

VILLAGE OF GROTON

Groton, New York

FINANCIAL REPORT

May 31, 2012

VILLAGE OF GROTON
FOR THE YEAR ENDED MAY 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Mayor and Village Trustees
Village of Groton
Groton, New York

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Groton (the Village), as of and for the year ended May 31, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year ended May 31, 2012, the Village implemented Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2013 on our consideration of the Village'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* and should be considered in assessing the results of our audit.

- 1 -

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and Schedule of Funding Progress on pages 2 through 2h and 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements as a whole. The supplementary financial information on pages 39 to 40 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cianchi, D'Andrea, Little, Middleman, & Company, LLP

January 2, 2013
Ithaca, New York

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2012

Our discussion and analysis of the Village of Groton's financial performance provides an overview of the Village's financial activities for the fiscal year ended May 31, 2012. This section is a summary of the Village's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed in the current year. Please read it in conjunction with the Village's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The assets of the Village's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$7,631,752 (net assets). To meet the government's ongoing obligations to citizens and creditors, \$723,018 (unrestricted net assets) may be used. The net assets of the Village's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$1,551,122.
- The Village's net assets increased by \$2,401,144; an increase of \$2,458,053 or 47.5% for Governmental Activities offset by an decrease of \$(56,909) or (3.5)% for Business-type Activities.
- During the year, the Village's revenues were \$2,458,053 higher than expenses for governmental programs.
- The General Fund recorded an increase of \$51,370 in 2012 and had a fund balance at the end of the year of \$455,397.
- The debt obligations of the Village's governmental activities decreased by \$(2,740,828) or (63.8)% during the current fiscal year, mainly as a result of an EFC loan payment offset by other debt.
- The resources available for appropriation in the General Fund were \$(24,158) less than budgeted and expenditures were \$173,528 less than budgeted. The decrease in budget versus actual expenditures is primarily due to cost containment.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 through 4a) provide information about the Village as a whole and present a longer-term view of the Village's finances. Governmental Fund financial statements start on page 5. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the Village's operations in greater detail than the Government-wide financial statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements. The report also contains budgetary comparison schedules for the General, Water, and Sewer Funds.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Reporting the Village as a Whole

Our analysis of the Village as a whole begins on page 3, with the Government-wide financial statements. The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer the question of whether the Village, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

These two statements report the Village's net assets and changes in them. One can think of the Village's net assets, the difference between assets and liabilities, as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

In the Statement of Net Assets and the Statement of Activities, we separate the Village into three kinds of activities:

Governmental Activities: Most of the Village's services are reported in this category, including public safety, public health, economic assistance, transportation, home and community, culture and recreation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

Business-type Activities: The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's electric utility operations are reported here.

Component Units: The Village includes two separate legal entities in its report - the Housing Authority and Industrial Development Agency. Although legally separate, these component units are important because the Village is financially accountable for them. Complete financial statements for the Housing Authority can be obtained from its administration office.

Reporting the Village's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the Village's Major Funds begins on page 5. The Governmental Fund financial statements provide detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The Village's two kinds of funds - Governmental and Proprietary - use different accounting approaches.

Governmental Funds: All of the Village's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the Village's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The relationship (or differences) between Governmental Activities (reported in the Government-wide financial statements) and Governmental Funds is explained in a reconciliation following the Governmental Fund financial statements.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Proprietary Funds: When the Village charges customers for the services it provides - whether to outside customers or to other units of the Village - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Village's Enterprise Funds (a component of Proprietary Funds) are the same as the Business-type Activities we report in the Government-wide financial statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

The Village as Trustee: The Village is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the Village's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 12. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE VILLAGE AS A WHOLE

The Village's *combined* net assets for fiscal year ended May 31, 2012 increased from \$6,781,730 to \$9,182,874. The Village's investment in its capital assets (e.g. land, buildings, machinery and equipment and infrastructure), less any outstanding debt used to acquire those assets, has a balance of \$7,068,580 at May 31, 2012. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village'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 by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

Our analysis below focuses on the net assets (Figures 1A and 1B), and changes in net assets (Figures 2A and 2B), of the Village's Governmental and Business-type Activities.

Figure 1A
Net Assets at May 31, 2012

	Governmental Activities	Business-type Activities	Total
<i>Current and other assets</i>	\$ 732,011	\$ 487,366	\$ 1,219,377
<i>Capital assets</i>	7,290,767	1,322,310	8,613,077
<i>Noncurrent assets</i>	1,197,015	300,634	1,497,649
Total assets	9,219,793	2,110,310	11,330,103
<i>Current liabilities</i>	110,007	103,265	213,272
<i>Other liabilities</i>	1,478,034	455,923	1,933,957
Total liabilities	1,588,041	559,188	2,147,229
<i>Invested in capital assets, net of debt</i>	5,995,598	1,072,982	7,068,580
<i>Restricted</i>	913,136	275,011	1,188,147
<i>Unrestricted</i>	723,018	203,129	926,147
Total net assets	\$ 7,631,752	\$ 1,551,122	\$ 9,182,874

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Figure 1B
Net Assets at May 31, 2011

	Governmental Activities	Business-type Activities	Total
<i>Current and other assets</i>	\$ 772,193	\$ 484,636	\$ 1,256,829
<i>Capital assets</i>	7,357,381	1,402,703	8,760,084
<i>Noncurrent assets</i>	1,268,369	274,516	1,542,885
Total assets	9,397,943	2,161,855	11,559,798
<i>Current liabilities</i>	3,579,909	201,008	3,780,917
<i>Other liabilities</i>	644,335	352,816	997,151
Total liabilities	4,224,244	553,824	4,778,068
<i>Invested in capital assets, net of debt</i>	3,403,992	1,091,975	4,495,967
<i>Restricted</i>	928,261	246,932	1,175,193
<i>Unrestricted</i>	841,446	269,124	1,110,570
Total net assets	\$ 5,173,699	\$ 1,608,031	\$ 6,781,730

The liabilities of the Village's Governmental Activities decreased (166.0)% or \$(2,636,203), primarily due to the repayment of short-term debt. The net assets of the Village's Governmental Activities increased by 47.5% or \$2,458,053, mainly due to a capital grant. The net assets of the Village's Business-type Activities decreased by (3.5)% or \$(56,909).

Figure 2A
Changes in Net Assets at May 31, 2012

	Governmental Activities	Business-type Activities	Total
REVENUES			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 697,423	\$ 1,322,723	\$ 2,020,146
<i>Operating grants</i>	38,232		38,232
<i>Capital grants</i>	2,627,098		2,627,098
<i>General revenues:</i>			
<i>Property taxes and tax items</i>	670,204		670,204
<i>Nonproperty taxes</i>	468,199		468,199
<i>State sources</i>	30,282		30,282
<i>Other</i>	33,674	1,576	35,250
Total revenues	4,565,112	1,324,299	5,889,411
PROGRAM EXPENSES			
<i>General government</i>	275,844	91,582	367,426
<i>Public safety</i>	394,091		394,091
<i>Public health</i>	189,248		189,248
<i>Transportation</i>	446,494		446,494
<i>Economic assistance and opportunity</i>	6,500		6,500
<i>Culture and recreation</i>	189,638		189,638
<i>Home and community services</i>	564,113	1,282,560	1,846,673
<i>Interest on long-term debt</i>	41,131	7,066	48,197
Total expenses	2,107,059	1,381,208	3,488,267
INCREASE (DECREASE) IN NET ASSETS	\$ 2,458,053	\$ (56,909)	\$ 2,401,144

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Figure 2B
Changes in Net Assets at May 31, 2011

	Governmental Activities	Business-type Activities	Total
REVENUES			
<i>Program revenues:</i>			
Charges for services	\$ 686,722	\$ 1,489,150	\$ 2,175,872
Operating grants	85,439		85,439
<i>General revenues:</i>			
Property taxes and tax items	633,764		633,764
Nonproperty taxes	497,022		497,022
State sources	27,995		27,995
Other	69,802	3,006	72,808
Total revenues	2,000,744	1,492,156	3,492,900
PROGRAM EXPENSES			
General government	294,191	77,252	371,443
Public safety	454,704		454,704
Public health	118,490		118,490
Transportation	411,298		411,298
Economic assistance and opportunity	5,135		5,135
Culture and recreation	207,895		207,895
Home and community services	492,398	1,398,958	1,891,356
Interest on long-term debt	27,252	7,957	35,209
Total expenses	2,011,363	1,484,167	3,495,530
(DECREASE) INCREASE IN NET ASSETS	\$ (10,619)	\$ 7,989	\$ (2,630)

Governmental Activities

The Village increased its property tax rate for the 2011-2012 year. This increase, combined with a change in the taxable assessed valuation, increased the Village's tax revenues by \$36,440 in 2011-2012. These amounts are included within the property taxes and tax items lines, and indicate a 5.8% increase from 2010-2011 to 2011-2012.

Operating grants decreased from 2011 to 2012, due to a Community Development project being substantially completed, and resulted in decreased expenditures eligible for federal grant reimbursements. Capital grants increased due to a sewer capital projects grant.

