

TOWN OF ELLINGTON

BASIC FINANCIAL STATEMENTS

AS OF JUNE 30, 2003

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

AND

**FEDERAL AND STATE
SINGLE AUDIT REPORTS**



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

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Independent Auditors' Report



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Finance of the
Town of Ellington, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut (the "Town"), as of and for the year ended June 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ellington, Connecticut, as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2004 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 9, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and a number of other new governmental accounting and reporting pronouncements, as of July 1, 2002.

The management's discussion and analysis and budgetary comparison information presented on pages 3 through 15 and 52 through 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carlton, Churnoy & Rosen, LLP

Glastonbury, Connecticut
January 12, 2004

Management's Discussion and Analysis

TOWN OF ELLINGTON MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Ellington, Connecticut (the "Town"), offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2003.

The Town of Ellington, Connecticut has implemented new reporting standards issued by the Governmental Accounting Standards Board for the fiscal year ended June 30, 2003. Because the format, structure and content are so different from past reporting, much of the information is not comparable to information reported in prior years. In subsequent years, the Management's Discussion and Analysis will focus on year-to-year comparisons that will enhance the readers understanding of the Town's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$48,092,680 (net assets). Of this amount, \$4,777,240 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens.
- The Town's changes in net assets for the year ended June 30, 2003 amounted to \$9,577,375 primarily due to the realization of capital grants from the State of Connecticut for the High School and Windermere School additions and renovations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,212,355, a decrease of \$1,079,333 in comparison with the prior year. Of this amount, 93.7% or \$2,071,972 of governmental funds ending fund balances are available for spending at the Town's discretion (unreserved fund balance).
- At the end of the close of the current fiscal year, unreserved fund balance for the general fund was \$4,156,981, or 13.1% of total general fund expenditures. Designations of unreserved fund balance for future "Capital Reserves" and other "Capital and Nonrecurring" requirements totaled \$2,464,662 at June 30, 2003.
- The Town's total long-term bonded debt had a net increase of \$8,555,100 or 67.6% during the current fiscal year due to the issuance of bonds primarily for the High School, Center School and Windermere School additions and renovations.
- Effective January 1, 2003, Town Charter Section 1004, now requires the Board of Finance to designate 5 to 7% of the operating budget to support the working capital requirements of the Town. Amounts designated for "Capital Reserves" totaled \$1,692,608, or 5.4% of the budgetary expenditures for the year ended June 30, 2003.

TOWN OF ELLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, boards and agencies, public safety, public works, recreation, library, social service, town properties and education. The business-type activities of the Town include sewer activities.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

TOWN OF ELLINGTON MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

The Town maintains 35 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the High School/Center School Project, both of which are considered to be major funds. Data from the other 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer operations.

The Town maintains 5 individual enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Sewer Authority, Hockanum River and Crystal Lake Sewers funds all of which are considered to be major funds. Data from the other 2 enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains combining and individual fund statements and schedules that can be found on pages 52-82 of this report.

