297,146,935	1,853,067,050	70.00%	4.82
2016	2014	968,407,882	1,383,439,831	229,294,291	327,563,273	1,197,702,173	1,711,003,104	70.00%	5.87
2017	2015	957,158,414	1,367,369,163	210,073,895	300,105,564	1,167,232,309	1,667,474,727	70.00%	5.43
2018	2016	956,015,813	1,365,736,876	223,958,541	319,940,773	1,179,974,354	1,685,677,649	70.00%	5.22

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

City of Groton, Connecticut

Table 6

**Property Tax Rates - Direct and Overlapping Governments
Last Ten Years
(Unaudited)**

Year Ended June 30,	Grand List of October 1,	City of Groton			Town of Groton			Total Mill Rate
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total Town Millage	
2009	2007	3.88	0.26	4.14	18.48	0.79	19.27	23.41
2010	2008	3.88	0.26	4.14	17.22	0.73	17.95	22.09
2011	2009	3.88	0.26	4.14	18.12	0.77	18.89	23.03
2012	2010	4.36	0.24	4.60	19.51	0.71	20.22	24.82
2013	2011	4.37	0.21	4.60	19.60	1.09	20.72	25.32
2014	2012	4.32	0.28	4.60	19.95	0.77	20.72	25.32
2015	2013	4.59	0.23	4.82	19.27	0.86	20.13	24.95
2016	2014	5.59	0.28	5.87	20.09	0.86	20.95	26.82
2017	2015	5.22	0.21	5.43	20.83	0.90	21.73	27.16
2018	2016	5.02	0.20	5.22	22.74	0.89	23.63	28.85

Note: Data supplied by Town and City of Groton Tax Collector.

City of Groton, Connecticut

Table 7

Principal Property Taxpayers
Current Year and Ten Years Ago

Name	Nature of Business	Current Year			Ten Years Ago		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Chas. Pfizer Company, Inc.	Pharmaceuticals	\$ 356,639,214	1	30.22%	\$ 545,683,484	1	46.68%
General Dynamics Corporation	Submarine	270,081,560	2	22.89%	180,477,139	2	15.44%
Branford Manor, Inc.	Apartments	13,300,000	3	1.13%	8,313,731	4	0.71%
Groton Estates Colonial Manor, Inc.	Apartments	12,498,250	4	1.06%	10,082,534	3	0.86%
Fuelcell Energy	Equipment Leasing	10,241,000	5	0.87%	N/A	N/A	N/A
Mohawk Northeast	Construction	8,594,320	6	0.73%	N/A	N/A	N/A
CSC Dynamics	Equipment Leasing	7,762,760	7	0.66%	7,114,090	5	0.61%
The North/South Harbor Ltd.	Apartments	7,689,780	8	0.65%	6,068,064	7	0.52%
Ansonia Acquisitions, LLC	Apartments	7,073,050	9	0.60%	3,848,599	9	0.33%
Avery Heights LP	Apartments	5,637,820	10	0.48%	3,211,745	10	0.27%
Total		<u>\$ 699,517,754</u>		<u>59.29%</u>	<u>\$ 764,799,386</u>		<u>65.42%</u>

Source: Town of Groton Assessor's Department

The total net assessment of the top ten taxpayers for the City of Groton constitutes 59.29% of the total 10/1/2016 net taxable Grand List for the City of Groton after the BAA deliberations.

**Property Tax Levies and Collection
Last Ten Years
(Unaudited)**

Year Ended June 30,	Tax Rate in Mills	Grand List of October 1	Total Adjusted Tax Levy	Net Current Collections	Percent of Levy Collected	Net Delinquent Taxes Collected	Net Total Tax Collections	Percentage of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
2009	4.14	2007	\$ 5,678,591	\$ 5,629,826	99.14%	\$ 46,819	\$ 5,676,645	99.97%	\$ 48,765	0.86%
2010	4.14	2008	5,634,676	5,608,587	99.54%	31,133	5,608,587	99.54%	46,819	0.83%
2011	4.14	2009	5,719,007	5,658,026	98.93%	423,274	5,658,026	98.93%	76,656	1.34%
2012	4.14	2010	5,597,114	5,443,915	98.76%	79,711	5,523,626	98.69%	73,488	1.33%
2013	4.60	2011	6,453,438	6,296,266	99.10%	90,119	6,376,385	98.81%	77,052	1.23%
2014	4.60	2012	6,185,972	5,905,522	95.47%	235,140	6,140,662	99.27%	45,310	0.73%
2015	4.82	2013	6,223,649	6,160,646	98.99%	37,033	6,197,679	99.58%	71,460	1.15%
2016	5.87	2014	7,015,745	6,958,217	99.18%	49,243	7,007,460	99.88%	73,880	1.05%
2017	5.43	2015	6,364,155	6,330,454	99.47%	37,088	6,367,542	100.05%	95,802	1.51%
2018	5.22	2016	6,295,071	6,153,259	97.75%	77,322	6,230,581	98.98%	64,490	1.02%

Source: Town of Groton Tax Collector's Department.