VILLAGE OF GROTON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED MAY 31, 2012

Figure 3A
Revenue by Source
Governmental Activities - 2012

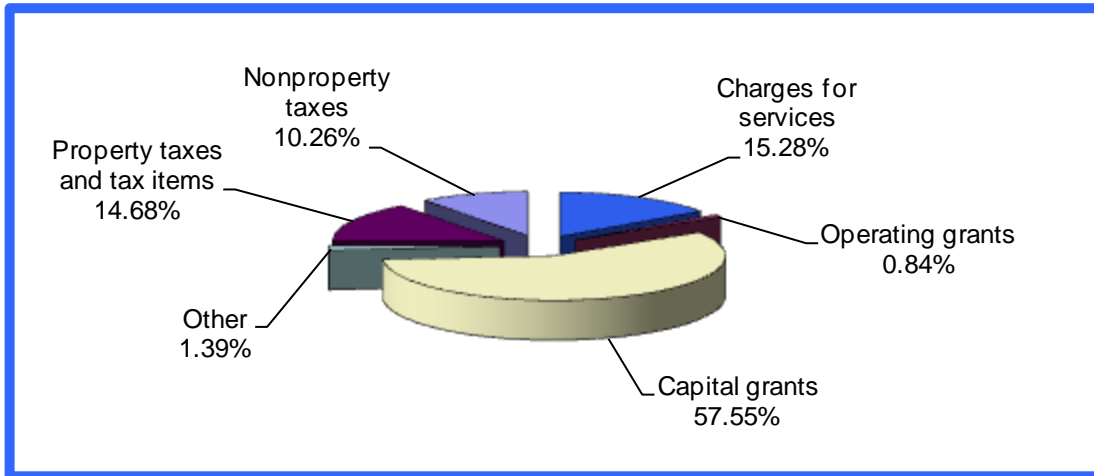
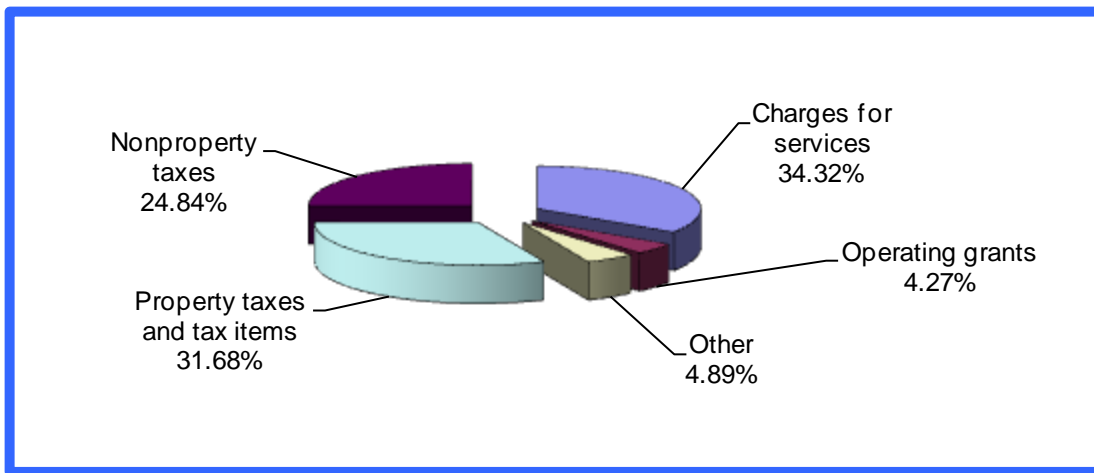


Figure 3B
Revenue by Source
Governmental Activities - 2011



The cost of all Governmental Activities this year was \$2,107,059. As shown in the Statement of Activities, some of the cost was paid by those who directly benefited from the programs \$(697,423), or by other governments and organizations that subsidized certain programs with grants and contributions \$(2,665,330), including \$2,627,098 in non-recurring capital grants. Overall, the Village's governmental program revenues, including fees for services and grants were \$3,362,753. The Village also reported all costs covered by charges, donations or grants, and \$1,202,359 in taxes and other revenues, such as interest and general entitlements.

VILLAGE OF GROTON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED MAY 31, 2012

The total cost less revenues generated by activities, or the net cost, for each of the Village's largest programs is presented below. The net cost shows the financial burden that was placed on the Village's taxpayers by each of these functions.

Figure 4A
Net Program Cost
Governmental Activities - 2012

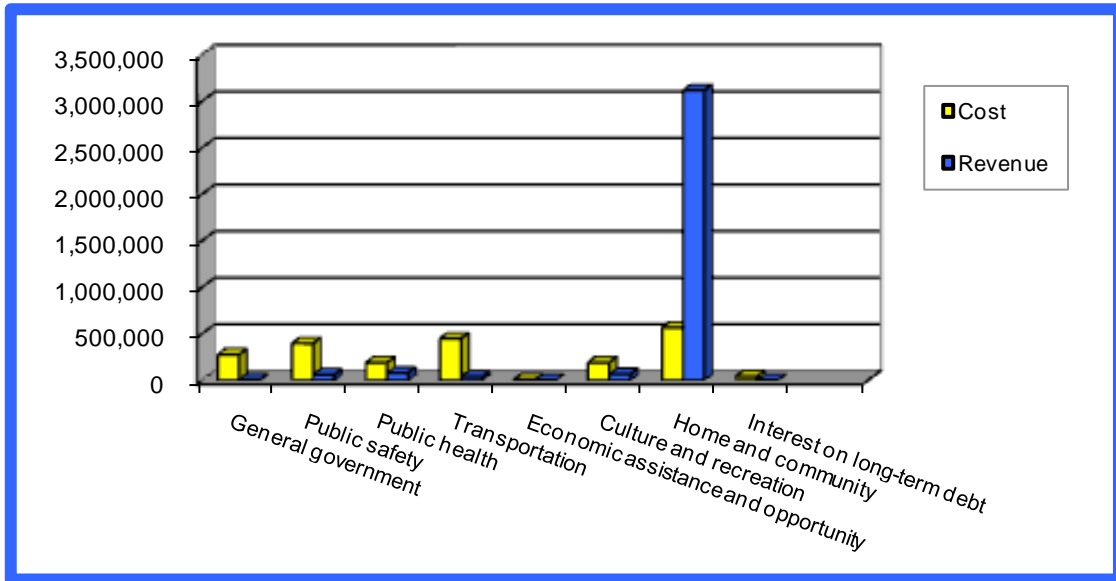
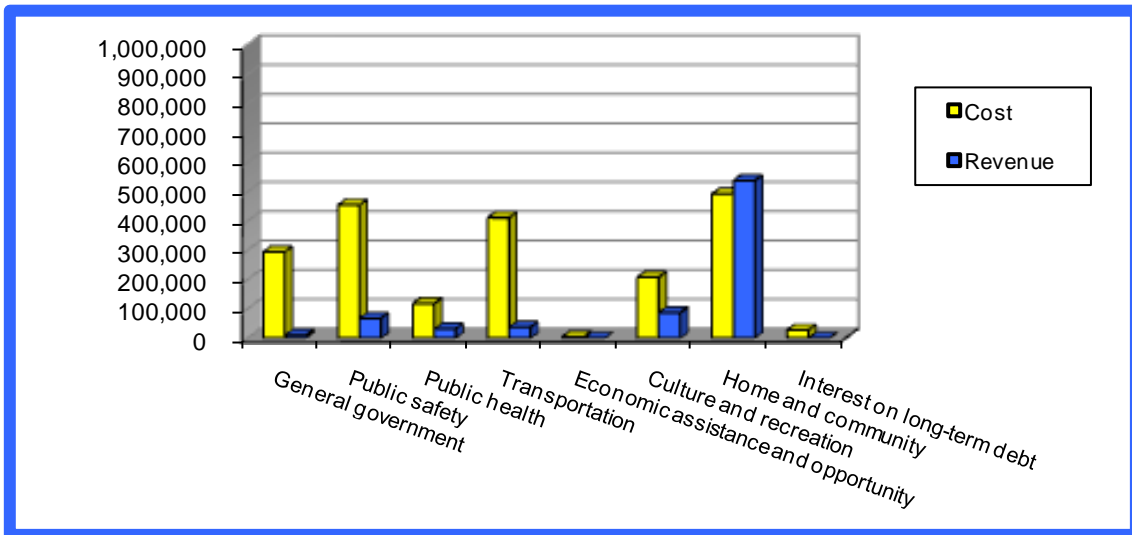


Figure 4B
Net Program Cost
Governmental Activities - 2011



VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

THE VILLAGE'S FUNDS

As the Village completed the year, its Governmental Funds, as presented in the balance sheet on pages 5-5a, reported a combined fund balance of \$1,061,547, which is more than last year's total of \$(2,323,552). Figure 5 shows the changes in fund balances for the year for the Village's funds. The General Fund increased primarily as a result of an increase in real property taxes. Water and Sewer Funds decreased primarily due to an increase in expenditures for the installation of our automatic meter reading system, mostly using reserve funds. The Capital Projects Fund increased primarily due to State aid received to reimburse capital expenditures incurred in the prior year.

Figure 5
Major Governmental Funds
Fund Balance at Year Ending

	2011	2012	Total Dollar Change 2011 - 2012
<i>General Fund</i>	\$ 404,027	\$ 455,397	\$ 51,370
<i>Special Grant Fund</i>	21,439	60,972	39,533
<i>Capital Projects Fund</i>	(3,384,889)	9,407	3,394,296
<i>Water Fund</i>	363,122	259,750	(103,372)
<i>Sewer Fund</i>	263,400	260,928	(2,472)
<i>Non-Major Governmental Funds</i>	9,349	15,093	5,744
Total	\$ (2,323,552)	\$ 1,061,547	\$ 3,385,099

General Fund Budgetary Highlights

Over the course of the year, the Village Board, as well as management of the Village, revised the Village budget several times. These budget amendments consisted of budget transfers between functions, and additional appropriations which increased the overall budget.