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

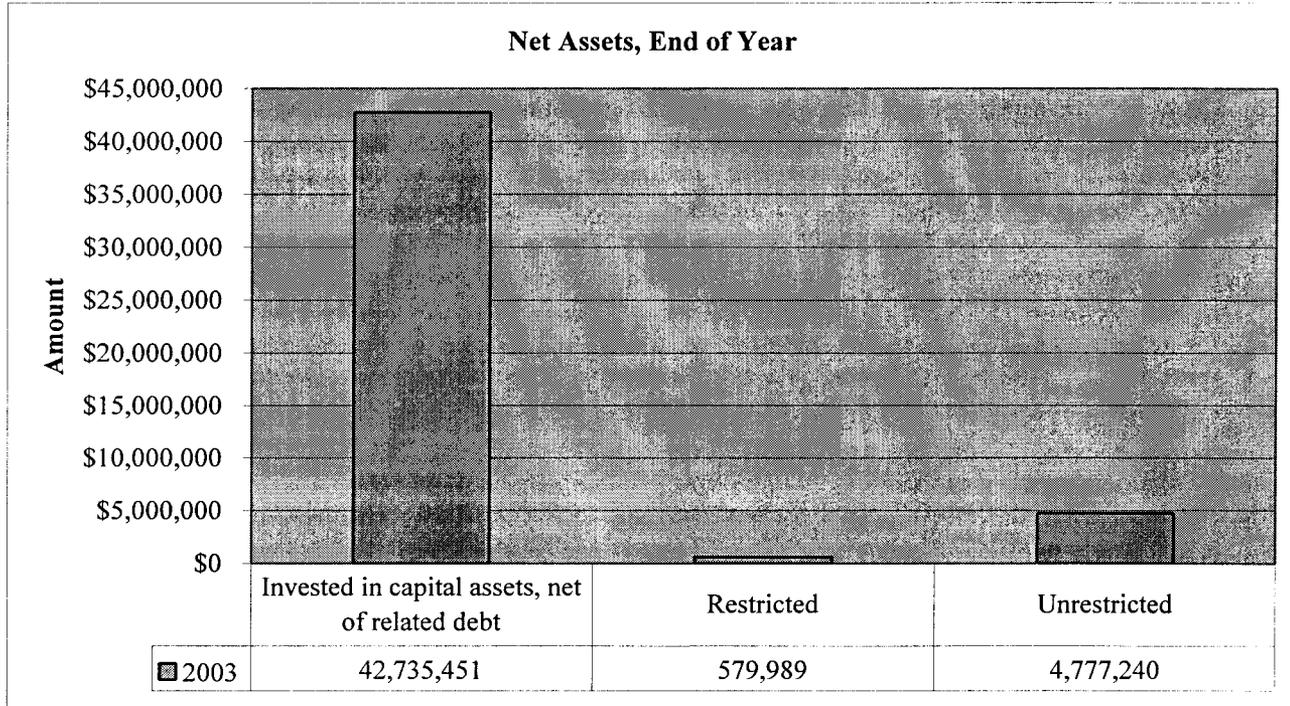
Over time, net assets may serve as one measure of a government's financial position. Total net assets (governmental and business-type activities combined) of the Town totaled \$48,092,680 as of June 30, 2003 and are summarized as follows:

Town of Ellington			
Net Assets			
June 30, 2003			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,092,995	\$ 4,036,670	\$ 11,129,665
Capital assets	53,197,663	11,054,429	64,252,092
Total assets	60,290,658	15,091,099	75,381,757
Long-term debt outstanding	19,629,669	2,631,700	22,261,369
Other liabilities	3,904,662	1,123,044	5,027,706
Total liabilities	23,534,331	3,754,744	27,289,075
 Net assets:			
Invested in capital assets, net of related debt	34,312,830	8,422,621	42,735,451
Restricted	579,989	-	579,989
Unrestricted	1,863,508	2,913,732	4,777,240
Total net assets	\$ 36,756,327	\$ 11,336,353	\$ 48,092,680

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)



88.9% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

1.2% of the Town's net assets are subject to external restrictions on how they may be used and are therefore presented as restricted net assets.

The remainder of the Town's net assets are considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net assets increased by \$9,577,375 or 24.9% in comparison to the prior year primarily due to the realization of capital grants from the State of Connecticut for the High School, Center School and Windermere School additions and renovations.

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets

Changes in net assets for the years ended June 30, 2003 are as follows:

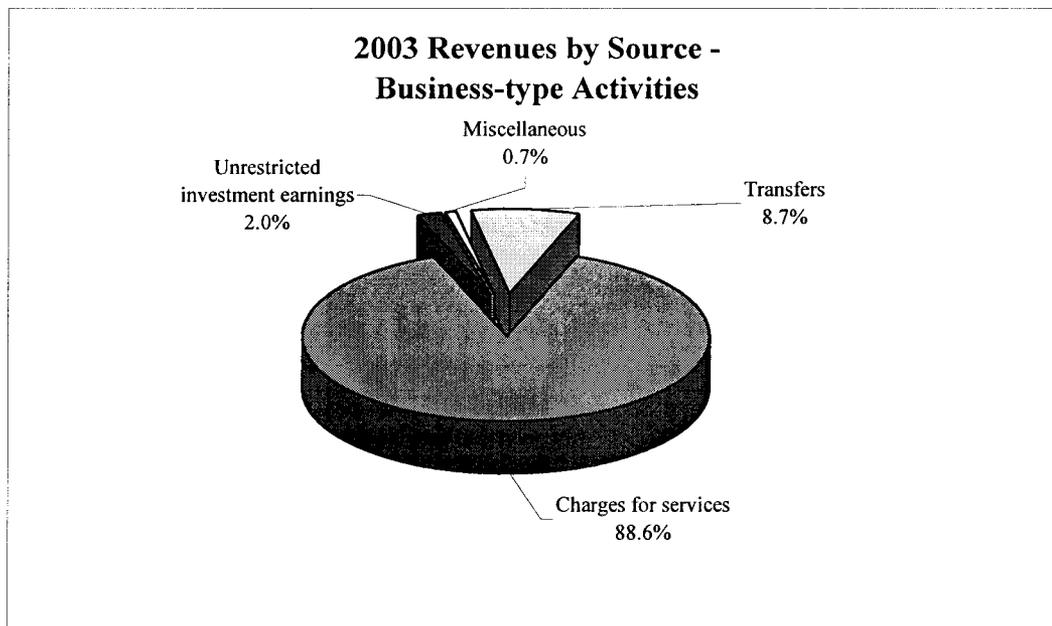
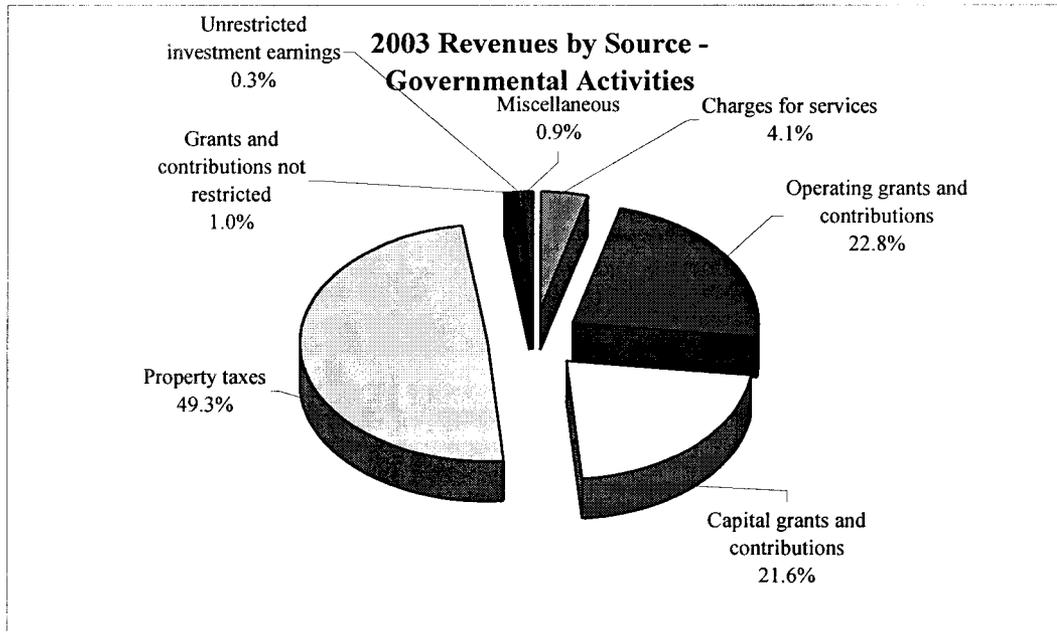
**Town of Ellington
Changes in Net Assets
For the Year Ended June 30, 2003**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 1,744,681	\$ 1,956,251	\$ 3,700,932
Operating grants and contributions	9,596,636	-	9,596,636
Capital grants and contributions	9,086,248	-	9,086,248
General revenues:			
Property taxes	20,751,300	-	20,751,300
Grants and contributions not restricted	442,104	-	442,104
Unrestricted investment earnings	143,052	43,301	186,353
Miscellaneous	358,555	15,600	374,155
Total revenues	<u>42,122,576</u>	<u>2,015,152</u>	<u>44,137,728</u>
Program expenses			
General government	1,725,660	-	1,725,660
Boards and agencies	285,173	-	285,173
Public safety	1,669,320	-	1,669,320
Public works	3,256,939	-	3,256,939
Recreation	318,688	-	318,688
Library	619,716	-	619,716
Social Services	348,982	-	348,982
Town properties	409,209	-	409,209
Education	23,329,736	-	23,329,736
Interest on long-term debt	831,337	-	831,337
Sewer	-	1,765,593	1,765,593
Total expenses	<u>32,794,760</u>	<u>1,765,593</u>	<u>34,560,353</u>
Increase in net assets	9,327,816	249,559	9,577,375
Transfers	(193,156)	193,156	-
Net assets - beginning , as restated	<u>27,621,667</u>	<u>10,893,638</u>	<u>38,515,305</u>
Net assets - ending	<u>\$ 36,756,327</u>	<u>\$ 11,336,353</u>	<u>\$ 48,092,680</u>