**Ratios of Outstanding Debt Type
Last Ten Years
(Unaudited)**

Year Ended June 30,	Governmental Activities			Business-Type Activities			Grand Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligations Bonds			General Obligation Bonds					
	City	Sewer	Total	Electric ⁽³⁾	Water	Total			
2007	\$ 1,709,000	\$ 3,421,000	\$ 5,130,000	\$ 19,496,630	\$ 8,498,370	\$ 27,995,000	\$ 33,125,000	14.9%	3,309
2009	\$ 2,054,000	\$ 2,185,000	\$ 4,239,000	\$ 29,633,970	\$ 7,942,030	\$ 37,576,000	\$ 41,815,000	18.8%	\$ 4,180
2010	3,501,000	1,573,500	5,074,500	33,563,885	6,851,615	40,415,500	45,490,000	26.6%	5,926
2011	3,098,000	1,071,000	4,169,000	31,383,930	5,867,070	37,251,000	41,420,000	13.9%	4,138
2012	2,737,000	756,000	3,493,000	29,226,980	5,095,020	34,322,000	37,815,000	12.5%	3,733
2013	5,492,000	940,000	6,432,000	42,794,310	6,787,690	49,582,000	56,014,000	18.1%	5,391
2014	4,980,000	655,000	5,635,000	39,973,040	6,036,960	46,010,000	51,645,000	16.7%	4,971
2015	4,525,000	515,000	5,040,000	37,280,000	5,320,000	42,600,000	47,640,000	15.4%	4,586
2016	4,070,000	385,000	4,455,000	34,455,000	4,590,000	39,045,000	43,500,000	14.1%	4,187
2017	3,620,000	360,000	3,980,000	31,405,000	4,170,000	35,575,000	39,555,000	12.8%	3,807
2018	3,170,000	6,333,000	9,503,000	38,837,000	15,092,360	53,929,360	63,432,360	20.5%	6,106

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

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

**Ratio of Net General Bonded Debt to Assessed Value and
Net General Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)**

Year Ended June 30,	Population	Assessed Value	Bonded Debt	Percentage of Net Long-Term Debt to Assessed Value	Net Long-Term Debt Per Capita
2009 ***	10,010	\$ 1,358,526,106	\$ 4,239,000	0.31%	423
2010 ***	10,010	1,332,213,104	5,074,500	0.38%	507
2011 **	10,389	1,314,619,927	4,169,000	0.32%	401
2012 **	10,389	1,332,945,358	3,493,000	0.26%	366
2013 **	10,389	1,258,076,348	6,432,000	0.51%	619
2014 **	10,389	1,297,137,415	5,635,000	0.43%	542
2015 **	10,389	1,297,146,935	5,040,000	0.39%	485
2016 **	10,389	1,197,702,173	4,455,000	0.37%	429
2017 **	10,389	1,167,232,309	3,980,000	0.34%	383
2018 **	10,389	1,179,974,354	9,503,000	0.81%	915

*** Based on 2000 Bureau of Census figure.

** Based on 2010 Bureau of Census figure.

**Computation of Direct and Overlapping Bonded Debt
June 30, 2018
(Unaudited)**

Jurisdiction	Net Bonded Debt Outstanding	Percentage Application to City	Amount Applicable to City
Direct:			
City of Groton	\$ 9,503,000	100.00%	\$ 9,503,000
Overlapping:			
Town of Groton	<u>47,526,146</u>	30.91%	<u>14,690,332</u>
Total	<u><u>\$ 57,029,146</u></u>		<u><u>\$ 24,193,332</u></u>

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

**Schedule of Statutory Debt Limitation
For the Year Ended June 30, 2018
(Unaudited)**

Total tax collections (including interest and lien fees)	\$ 6,270,680							
Reimbursement for revenue loss on:								
Tax relief for elderly freeze	-							
Total base	\$ 6,270,680							
		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">General Purpose</td> <td style="text-align: center;">Sewer</td> </tr> <tr> <td></td> <td style="text-align: center;"><hr/></td> <td style="text-align: center;"><hr/></td> </tr> </table>		General Purpose	Sewer		<hr/>	<hr/>
	General Purpose	Sewer						
	<hr/>	<hr/>						
Debt limitation:								
2-1/4 times base	\$ 14,109,030	\$ -						
3-3/4 times base	-	23,515,050						
Total debt limitation	14,109,030	23,515,050						
Indebtedness:								
Bonds payable	3,170,000	6,333,000						
Authorized, but unissued debt	854,189	106,000						
Total Indebtedness	4,024,189	6,439,000						
Debt limitation in excess of outstanding and authorized debt	\$ 10,084,841	\$ 17,076,050						

Notes: (A) The above total indebtedness amounts to: \$ 10,463,189

(B) In no case shall total indebtedness exceed seven times annual receipts from taxation \$ 43,894,760

(C) A "Schools" column is not provided in the above schedule since an educational system is provided by the Town of Groton.