After these adjustments, the actual charges to appropriations (expenditures) were \$173,528 below the final budget amounts. Resources available for appropriation were \$(24,158) below the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At May 31, 2012, the Village had capital assets of \$8,613,077, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment, streets and bridges. This amount represents a net decrease (including additions and deductions) of (1.7)% or \$(147,007) from last year.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Figure 6
Capital Assets, Net of Depreciation or at Historical Cost

	Governmental Activities	Business-type Activities	Total
<i>Land and CIP</i>	\$ 258,841	\$ 12,271	\$ 271,112
<i>Buildings and improvements</i>	168,072	109,019	277,091
<i>Equipment</i>	331,616	1,201,020	1,532,636
<i>Infrastructure</i>	6,532,238	-0-	6,532,238
Total	\$ 7,290,767	\$ 1,322,310	\$ 8,613,077

Debt Administration

Debt (Bonds and BANS payable), considered a liability of Governmental Activities, decreased by \$(2,740,828) and brought the total debt to \$1,553,904 as of May 31, 2012, as shown in Figure 7. Of this amount, \$286,500 is subject to the constitutional debt limit and represented 5.10% of the Village's statutory debt limit.

Figure 7
Major Outstanding Debt at Year Ending

	Governmental Activities	Business-type Activities	Total
<i>Serial bonds</i>	\$ 1,304,576	\$ 249,328	\$ 1,553,904
Total	\$ 1,304,576	\$ 249,328	\$ 1,553,904

The Village's bond rating, which did not change from the prior year, is currently ABB from Moody's. More detailed information about the Village's liabilities is presented in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal year May 31, 2013 budget, tax rates and fees that will be charged for the Business-type Activities.

The Village adopted a \$250,000 bond resolution for Water System Improvements. Funds will be used for the rebuilding of the distribution line on Hamilton Square, paying for the balance of the water meter replacement project, and a few smaller distribution line projects.

The Village continues to be concerned with rising employee benefit costs, including retirement, health insurance and workers' compensation insurance.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Charles V. Rankin, Clerk-Treasurer, at 143 Cortland Street, PO Box 100, Groton, New York 13073.

VILLAGE OF GROTON
STATEMENT OF NET ASSETS
MAY 31, 2012

Primary Government

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents - Unrestricted	\$ 352,640	\$ 203,548	\$ 556,188
Temporary investments	100,000		100,000
Accounts receivable, net	121,233	97,026	218,259
Loans receivable - Current portion	80,000		80,000
Due from state and federal governments	8,730		8,730
Due from other governments	69,408		69,408
Prepaid expenses		94,010	94,010
Inventories		92,782	92,782
Restricted cash and cash equivalents	437,351	300,634	737,985
Loans receivable, long-term portion	759,664		759,664
Restricted investments			-0-
Land and construction in progress (See Note 4)	258,841	12,271	271,112
Depreciable capital assets, net of accumulated depreciation (See Note 4)	7,031,926	1,310,039	8,341,965
Total Assets	9,219,793	2,110,310	11,330,103
<u>LIABILITIES</u>			
Accounts payable	14,145	33,285	47,430
Accrued liabilities		3,424	3,424
Interest payable	7,116	1,442	8,558
Due to other governments			-0-
Customer deposits		6,078	6,078
Deferred revenue	1,170		1,170
Long-term Liabilities:			
Due within one year	87,576	59,036	146,612
Due in more than one year	1,256,574	233,353	1,489,927
Other postemployment benefits liability	221,460	222,570	444,030
Total Liabilities	1,588,041	559,188	2,147,229
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,995,598	1,072,982	7,068,580
Restricted for:			
Capital projects		275,011	275,011
Housing restrictions			
Community development	913,136		913,136
Unrestricted	723,018	203,129	926,147
Total Net Assets	\$ 7,631,752	\$ 1,551,122	\$ 9,182,874

See Independent Auditor's Report and Notes to Financial Statements

Component Units	
12/31/2011	5/31/2012
Housing Authority	Industrial Development Agency
\$ 18,825	\$ 3,217
2,607	
18,146	
60,164	
67,914	
263,336	12,500
408,103	
839,095	15,717
18,852	
31,147	
	12,500
10,258	
31,205	
472,122	
563,584	12,500
128,078	
147,433	3,217
\$ 275,511	\$ 3,217

VILLAGE OF GROTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2012

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General governmental support	\$ 275,844	\$ 8,724	\$ _____	\$ _____
Public safety	394,091	59,311	_____	_____
Public health	189,248	77,136	_____	_____
Transportation	446,494	_____	38,232	_____
Economic assistance and opportunity	6,500	_____	_____	_____
Culture and recreation	189,638	64,811	_____	_____
Home and community services	564,113	487,441	_____	2,627,098
Interest on long-term debt	41,131	_____	_____	_____
Total Governmental Activities	2,107,059	697,423	38,232	2,627,098
Business-type Activities:				
Municipal Electric	1,381,208	1,322,723	_____	_____
Total Business-type Activities	1,381,208	1,322,723	-0-	-0-
Total Primary Government	\$ 3,488,267	\$ 2,020,146	\$ 38,232	\$ 2,627,098
Component Units:				
Housing Authority	\$ 285,335	\$ _____	\$ 232,429	\$ 35,133
Industrial Development Agency	200	_____	_____	_____
Total Component Units	\$ 285,535	\$ -0-	\$ 232,429	\$ 35,133

GENERAL REVENUES

Taxes:

 Property taxes, levied for general purposes

 Property tax items

 Sales taxes

 Other taxes

Grants and contributions not restricted to specific programs

Use of money and property

Miscellaneous

Gain on sale of capital assets

 Total General Revenues

 Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
			12/31/2011	5/31/2012
Net (Expense) Revenue and Changes in Net Assets			Industrial	
Governmental Activities	Business-type Activities	Total	Housing Authority	Development Agency
\$ (267,120)	\$ _____	\$ (267,120)	\$ _____	\$ _____
(334,780)	_____	(334,780)	_____	_____
(112,112)	_____	(112,112)	_____	_____
(408,262)	_____	(408,262)	_____	_____
(6,500)	_____	(6,500)	_____	_____
(124,827)	_____	(124,827)	_____	_____
2,550,426	_____	2,550,426	_____	_____
(41,131)	_____	(41,131)	_____	_____
1,255,694	-0-	1,255,694	-0-	-0-
_____	(58,485)	(58,485)	_____	_____
-0-	(58,485)	(58,485)	-0-	-0-
1,255,694	(58,485)	1,197,209	-0-	-0-
_____	_____	_____	(17,773)	_____
_____	_____	_____	_____	(200)
-0-	-0-	-0-	(17,773)	(200)
648,033	_____	648,033	_____	_____
22,171	_____	22,171	_____	_____
416,220	_____	416,220	_____	_____
51,979	_____	51,979	_____	_____
30,282	_____	30,282	_____	_____
15,733	1,576	17,309	_____	1,003
11,139	_____	11,139	_____	_____
6,802	_____	6,802	_____	_____
1,202,359	1,576	1,203,935	-0-	1,003
2,458,053	(56,909)	2,401,144	(17,773)	803
5,173,699	1,608,031	6,781,730	293,284	2,414
\$ 7,631,752	\$ 1,551,122	\$ 9,182,874	\$ 275,511	\$ 3,217

VILLAGE OF GROTON
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2012

	Major Funds	
	General Fund	Special Revenue Funds Special Grant Fund
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents - Unrestricted	\$ 60,490	\$
Cash and cash equivalents - Restricted	248,004	60,972
Temporary investments - Unrestricted	100,000	
Due from other funds		
Due from state and federal governments		
Due from other governments	55,256	12,500
Other receivables, net		
Loans receivables		839,664
 Total Assets	 \$ 463,750	 \$ 913,136
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 8,083	\$
Due to other funds		
Deferred revenues	270	852,164
 Total Liabilities	 8,353	 852,164
 Fund Balances:		
Restricted	248,004	60,972
Assigned	203,372	
Unassigned	4,021	
 Total Fund Balances	 455,397	 60,972
 Total Liabilities and Fund Balances	 \$ 463,750	 \$ 913,136

See Independent Auditor's Report and Notes to Financial Statements

Major Funds

Special Revenue Funds		Capital Projects Fund	Total Non-Major Fund	Total Governmental Funds
Water Fund	Sewer Fund			
\$ 85,909	\$ 169,530	\$ 22,370	\$ 14,341	\$ 352,640
<u>113,951</u>	<u>5,017</u>	<u>9,407</u>		<u>437,351</u>
	<u>31,100</u>			<u>100,000</u>
		<u>8,730</u>		<u>31,100</u>
			<u>1,652</u>	<u>8,730</u>
<u>61,671</u>	<u>59,562</u>			<u>69,408</u>
				<u>121,233</u>
				<u>839,664</u>
<u>\$ 261,531</u>	<u>\$ 265,209</u>	<u>\$ 40,507</u>	<u>\$ 15,993</u>	<u>\$ 1,960,126</u>
\$ 1,781	\$ 4,281	\$ 31,100	\$ 900	\$ 14,145
		<u>31,100</u>		<u>31,100</u>
			<u>900</u>	<u>853,334</u>
<u>1,781</u>	<u>4,281</u>	<u>31,100</u>	<u>900</u>	<u>898,579</u>
<u>113,951</u>	<u>5,017</u>	<u>9,407</u>		<u>437,351</u>
<u>145,799</u>	<u>255,911</u>		<u>4,000</u>	<u>609,082</u>
			<u>11,093</u>	<u>15,114</u>
<u>259,750</u>	<u>260,928</u>	<u>9,407</u>	<u>15,093</u>	<u>1,061,547</u>
<u>\$ 261,531</u>	<u>\$ 265,209</u>	<u>\$ 40,507</u>	<u>\$ 15,993</u>	<u>\$ 1,960,126</u>

VILLAGE OF GROTON
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
MAY 31, 2012

Total Governmental Fund Balances \$ 1,061,547

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Historical cost	\$ 11,593,905	
Accumulated depreciation	<u>(4,303,138)</u>	7,290,767

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		852,164
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Certain accrued obligations and expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable		(7,116)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (1,304,576)	
Compensated absences	(39,574)	
Other postemployment benefits liability	<u>(221,460)</u>	<u>(1,565,610)</u>

Net Assets of Governmental Activities		\$ <u><u>7,631,752</u></u>
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See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2012

	Major Funds	
	General Fund	Special Revenue Funds
		Special Grant Fund
<u>REVENUES</u>		
Real property taxes	\$ 648,033	\$
Real property tax items	22,171	
Nonproperty tax items	451,060	
Departmental income	137,856	78,984
Intergovernmental charges	45,288	
Use of money and property	14,706	113
Licenses and permits	8,524	
Fines and forfeitures	10	
Sale of property and compensation for loss	3,761	
Miscellaneous local sources	6,069	
State sources	68,514	
Other revenues		
Total Revenues	1,405,992	79,097
<u>EXPENDITURES</u>		
Current:		
General governmental support	197,103	
Public safety	323,022	
Public health	149,938	
Transportation	275,268	
Economic assistance and opportunity	6,500	
Culture and recreation	119,585	
Home and community services	20,918	39,564
Employee benefits	235,321	
Debt Service:		
Principal	22,000	
Interest	4,967	
Capital outlay		
Total Expenditures	1,354,622	39,564
Excess of Revenues (Expenditures)	51,370	39,533
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers in		
Interfund transfers (out)		
Proceeds of obligations		
Total Other Financing (Uses)	-0-	-0-
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other Financing (Uses)	51,370	39,533
Fund Balances, Beginning of Year	404,027	21,439
Fund Balances, End of Year	\$ 455,397	\$ 60,972

See Independent Auditor's Report and Notes to Financial Statements

Major Funds

Special Revenue Funds		Capital Projects Fund	Total Non-Major Fund	Total Governmental Funds
Water Fund	Sewer Fund			
\$	\$	\$	\$	\$ 648,033
				22,171
				451,060
228,031	259,410		23,054	727,335
			12,389	57,677
692	210		12	15,733
				8,524
				10
3,291				7,052
				6,069
		2,627,098		2,695,612
		4,820		4,820
232,014	259,620	2,631,918	35,455	4,644,096
19,978	6,500			223,581
				323,022
				149,938
				275,268
				6,500
			28,295	147,880
127,545	169,235			357,262
34,667	30,422		1,416	301,826
30,000	37,500			89,500
16,532	19,984			41,483
		168,313		168,313
228,722	263,641	168,313	29,711	2,084,573
3,292	(4,021)	2,463,605	5,744	2,559,523
	1,549	106,664		108,213
(106,664)		(1,549)		(108,213)
		825,576		825,576
(106,664)	1,549	930,691	-0-	825,576
(103,372)	(2,472)	3,394,296	5,744	3,385,099
363,122	263,400	(3,384,889)	9,349	(2,323,552)
\$ 259,750	\$ 260,928	\$ 9,407	\$ 15,093	\$ 1,061,547

VILLAGE OF GROTON
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 3,385,099

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report purchases of capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceeded capital outlay in the current period.

Capital outlay	\$ 214,961	
Depreciation expense	<u>(281,575)</u>	(66,614)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount proceeds of debt exceeded the repayment of debt principal.

Net proceeds of debt	\$ (825,576)	
Principal payment	<u>89,500</u>	(736,076)

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.

Net change in accrued interest payable	\$ 352	
Net change in compensated absences	6,075	
Net change in liability for other postemployment benefits	<u>(76,125)</u>	(69,698)

Revenues and expenses from activities that result in long-term assets are not recorded in the funds. This amount represents the net change in these revenues deferred in the funds.

Change in Net Assets of Governmental Activities		<u>\$ 2,458,053</u>
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See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MAY 31, 2012

	Business-type Activities
	Municipal Electric Fund
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 203,548
Accounts receivable, net	97,026
Prepaid expenses	94,010
Inventories	92,782
Total Current Assets	487,366
Noncurrent Assets:	
Restricted cash and cash equivalents	300,634
Capital assets, net	1,322,310
Total Noncurrent Assets	1,622,944
Total Assets	2,110,310
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	33,285
Accrued liabilities	3,424
Interest payable	1,442
Compensated absences	43,061
Matured bonds payable	40,000
Loans payable, current portion	19,286
Customer deposits	6,078
Total Current Liabilities	146,576
Noncurrent Liabilities:	
Matured bonds payable	150,292
Loans payable	39,750
Other postemployment benefits payable	222,570
Total Noncurrent Liabilities	412,612
Total Liabilities	559,188
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,072,982
Restricted for capital projects	275,011
Unrestricted	203,129
Total Net Assets	\$ 1,551,122

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED MAY 31, 2012

	<u>Business-type Activities</u> <u>Municipal Electric Fund</u>
<u>OPERATING REVENUES</u>	
Departmental income	\$ <u>1,322,723</u>
Total Operating Revenues	<u>1,322,723</u>
<u>OPERATING EXPENSES</u>	
Current:	
General governmental support	<u>91,582</u>
Home and community services	<u>1,282,560</u>
Total Operating Expenses	<u>1,374,142</u>
(Loss) from Operations	<u>(51,419)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Use of money and property	<u>1,576</u>
Interest expense	<u>(7,066)</u>
Total Nonoperating (Expenses)	<u>(5,490)</u>
Change in Net Assets	(56,909)
Total Net Assets, Beginning	<u>1,608,031</u>
Total Net Assets, Ending	<u>\$ <u>1,551,122</u></u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MAY 31, 2012

	Business-type Activities
	Municipal Electric Fund
Cash Flows from Operating Activities:	
Cash received from providing services	\$ 1,345,024
Cash payments - Employees	(386,210)
Cash payments - Suppliers	(835,736)
Net Cash Provided by Operating Activities	123,078
Net Cash Provided by Noncapital Financing Activities	-0-
Cash Flows from Capital and Related Financing Activities:	
Proceeds of debt	45,025
Principal payments on outstanding debt	(106,425)
Interest payments on outstanding debt	(6,992)
Net additions to depreciation reserves	67,689
Purchase of capital assets	(65,894)
Net Cash (Used) by Capital and Related Financing Activities	(66,597)
Cash Flows from Investing Activities:	
Purchase of investments	(26,118)
Interest income received	1,576
Net Cash (Used) by Investing Activities	(24,542)
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,939
Cash and Cash Equivalents, June 1,	171,609
Cash and Cash Equivalents, May 31,	\$ 203,548
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
(Loss) from operations	\$ (51,419)
Depreciation and amortization	78,450
(Increase) in accounts receivable	24,965
(Increase) in prepaid expenses	4,731
Decrease in inventory	(487)
Increase in other postemployment benefits	78,480
Increase in compensated absences	2,015
(Decrease) in accounts payable	879
Increase in accrued liabilities	(11,455)
Increase in customer deposits	(3,081)
Net Cash Provided by Operating Activities	\$ 123,078

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MAY 31, 2012

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents - Unrestricted	\$ <u>7,343</u>	\$ <u>3,786</u>
Total Assets	<u>7,343</u>	\$ <u><u>3,786</u></u>
<u>LIABILITIES</u>		
Agency liabilities	<u> </u>	\$ <u>3,786</u>
Total Liabilities	<u>-0-</u>	\$ <u><u>3,786</u></u>
<u>NET ASSETS</u>		
Reserved for Trusts	<u>7,343</u>	
Total Net Assets	\$ <u><u>7,343</u></u>	

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED MAY 31, 2012

	Private Purpose Trust Fund
	13
<u>ADDITIONS</u>	
Miscellaneous Local Sources	\$ 13
Total Additions	13
<u>DEDUCTIONS</u>	
Distributions	-
Total Deductions	-0-
Change in Net Assets	13
Net Assets - Beginning of Year	7,330
Net Assets - End of Year	\$ 7,343

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2012

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The Village of Groton, which was established in 1860, is governed by Village Law and other municipal laws of the State of New York and various local laws. The Mayor and four trustees are the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Clerk/Treasurer serves as chief fiscal officer.

The following basic services are provided: water, sewer, public safety (police and fire), and maintenance of highways and streets.

All Governmental Activities and functions performed for the Village of Groton are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 39, "Determining Whether Certain Organizations are Component Units."

- a. The primary government, which is the Village of Groton,
- b. Organizations for which the primary government is financially accountable, and;
- c. 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.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, including legal standing, fiscal dependency, and financial accountability.