(D) There are authorized and existing bonds of both the Electric and Water Departments. Although this debt is also a general obligation of the City, repayment is expected to come from the respective utility's operational income. Therefore, the amounts are not reflected in the schedule.

**Schedule of Statutory Debt Limitation
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total tax collections, including interest and lien fees	\$ 6,270,680	\$ 6,407,002	\$ 7,048,262	\$ 6,235,091	\$ 6,187,324	\$ 6,412,585	\$ 5,624,204	\$ 6,117,086	\$ 5,879,707	\$ 5,789,797
Reimbursement for revenue loss on:										
Tax relief for elderly freeze	-	-	-	-	-	-	-	-	2,902	-
Total base	\$ 6,270,680	\$ 6,407,002	\$ 7,048,262	\$ 6,235,091	\$ 6,187,324	\$ 6,412,585	\$ 5,624,204	\$ 6,117,086	\$ 5,882,609	\$ 5,789,797
Debt limit:										
General purpose 2 1/4 times base	\$ 14,109,030	\$ 14,415,755	\$ 15,858,590	\$ 14,028,955	\$ 13,921,479	\$ 14,428,316	\$ 12,654,459	\$ 13,763,444	\$ 13,235,870	\$ 13,027,043
Sewer 3 3/4 times base	23,515,050	24,026,258	26,430,983	23,381,591	23,202,465	24,047,194	21,090,765	22,939,073	22,059,784	21,711,739
Total Debt Limit	37,624,080	38,442,013	42,289,573	37,410,546	37,123,944	38,475,510	33,745,224	36,702,517	35,295,654	34,738,782
Net debt applicable to limit:										
General purpose:										
Bonds payable	3,170,000	3,620,000	4,070,000	4,525,000	4,980,000	5,492,000	2,737,000	3,098,000	3,501,000	2,054,000
Bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Sewer:										
Bonds payable	6,333,000	360,000	385,000	515,000	655,000	936,000	756,000	1,071,000	1,573,500	2,185,000
Bond anticipation notes	-	5,500,000	2,750,000	-	-	-	-	-	-	-
Total net debt applicable to limit	9,503,000	9,480,000	7,205,000	5,040,000	5,635,000	6,428,000	3,493,000	4,169,000	5,074,500	4,239,000
Legal debt limit	\$ 28,121,080	\$ 28,962,013	\$ 35,084,573	\$ 32,370,546	\$ 31,488,944	\$ 32,047,510	\$ 30,252,224	\$ 32,533,517	\$ 30,221,154	\$ 30,499,782
In no case shall total indebtedness exceed seven times annual receipts from taxation	\$ 43,894,760	\$ 44,849,014	\$ 49,337,834	\$ 43,645,637	\$ 43,311,268	\$ 44,888,095	\$ 39,369,428	\$ 42,819,602	\$ 41,178,263	\$ 40,528,579
Total net debt applicable to the limit as a percentage of debt limit	25.26%	24.66%	17.04%	13.47%	15.18%	16.71%	10.35%	11.36%	14.38%	12.20%

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

**Demographic and Economic Statistics
Last Ten Calendar Years
(unaudited)**

Calendar Year	Population ¹	Personal Income (Amounts Expressed in Thousands)	Per Capita Income ²	Median Age ³	Education Level in Years of Schooling ⁴	Unemployment Rate ¹	
2009	***	10,010	222,612	22,239	*** 31.6	N/A	7.70%
2010	***	10,010	222,612	22,239	*** 31.6	N/A	9.10%
2011	**	10,389	309,125	29,755	*** 28.7	N/A	8.40%
2012	**	10,389	309,125	29,755	*** 28.7	N/A	8.20%
2013	**	10,389	309,125	29,755	*** 28.7	N/A	7.70%
2014	**	10,389	309,125	29,755	*** 28.7	N/A	6.20%
2015	**	10,389	309,125	29,755	*** 28.7	N/A	5.20%
2016	**	10,389	309,125	29,755	*** 28.7	N/A	5.30%
2017	**	10,389	309,125	29,755	*** 28.7	N/A	4.00%
2018	**	10,389	309,125	29,755	*** 28.7	N/A	4.10%

*** Based on 2000 Bureau of Census figure.

** Based on 2010 Bureau of Census figure.

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

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

(3) Based on 2000 Bureau of Census data.

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

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

Employer	2018			2008		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
General Dynamics, Electric Boat Division	8,189	1	55%	7,800	1	61%
Pfizer's	5,660	2	38%	4,000	2	31%
University of Connecticut	230	3	2%	230	4	2%
Superintendent of Ships	220	4	1%	200	5	2%
City of Groton	196	5	1%	234	3	2%
Groton Board of Education	135	6	1%	135	6	1%
Coast Guard Research & Development	130	7	1%	130	7	1%
Proto-Power	108	8	1%	80	8	1%
Sacred Heart School	38	9	0%	33	10	0%
Project Oceanology	36	10	0%	35	9	0%
Total	<u>14,942</u>		<u>100.0%</u> %	<u>12,877</u>		<u>100%</u>

Source: State Department of Labor

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

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government:										
Mayor	1	1	1	1	1	1	1	1	1	1
Finance	5	5	5	5	5	5	5	5	5	5
Planning	1	1	1	1	1	1	1	1	1	1
Parks and recreation	5	5	5	5	5	5	5	5	5	5
City clerk	1	1	1	1	1	1	1	1	1	1
Building and zoning	3	3	3	3	3	3	3	3	3	3
Other	3	3	3	3	3	3	3	3	3	3
Police										
Officers	27	27	28	29	29	31	32	32	32	32
Civilians	7	7	7	7	9	12	13	13	13	13
Fire										
Firefighters and officers	17	17	17	17	17	17	17	17	17	17
Public works										
Engineering	1	1	1	1	1	2	2	2	2	2
Highway	19	19	18	19	21	20	20	20	20	20
Water department	35	35	34	31	32	34	34	34	34	34
Sewer department	5	5	6	6	6	6	6	6	6	6
Electric department	66	66	71	70	70	95	95	95	95	95
Total	196	196	201	199	204	236	238	238	238	238

Source: Various City Departments.

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

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government:										
Public safety:										
Physical arrests	503	495	588	621	532	496	514	616	732	721
Parking violations	1,484	1,568	1,331	889	1,019	785	1,896	2,274	3,488	3,242
Traffic violations	1,558	1,630	1,606	1,341	1,865	1,815	2,234	2,584	3,290	2,576
Fire:										
Emergency responses	1,111	1,061	1,127	1,055	1,085	1,332	1,270	1,058	745	776
Fires extinguished	41	22	23	12	23	51	64	34	44	55
Public works:										
Highways and streets:										
Street resurfacing (miles)	1	2	6	7	9	2	-	-	1	-
Sidewalk repaired (feet)	1,420	1,134	410	175	1,901	1,250	430	580	687	1,128
Sanitation:										
Refuse collected (tons/day)	11	11	12	12	12	12	12	12	12	12
Recyclables collected (tons/day)	3	3	3	3	3	3	3	3	2	4
Water pollution authority:										
Average daily sewage treatment (millions of gallons)	2	2	2	2	2	2	2	2	2	2
Parks and recreation:										
Beach passes issued	2,448	2,179	2,125	2,092	2,052	2,008	1,952	1,864	1,671	1,718
Recreation:										
Summer program	587	381	613	426	392	326	282	270	275	189
Fall program	119	120	269	115	116	192	194	90	187	29
Winter program	402	354	215	170	145	126	159	73	205	53
Business-type activities:										
Water fund:										
New connections	6	8	3	5	9	9	10	10	11	56
Water main breaks	14	16	14	16	5	5	5	11	11	6
Average daily consumption (millions of gallons)	5.000MGD	5.500MGD	5.700MGD	5.700MGD	5.900MGD	5.900MGD	5.600MGD	5.800MGD	5.600MGD	5.900MGD
Peak daily consumption (millions of gallons)	7.648MGD	9.704MGD	9.100MGD	8.511MGD	8.250MGD	8.250MGD	8.208MGD	9.597MGD	9.173MGD	8.857MGC

Source: Various city departments

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

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government:										
Parks and recreation:										
Acreage	40	40	40	40	40	40	40	40	40	40
Playgrounds	6	6	6	6	6	6	6	6	6	6
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Basketball courts	3	3	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	6	6	6	6	6	6	6
Public safety:										
Fire department	2	2	2	2	2	2	2	2	2	2
Police department:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	24	24	24	24	24
Public works:										
Highway department:										
Streets (miles)	29	29	29	29	29	29	29	29	29	29
Sidewalks (miles)	23	23	23	23	23	23	23	23	23	23
Water fund:										
Water mains (miles)	105	105	105	105	105	105	105	105	105	105
Fire hydrants	737	737	735	734	731	728	726	724	714	710
Storage capacity (thousands of gallons)	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000	2,789,000
Sewer fund:										
Sewer mains (miles)	35	35	35	35	35	35	35	35	35	35
Storm drainage (miles)	16	16	16	16	16	16	16	16	16	16
Treatment capacity (millions of gallons)	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1

Source: Various city departments.

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