1. Included in the Reporting Entity, as Discretely Presented Component Units

The Village of Groton Housing Authority (Housing Authority) is a non-profit organization formed to construct, own, and manage an apartment complex for elderly persons. The Village Trustees appoint the governing board of the Housing Authority. Additionally, the Village Trustees can remove appointed members of the Housing Authority at will. A separate report was issued for the Housing Authority and can be obtained by contacting the Housing Authority directly at 200 West Street, Groton, NY 13073.

The Village of Groton Industrial Development Agency is a Public Benefit Corporation established by the State Legislature to promote the development of businesses and light industry within the Village. A separate Board has been established by the Village Trustees to manage the operations of the Industrial Development Agency. This Board is administratively and financially dependent on the Village.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Section 870 of General Municipal Law indicates that the bonds or notes and other obligations of the Industrial Development Agency are not the debt of the Village, and the payment of such is payable out of the funds of the Industrial Development Agency. Financial statements can be obtained by contacting the Village of Groton directly at 143 East Cortland Street, Groton, NY 13073.

The Village of Groton entered into a joint activity with the Town of Groton to provide recreational services directly to the citizens served by the governments. The purpose of the Fund is to hire a Joint Recreational Coordinator that will assist the Village and Town with the day-to-day administration of joint recreation programs. For the purposes of payroll management, recordkeeping, benefit programs, and general oversight, the Coordinator is an employee of the Village of Groton. Also, the Recreation Fund is not a legally separate entity. The Village and Town each bear any liability incurred by the Fund and share costs equally. Also, the Town will pay the Village \$12,000 annually for the purpose of maintenance and management of the Village's park facilities.

B. Basic Financial Statements

The Village's basic financial statements include both Government-wide (reporting the Village as a whole) and Governmental Funds financial statements (reporting the Village's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either Governmental or Business-type. The Village's general governmental support, public safety, health, transportation, economic assistance and opportunity, home and community services and culture and recreation, are classified as Governmental Activities.

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the primary government. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. The focus of the Government-wide financial statements addresses the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

In the Government-wide Statement of Net Assets, both the Governmental and Business-type Activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the Village's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Depreciation on assets that are shared by essentially all of the Village's programs has been reported in general governmental support. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the Village.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

2. Governmental Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The Village records its transactions in the funds described below:

a. Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the Village's Governmental Funds:

(1) Major Funds:

a) General Fund - The principal operating fund which includes all operations not required to be recorded in other funds.

b) Special Revenue Funds:

Special Grant Fund - Accounts for Community Development Block Grants.

Water Fund - Accounts for revenues derived from charges for water consumption and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

Sewer Fund - Accounts for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

c) Capital Projects Fund - Accounts for and reports financial resources to be used for the acquisition, construction, or renovation of the Village's major capital facilities, or equipment.

(2) Non-Major Fund:

Recreation Fund - Accounts for joint recreation activities.

(3) Proprietary Fund

The Proprietary Fund is used to account for ongoing organizations or activities similar to those often found in the private sector. Measurement focus is based upon determination of net income, financial position, and changes in financial position. The following Proprietary Fund is utilized:

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

- (a) Enterprise Utility - Municipal Electric Fund - The Enterprise Utility - Municipal Electric Fund, a Proprietary Fund Type, uses the accrual basis of accounting. It is used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services are to be financed or recovered primarily through user charges.

(4) Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the local government in a trustee or custodial capacity. The following are the Village's Fiduciary Fund types:

- (a) Agency Funds - Account for money and/or property received and held in the capacity of trustee, custodian or agent.
- (b) Private Purpose Trust Fund - Accounts for funds administered by the Village for the benefit of private concerns.

3. Component Units

The Village of Groton Housing Authority is a Proprietary Fund Type and uses the accrual basis of accounting. The Housing Authority's fiscal year end is December 31, and the amounts reported in the combined basic financial statements are for the year ended December 31, 2011.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

1. Accrual Basis

The Government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual Basis

The Governmental Fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The Village considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

VILLAGE OF GROTON
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when the asset is received. Exceptions to this general rule are 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

D. Property Taxes

Real property taxes are levied annually by the Village of Groton no later than June 1, and become a lien on June 1. Taxes are collected during the period June 1 to November 1.

Uncollected real property taxes are subsequently enforced by the County of Tompkins, in which the Village is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the Village no later than the forthcoming April 1.

Property tax revenues are recognized as revenues in the year they are levied and collected. Property taxes not collected within 60 days subsequent to fiscal year end are reported as deferred revenues.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Village considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Temporary Investments

Temporary investments consist of certificates of deposit with original maturity dates of three months to one year.

G. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the Village to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the Village including Rehabilitation Loans Receivable, Accounts Receivable, and Water and Sewer Rents Receivable.

H. Inventory

Inventory is valued utilizing the average cost method for Proprietary Funds.

I. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets are capitalized based on the following estimated useful lives and values:

Description	Valuation Threshold	Estimated Useful Lives
Buildings	\$ 5,000	30 years
Machinery and equipment	2,000	5-10 years
Infrastructure	5,000	15-40 years

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

J. Property, Plant, and Equipment - Proprietary Fund

Property, plant, and equipment acquired by the Proprietary Fund are stated at cost (or estimated historical cost). Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Transportation equipment	8 years
Communication equipment	20 years
Laboratory equipment	25 years
Office equipment	20 years
Buildings	40 years
Transmission overhead	35 years
Fixtures	33 years
Underground conduits	41 years

K. Postemployment Benefits

In addition to providing pension benefits, the Village of Groton provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village of Groton's employees may become eligible for these benefits if they reach normal retirement age while working for the Village of Groton. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village of Groton recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid in the governmental funds, and by recording an actuarially determined expense in the governmental activities, business type activities and proprietary fund.

L. Vacation, Sick Leave, and Compensatory Absences

Village of Groton employees are granted vacation leave based primarily on the number of years of continuous service, up to 22 days per year. However, vacation leave does not accumulate.

Employees are granted sick leave at the rate of ten days per year and may accumulate no more than a maximum of 130 days. Employees who retire are either compensated for 50% of accumulated sick leave or given the option of using 60% of accumulated sick leave to pay their portion of ensuing health insurance premiums, so long as such is sufficient to pay said premium.

Estimated accumulated sick leave is recorded in the Proprietary Fund as a liability and expense, and in Governmental Funds as a long-term liability if payable from future financial resources, or as a fund liability and expenditures, if payable from current resources. See Note 7-C for the amounts recorded for compensated absences.

As of May 31, 2012, four employees are using 60% of their accumulated sick leave to pay for their portion of health insurance premiums and four employees have exercised the 50% lump sum payment option.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

M. Insurance and Risk Management

The Village maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements have exceeded insurance coverage in the past three years.

N. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Governmental Fund Financial Statements

In the year ending May 31, 2012, the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on, or specific purposes for which resources in a fund can be spent.

- **Nonspendable**
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- **Restricted**
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

- **Committed**
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Trustees, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned**
Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned**
Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Village has not adopted any resolutions to commit fund balance. Currently, fund balance is assigned by the Village Administrator for encumbrances and designations. By resolution, the Village Board approves fund balance appropriations for next year's budget. The Village has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the Village applied expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

O. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. All interfund activities between governmental activities are eliminated on the Statement of Net Assets and the Statement of Activities.

P. Revenues

Substantially all Governmental Fund revenues are accrued.

Q. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Village's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

VILLAGE OF GROTON
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Note 2 - Cash and Investments

A. Assets

1. Cash and Investments

The Village of Groton's investment policies are governed by state statutes. In addition, the Village of Groton has its own written investment policy. Village of Groton's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Clerk-Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit at 105% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Villages.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. While the Village does not have a specific policy for custodial credit risk, New York State statutes govern the Village's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village's aggregate bank balances of \$1,370,889 and the aggregate bank balances of \$148,011 of the component units of the Village were under-collateralized in the amount of \$48,492.

The Village has few investments and chooses to disclose its investments by specifically identifying each. The Village's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

1. Insured or registered, or investments held by the Village or by the Village's agent in the Village's name, or
2. Uninsured and unregistered, with investments held by the financial institution's trust department in the Village's name, or
3. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the Village's name.

	Cost	Carrying Amount Fair Value	Type of Investment	Category
General Fund	\$ 100,000	\$ 100,000	Certificate of Deposit	(1)

The Village does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

The Village does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

2. Other Receivables

Other receivables at May 31, 2012 consisted of the following, which are stated at net realizable value. Except where noted, the Village has deemed the amounts to be fully collectible.

	<u>Description</u>	<u>Amount</u>
Water Fund	Water Rents Receivable	\$ 61,671
Sewer Fund	Sewer Rents Receivable	<u>59,562</u>
Total Governmental Activities		<u>\$ 121,233</u>
Municipal Electric Fund	Accounts Receivable (net of allowance of \$16,075)	<u>\$ 97,026</u>
Component Units:		
Other Receivables	Accounts Receivable	<u>\$ 2,607</u>

3. Restricted Cash

General Fund Reserves	\$ 248,004
Water Fund Reserves	113,951
Sewer Fund Reserves	5,017
Special Grant Fund	60,972
Capital Projects Fund	<u>9,407</u>
Total Primary Government Restricted Cash	<u>\$ 437,351</u>
Enterprise Fund Reserves	<u>\$ 300,634</u>
Component Unit:	
Housing Authority Reserve	<u>\$ 128,078</u>

Note 3 - Interfund Balances and Activity

Interfund receivable and payable balances at May 31, 2012 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
Special Revenue Sewer Fund	\$ 31,100	\$	\$ 1,549	\$
Special Revenue Water Fund				106,664
Capital Projects Fund		<u>31,100</u>	<u>106,664</u>	<u>1,549</u>
Total	<u>\$ 31,100</u>	<u>\$ 31,100</u>	<u>\$ 108,213</u>	<u>\$ 108,213</u>

Interfund receivables and payables are eliminated on the Statement of Net Assets.

The Village transfers from various funds to finance capital projects. The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables, if any, are expected to be repaid within one year.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Note 4 - Capital Assets

A summary of changes in capital assets at May 31, 2012 follows:

	<u>Balance at</u> <u>05/31/11</u>	<u>Additions</u>	<u>Deletions/</u> <u>Adjustments</u>	<u>Balance at</u> <u>05/31/12</u>
<u>Governmental Activities:</u>				
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 110,490	\$	\$	\$ 110,490
Construction in Progress	-0-	148,351		148,351
Total Non-depreciable Capital Assets	<u>110,490</u>	<u>148,351</u>	<u>-0-</u>	<u>258,841</u>
<u>Depreciable Capital Assets:</u>				
Buildings	487,577			487,577
Machinery and equipment	1,011,072	12,516	(11,317)	1,012,271
Infrastructure	9,781,122	54,094		9,835,216
Total Depreciable Capital Assets	<u>11,279,771</u>	<u>66,610</u>	<u>(11,317)</u>	<u>11,335,064</u>
Total Historical Cost	<u>11,390,261</u>	<u>214,961</u>	<u>(11,317)</u>	<u>11,593,905</u>
<u>Less Accumulated Depreciation:</u>				
Buildings	302,636	16,869		319,505
Machinery and equipment	621,823	70,149	(11,317)	680,655
Infrastructure	3,108,421	194,557		3,302,978
Total Accumulated Depreciation	<u>4,032,880</u>	<u>281,575</u>	<u>(11,317)</u>	<u>4,303,138</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,357,381</u>	<u>\$ (66,614)</u>	<u>\$ -0-</u>	<u>\$ 7,290,767</u>
	<u>Balance at</u> <u>05/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>05/31/12</u>
<u>Business-type Activities:</u>				
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 12,271	\$	\$	\$ 12,271
Total Non-depreciable Capital Assets	<u>12,271</u>	<u>-0-</u>	<u>-0-</u>	<u>12,271</u>
<u>Depreciable Capital Assets:</u>				
Buildings	198,161			198,161
Machinery and equipment	2,671,958	65,894	(11,034)	2,726,818
Total Depreciable Capital Assets	<u>2,870,119</u>	<u>65,894</u>	<u>(11,034)</u>	<u>2,924,979</u>
Total Historical Cost	<u>2,882,390</u>	<u>65,894</u>	<u>(11,034)</u>	<u>2,937,250</u>
<u>Less Accumulated Depreciation:</u>				
Buildings	61,995	27,147		89,142
Machinery and equipment	1,417,692	96,860	11,246	1,525,798
Total Accumulated Depreciation	<u>1,479,687</u>	<u>124,007</u>	<u>11,246</u>	<u>1,614,940</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,402,703</u>	<u>\$ (58,113)</u>	<u>\$ (22,280)</u>	<u>\$ 1,322,310</u>

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED MAY 31, 2012

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General governmental support	\$ 21,294
Public safety	18,809
Transportation	106,837
Culture and recreation	13,233
Home and community services	<u>121,402</u>
Total Governmental Activities Depreciation Expense	<u>\$ 281,575</u>
<u>Business-type Activities:</u>	
Municipal Electric	<u>\$ 124,007</u>

Fixed Assets - Component Units

A summary of the Village of Groton Housing Authority property, plant, and equipment at December 31, 2011 follows:

Land and Improvements	\$ 263,336
Building and Improvements	1,488,925
Furniture, fixtures, and equipment	213,991
Less Accumulated Depreciation	<u>(1,294,813)</u>
Net Property, Plant, and Equipment	<u>\$ 671,439</u>

Depreciation expense of \$62,570 was charged to operations on a straight-line basis for the year ended December 31, 2011.

Amortization of deferred financing costs of \$272 was charged to operations on a straight-line basis over a fifty-year period for the year ended December 31, 2011.

The only fixed asset of the Industrial Development Agency (IDA) as of May 31, 2012 is land transferred from the Village of Groton in 1999. The asset was recorded at an initial value of \$50,000. A portion was sold, leaving a remaining value of \$12,500, which remains due from the IDA to the Village.

Note 5 - Liabilities

A. Pension Plans

1. Plan Description

The Village of Groton participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

VILLAGE OF GROTON
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
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The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

2. Funding Policy

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining NYSPFRS on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Those joining NYSERS on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

The Village of Groton is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2012	\$ 93,743	\$ 21,399
2011	67,484	24,007
2010	46,975	18,945

The Village of Groton's contributions made to the Systems were equal to 100% of the contributions required for each year.

Note 6 - Short-term Debt

A. Bond Anticipation and Revenue Anticipation Notes

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. The notes or renewal thereof may not extend more than 2 years beyond the original date of issue unless a portion is redeemed within 2 years and within each 12 month period thereafter. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The Village redeemed \$50,000 in BANs during the current fiscal year.

The Village may issue Revenue Anticipation Notes (RANs) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The Village did not issue or redeem any RANs during the year.

The Village accounts for BANs and RANs as current obligations and records them in the fund to which they apply.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

B. New York State EFC Loan

On July 23, 2009, the Village of Groton signed an agreement with New York State Environmental Facilities Corporation (EFC), under the New York State Water Pollution Control Revolving Fund Program. This agreement provides for a maximum loan amount of \$3,484,000 towards the Village's wastewater treatment plant project. Funds are held by EFC until requested by the Village. \$3,415,504 has been drawn down as of May 31, 2011; during the year ended May 31, 2012 a portion was paid through a grant, and the remainder was converted to long-term debt.

Changes in short-term debt outstanding are as follows:

	<u>Payable at</u> <u>05/31/11</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at</u> <u>05/31/12</u>
Bond Anticipation Notes -				
Proprietary Fund	\$ 50,000	\$	\$ (50,000)	\$ -0-
State Loan Payable - Governmental Fund	<u>3,415,504</u>		<u>(3,415,504)</u>	<u>-0-</u>
Total	<u>\$ 3,465,504</u>	<u>\$ -0-</u>	<u>\$ (3,465,504)</u>	<u>\$ -0-</u>

Interest paid by the Village's governmental activities on short-term debt during the year was:

Interest paid	\$ 600
Less interest accrued in the prior year	(352)
Plus interest accrued in the current year	<u>962</u>
Total Interest Expense on Short-term Debt	<u>\$ 1,210</u>

Note 7 - Long-term Debt

A. Constitutional Debt Limit

At May 31, 2012, the total outstanding indebtedness of the Village of Groton aggregated \$1,553,904. Of this amount, \$286,500 was subject to the Village's constitutional debt limit, and represented approximately 5.10% of its debt limit.

B. Serial Bonds and Statutory Installment Bonds

The Village of Groton borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Assets and, in the case of Electric Fund debt, in the business-type activities.

C. Other Long-term Obligations

In addition to the above long-term debt, the Village had the following noncurrent liabilities:

1. Compensated Absences

Represent the unfunded value of the liability for accumulated sick days. The Village allows employees to accrue sick days up to a maximum of 130 days. Upon retirement from the Village, the employee may take 50% of accrued sick days at the current rate of pay in cash, or may elect to apply 60% of accrued sick days at current pay rates to pay the employee portion of retirement health care expenses.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

2. Other Postemployment Benefits

Represent the expected obligation for the postretirement health care benefits program.
See Note 8 for further information.

D. Changes in Long-term Indebtedness

The following represents changes in the Village's indebtedness and interest expenses/expenditures recognized during the year ended May 31, 2012.

	Balance May 31, 2011	Additions	Deletions	Balance May 31, 2012
Serial Bonds	\$ 415,000	\$	\$ 30,000	\$ 385,000
Statutory Installment Bonds	146,000		32,000	114,000
NYS Revolving Loan	7,500		7,500	-0-
NYS Revolving Bond	-0-	825,576	20,000	805,576
Compensated Absences	45,649		6,075	39,574
Other Postemployment Benefits	<u>145,335</u>	<u>76,125</u>		<u>221,460</u>
Total Long-term Indebtedness - Governmental Activities	<u>759,484</u>	<u>901,701</u>	<u>95,575</u>	<u>1,565,610</u>
Serial Bonds - Proprietary Fund	175,000	37,500	40,000	172,500
NYPA Loan - Proprietary Fund	85,728	7,525	16,425	76,828
Compensated Absences - Proprietary Fund	41,046	2,015		43,061
Other Postemployment Benefits - Proprietary Fund	<u>144,090</u>	<u>78,480</u>		<u>222,570</u>
Total	<u>\$ 1,205,348</u>	<u>\$ 1,027,221</u>	<u>\$ 152,000</u>	<u>\$ 2,080,569</u>

Interest paid by the Village's governmental activities on long-term debt during the year was:

Interest paid	\$	40,883
Less interest accrued in the prior year		(7,116)
Plus interest accrued in the current year		<u>6,154</u>
 Total Interest Expense on Long-term Debt	 \$	 <u>39,921</u>

Additions and deletions to compensated absences are shown net, as it is impractical to determine the amounts separately.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED MAY 31, 2012

E. Debt Maturity Schedule

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Outstanding Balance</u>	<u>Due Within One Year</u>
Serial Bonds:						
Water Fund	03/01/1983	\$ 704,000	5.00%	03/01/2022	\$ 200,000	\$ 20,000
Water Fund	06/01/2007	239,713	Various	03/01/2027	185,000	10,000
Sewer Fund	11/01/2011	825,576	Various	05/01/2041	805,576	25,576
Proprietary Fund	03/01/2004	455,000	3.50%	03/01/2015	<u>172,500</u>	<u>45,000</u>
Total Serial Bonds					<u>1,363,076</u>	<u>100,576</u>
Statutory Installment Bonds:						
Sewer Fund	05/10/2001	130,000	4.90%	05/10/2014	20,000	10,000
General Fund	03/20/2009	115,000	4.50%	04/01/2019	82,000	11,000
General Fund	05/01/2008	50,000	3.40%	05/01/2013	<u>12,000</u>	<u>12,000</u>
Total Statutory Installment Bonds					<u>114,000</u>	<u>33,000</u>
NYPA Loan:						
Proprietary Fund	08/31/2009	36,006	0.0%	11/01/2012	6,001	6,001
Proprietary Fund	05/31/2011	75,250	.88%	05/31/2016	<u>70,827</u>	<u>13,285</u>
Total NYPA Loans					<u>76,828</u>	<u>19,286</u>
Total Debt Outstanding					<u>\$ 1,553,904</u>	<u>\$ 152,862</u>

The following tables summarize the Village of Groton's future debt service requirements as of May 31, 2012:

<u>Year</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 152,862	\$ 58,378
2014	129,540	53,628
2015	120,800	49,238
2016	113,565	45,226
2017	83,137	42,727
2018-2022	309,000	177,155
2023-2027	200,000	124,720
2028-2032	145,000	89,188
2033-2037	160,000	56,378
2038-2042	<u>140,000</u>	<u>16,610</u>
Total	<u>\$ 1,553,904</u>	<u>\$ 713,248</u>

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

The Village of Groton Housing Authority has the following long-term debt:

Housing Authority	Original Date Issued	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance
Rural Development	12/31/1975	\$ 845,000	8.13%	12/31/2025	\$ 275,239
Rural Development	03/15/1978	433,400	8.00%	03/15/2028	163,110
Rural Development	04/29/1982	140,000	13.25%	05/29/2032	64,978
Total					<u>\$ 503,327</u>

The following table summarizes the Housing Authority's future debt service as of December 31, 2011:

Year	Notes Payable
2012	\$ 31,205
2013	31,454
2014	31,770
2015	32,089
2016	32,412
2017-2021	167,008
2022-2026	148,121
2027-2031	28,711
2032	557
Total	<u>\$ 503,327</u>

Note 8 - Other Postemployment Benefits

A. Postemployment Benefits Other than Pensions

In 2010, the Village adopted GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the Village reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of Village Postretirement Health Care Benefits Program (Plan) was performed as of June 1, 2009 for the fiscal year ending May 31, 2010, and an interim report based on the June 1, 2009 valuation date was prepared for the years ending May 31, 2012 and 2011.

Plan Description - The Plan is a single-employer, defined benefit healthcare plan administered by the Village. The Plan provides medical and dental benefits to eligible retirees and their spouses. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The contribution requirements of Plan members and the Village are established and may be amended pursuant to applicable collective bargaining and employment agreements. The required contribution is based on projected pay-as-you-go financing requirements and varies depending on the applicable agreement.

For the year ended May 31, 2012, the Village's governmental activities contributed \$16,655 to the Plan for current Village share of premiums for 3 retirees. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. The costs of administering the Plan are paid by the Village.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Village's net OPEB obligation to the Village's Plan:

	Governmental Activities	Business-type Activities
Normal cost	\$ 47,766	\$ 43,014
Amortization of unfunded actuarial accrued liability (UAAL)	49,898	38,768
Total Annual Required Contribution	<u>97,664</u>	<u>81,782</u>
Interest on net OPEB obligation	5,813	5,764
Adjustment to annual required contribution	<u>(8,386)</u>	<u>(8,315)</u>
Annual OPEB Cost (Expense)	95,091	79,231
Expected contributions on behalf of 3 employees	<u>(18,966)</u>	<u>(751)</u>
Increase in Net OPEB Obligation	76,125	78,480
Net OPEB Obligation - June 1, 2011	<u>145,335</u>	<u>144,090</u>
Net OPEB Obligation - May 31, 2012	<u>\$ 221,460</u>	<u>\$ 222,570</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Fiscal Year Ended	Fund Type	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
05/31/12	Governmental Activities	\$ <u>95,091</u>	<u>19.9%</u>	\$ <u>221,460</u>
05/31/12	Business-type Activities	\$ <u>79,231</u>	<u>0.9%</u>	\$ <u>222,570</u>
05/31/11	Governmental Activities	\$ <u>90,132</u>	<u>18.0%</u>	\$ <u>145,335</u>
05/31/11	Business-type Activities	\$ <u>74,445</u>	<u>0.3%</u>	\$ <u>144,090</u>
05/31/10	Governmental Activities	\$ <u>85,348</u>	<u>16.3%</u>	\$ <u>71,397</u>
05/31/10	Business-type Activities	\$ <u>69,900</u>	<u>0.0%</u>	\$ <u>69,900</u>

The year ended May 31, 2012 is the third year that the OPEB obligation has been actuarially determined.

Funded Status and Funding Progress - As of May 31, 2012, the Plan was not funded. The actuarial accrued liability for benefits was \$831,457 for the governmental activities and \$646,002 for the business-type activities; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$680,537 for the governmental activities and \$265,453 for the business-type activities; and the ratio of the UAAL to the covered payroll for the governmental and business-type activities was 122.2% and 243.4%, respectively.

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2009 Actuarial Valuation Report, the most recent actuarial valuation date, the projected unit credit method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. The actuarial assumptions included an annual discount rate of 4.00%. Additional actuarial assumptions included an annual medical cost trend rate ranging from 8.00% in 2012 to 4.20% for 2085 and thereafter, with an inflation rate of 2.90%.

As of January 1, 2011, the Village of Groton became a participating employer in the Greater Tompkins County Municipal Health Insurance Consortium, an agent multiple-employer defined benefit plan.

Note 9 - Fund Balance Detail

At May 31, 2012, nonspendable, restricted and assigned fund balance in the governmental funds were as follows:

	<u>General Fund</u>	<u>Special Grant Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non- Major Funds</u>
Restricted:						
Unemployment insurance reserve	\$ 3,086	\$	\$	\$	\$	\$
Repairs reserve	2,925					
Capital reserve	241,993		113,951	5,017		
Remaining fund balance		60,972			9,407	
Total Restricted Fund Balance	<u>\$ 248,004</u>	<u>\$ 60,972</u>	<u>\$ 113,951</u>	<u>\$ 5,017</u>	<u>\$ 9,407</u>	<u>\$ -0-</u>
Assigned:						
Appropriated for next year's budget	\$ 100,000	\$	\$ 12,000	\$ 35,000	\$	\$ 4,000
Remaining fund balance	103,372		133,799	220,911		
Total Assigned Fund Balance	<u>\$ 203,372</u>	<u>\$ -0-</u>	<u>\$ 145,799</u>	<u>\$ 255,911</u>	<u>\$ -0-</u>	<u>\$ 4,000</u>

VILLAGE OF GROTON
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED MAY 31, 2012

Note 10 - Insurance Pool, Non-Risk Retained

The Village of Groton is exposed to loss related to employee injuries. During the 1980s, the Village of Groton was unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. In June 1985, the Village of Groton joined with other governments (520 current members) to form the Public Risk Management Association, Inc. (PERMA), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation. The Village of Groton pays an annual premium to the pool for its workers' compensation insurance coverage. The agreement for the formation of PERMA provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments.

PERMA has published its own financial report for the year ended May 31, 2012, which can be obtained from the Public Employer Risk Management Association, Inc., P.O. Box 12250, Albany, New York 12212-2250.

During the year ended May 31, 2012, the Village incurred premiums of \$70,424.

Note 11 - Summary of Significant Commitments and Contingencies

The Village is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years

Note 12 - Subsequent Events

There were no other significant subsequent events affecting the financial condition of the Village between the balance sheet date and January 2, 2013, the date which the financial statements were available to be issued.

VILLAGE OF GROTON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - NON-GAAP BASIS
 FOR THE YEAR ENDED MAY 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Real property taxes	\$ 648,000	\$ 648,000	\$ 648,033	\$ 33
Real property tax items	12,000	12,000	22,171	10,171
Nonproperty tax items	410,000	410,000	451,060	41,060
Departmental income	219,150	220,000	137,856	(82,144)
Intergovernmental charges	48,900	49,550	45,288	(4,262)
Use of money and property	14,500	14,500	14,706	206
Licenses and permits	5,710	5,710	8,524	2,814
Fines and forfeitures	100	100	10	(90)
Sale of property and compensation for loss	1,000	1,000	3,761	2,761
Miscellaneous local sources	1,200	1,200	6,069	4,869
State sources	66,952	67,490	68,514	1,024
Federal sources	600	600		(600)
Total Revenues	<u>1,428,112</u>	<u>1,430,150</u>	<u>1,405,992</u>	<u>(24,158)</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support	<u>253,568</u>	<u>242,618</u>	<u>197,103</u>	<u>45,515</u>
Public safety	<u>332,000</u>	<u>334,750</u>	<u>323,022</u>	<u>11,728</u>
Public health	<u>199,000</u>	<u>202,250</u>	<u>149,938</u>	<u>52,312</u>
Transportation	<u>299,094</u>	<u>301,532</u>	<u>275,268</u>	<u>26,264</u>
Economic assistance and opportunity	<u>800</u>	<u>6,500</u>	<u>6,500</u>	<u>-0-</u>
Culture and recreation	<u>133,125</u>	<u>130,925</u>	<u>119,585</u>	<u>11,340</u>
Home and community services	<u>23,355</u>	<u>23,455</u>	<u>20,918</u>	<u>2,537</u>
Employee benefits	<u>258,200</u>	<u>259,150</u>	<u>235,321</u>	<u>23,829</u>
Debt service (principal and interest)	<u>26,970</u>	<u>26,970</u>	<u>26,967</u>	<u>3</u>
Total Expenditures	<u>1,526,112</u>	<u>1,528,150</u>	<u>1,354,622</u>	<u>173,528</u>
Excess of (Expenditures) Revenues	<u>(98,000)</u>	<u>(98,000)</u>	<u>51,370</u>	<u>149,370</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers (out)	<u>(27,000)</u>	<u></u>	<u></u>	<u>-0-</u>
Total Other Financing (Uses) Sources	<u>(27,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(125,000)</u>	<u>(98,000)</u>	<u>51,370</u>	<u>\$ 149,370</u>
Appropriated Fund Balances	<u>125,000</u>	<u>98,000</u>		
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>51,370</u>	
Fund Balance, Beginning of Year			<u>404,027</u>	
Fund Balance, End of Year			<u>\$ 455,397</u>	

See Independent Auditor's Report and Notes to Required Supplementary Information

VILLAGE OF GROTON
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUNDS - NON-GAAP BASIS
 FOR THE YEAR ENDED MAY 31, 2012

	Sewer Fund			
	Original Budget	Final Budget	Actual	Variance
<u>REVENUES</u>				
Departmental income	\$ 268,300	\$ 268,300	\$ 259,410	\$ (8,890)
Use of money and property	150	150	210	60
Total Revenues	268,450	268,450	259,620	(8,830)
<u>EXPENDITURES</u>				
Current:				
General governmental support	23,080	6,530	6,500	30
Home and community services	159,900	178,250	169,235	9,015
Employee benefits	31,800	31,800	30,422	1,378
Debt service (principal and interest)	75,670	73,870	57,484	16,386
Total Expenditures	290,450	290,450	263,641	26,809
Excess of (Expenditures)	(22,000)	(22,000)	(4,021)	17,979
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in	(5,000)	-0-	1,549	1,549
Interfund transfers (out)	(5,000)	-0-	1,549	-0-
Total Other Financing (Uses) Sources	(5,000)	-0-	1,549	1,549
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(27,000)	(22,000)	(2,472)	\$ 19,528
Appropriated Fund Balances	27,000	22,000		
Net Decrease	\$ -0-	\$ -0-	(2,472)	
Fund Balance, Beginning of Year			263,400	
Fund Balance, End of Year			\$ 260,928	

See Independent Auditor's Report and Notes to Required Supplementary Information

VILLAGE OF GROTON
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUNDS - NON-GAAP BASIS
 FOR THE YEAR ENDED MAY 31, 2012

	Water Fund			
	Original Budget	Final Budget	Actual	Variance
<u>REVENUES</u>				
Departmental income	\$ 234,500	\$ 234,500	\$ 228,031	\$ (6,469)
Use of money and property	500	500	692	192
Sale of property and compensation for loss			3,291	3,291
Miscellaneous local sources				-0-
Total Revenues	235,000	235,000	232,014	(2,986)
<u>EXPENDITURES</u>				
Current:				
General governmental support	28,765	22,515	19,978	2,537
Home and community services	132,200	140,250	127,545	12,705
Employee benefits	36,500	34,700	34,667	33
Debt service (principal and interest)	46,535	46,535	46,532	3
Total Expenditures	244,000	244,000	228,722	15,278
Excess of (Expenditures) Revenues	(9,000)	(9,000)	3,292	12,292
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers (out)	(16,000)	(106,664)	(106,664)	-0-
Total Other Financing (Uses)	(16,000)	(106,664)	(106,664)	-0-
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(25,000)	(115,664)	(103,372)	\$ 12,292
Appropriated Fund Balances	12,000	12,000		
Other Budgetary Purposes	13,000	103,664		
Net Decrease	\$ -0-	\$ -0-	(103,372)	
Fund Balance, Beginning of Year			363,122	
Fund Balance, End of Year			\$ 259,750	

See Independent Auditor's Report and Notes to Required Supplementary Information

VILLAGE OF GROTON
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED MAY 31, 2012

Year Ended	Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2012	06/01/09	Governmental Activities	\$ -0-	\$ <u>831,457</u>	\$ <u>831,457</u>	0.0%	\$ <u>680,537</u>	122.2%
2012	06/01/09	Business-type Activities	\$ -0-	\$ <u>646,002</u>	\$ <u>646,002</u>	0.0%	\$ <u>265,453</u>	243.4%
2011	06/01/09	Governmental Activities	\$ -0-	\$ <u>770,887</u>	\$ <u>770,887</u>	0.0%	\$ <u>642,214</u>	120.0%
2011	06/01/09	Business-type Activities	\$ -0-	\$ <u>581,632</u>	\$ <u>581,632</u>	0.0%	\$ <u>277,730</u>	209.4%
2010	06/01/09	Governmental Activities	\$ -0-	\$ <u>712,188</u>	\$ <u>712,188</u>	0.0%	\$ <u>642,092</u>	110.9%
2010	06/01/09	Business-type Activities	\$ -0-	\$ <u>521,022</u>	\$ <u>521,022</u>	0.0%	\$ <u>284,102</u>	183.4%

See Independent Auditor's Report and Notes to Required Supplementary Information

VILLAGE OF GROTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MAY 31, 2012

Note 1 - Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

Note 2 - Budget Policies - Budget policies are as follows:

1. Annual operating budgets are maintained for the following Governmental Fund types:
 - General Fund
 - Special Revenue Funds (Water and Sewer Funds)
2. No later than March 31, the budget officer submits the tentative Village budget to the Board of Trustees for the fiscal year commencing the following June. Upon filing the tentative Village budget, a notice is published in the official newspaper of the Village.
3. After the public hearing on the recommended budgets, the Mayor and Board of Trustees adopt the final Village budget no later than April 30.
4. Annual budgets adopted represent the legal limit on expenditures for that period. At the end of each year unexpended, unencumbered appropriations lapse. Encumbered appropriations do not lapse and are carried forward.
5. Expenditures may not legally exceed appropriations at the fund level.
6. All modifications of the budget must be approved by the governing board.
7. The Board of Trustees may increase the appropriations budget during the fiscal year where additional revenues or expenditures not involved in the original adopted budget are identified.

Note 3 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances recorded at May 31, 2012.

Note 4 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

VILLAGE OF GROTON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUND
MAY 31, 2012

	<u>Special Revenue Fund Recreation Fund</u>	<u>Total Non-Major Governmental Fund</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents - Unrestricted	\$ 14,341	\$ 14,341
Due from other governments	<u>1,652</u>	<u>1,652</u>
 Total Assets	 \$ <u><u>15,993</u></u>	 \$ <u><u>15,993</u></u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Deferred revenues	<u>900</u>	<u>900</u>
 Total Liabilities	 <u>900</u>	 <u>900</u>
Fund Balances:		
Assigned	4,000	4,000
Unassigned	<u>11,093</u>	<u>11,093</u>
 Total Fund Balances	 <u>15,093</u>	 <u>15,093</u>
 Total Liabilities and Fund Balances	 \$ <u><u>15,993</u></u>	 \$ <u><u>15,993</u></u>

See Independent Auditor's Report

VILLAGE OF GROTON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED MAY 31, 2012

	<u>Special Revenue Fund Recreation Fund</u>	<u>Total Non-Major Governmental Fund</u>
<u>REVENUES</u>		
Departmental income	\$ 23,054	\$ 23,054
Intergovernmental charges	12,389	12,389
Use of money and property	12	12
Total Revenues	<u>35,455</u>	<u>35,455</u>
<u>EXPENDITURES</u>		
Current:		
Culture and recreation	28,295	28,295
Employee benefits	1,416	1,416
Total Expenditures	<u>29,711</u>	<u>29,711</u>
Excess of Revenues	<u>5,744</u>	<u>5,744</u>
Fund Balances, Beginning of Year	<u>9,349</u>	<u>9,349</u>
Fund Balances, End of Year	<u>\$ 15,093</u>	<u>\$ 15,093</u>

See Independent Auditor's Report

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Village Trustees
Village of Groton
Groton, New York

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Groton (the Village), as of and for the year ended May 31, 2012, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 2, 2013. We did not audit the financial statements of the IDA. The financial statements of the IDA were audited by other auditors, whose reports have been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village, in a separate letter dated January 2, 2013.

This report is intended solely for the information and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

Cianchi, D'Andrea, Little, Middleby, & Company, LLP

January 2, 2013
Ithaca, New York