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

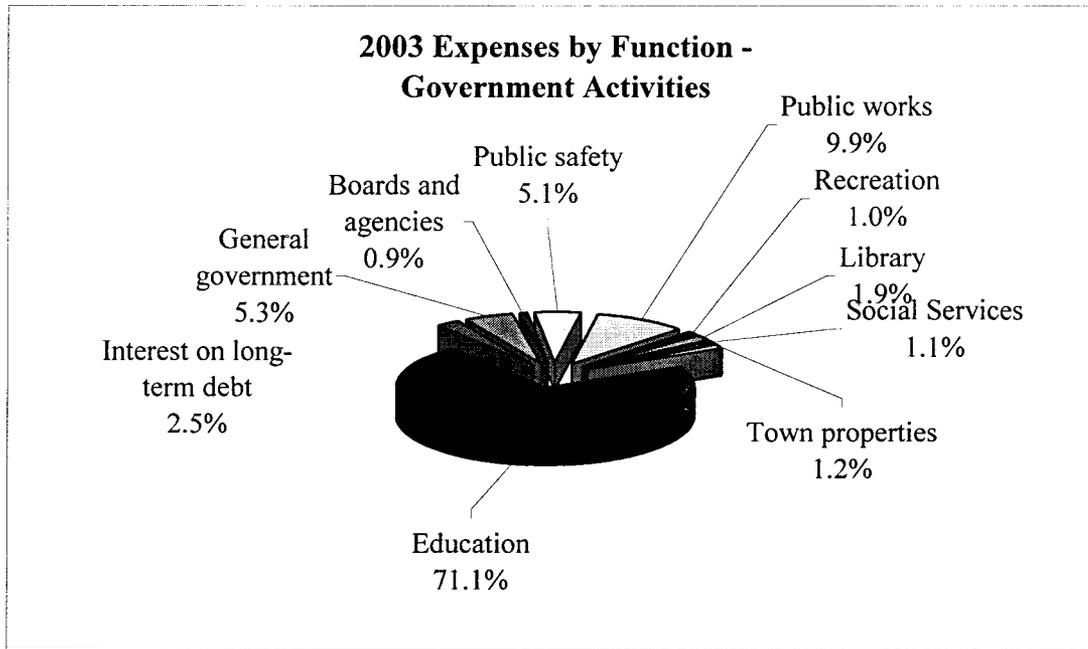
Changes in Net Assets (Continued)



**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)



Governmental Activities

Governmental activities increased the Town's net assets by \$9,134,660, thereby accounting for 95.4% of the total growth of the Town's net assets. Key elements of this increase are as follows:

- Grants recognized in support of construction in progress for the High School/Center School and Windermere upgrade projects.

Business-type Activities

Business-type activities increased the Town's net assets by \$442,715, thereby accounting for 4.6% of the total growth of the Town's net assets. Key elements of this increase are as follows:

- Additional assessments due to new housing developments (83 new homes in Hockanum River and 14 new homes in the Crystal Lake Sewer developments), that were built and occupied within the last year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,212,355 a decrease of \$1,079,333 in comparison with the prior year. This decrease was due primarily to a \$1,046,169 decrease in the capital projects funds representing capital outlays for school construction projects in excess of revenues or other financing sources; bonds were issued in December, 2003. Of the total governmental fund balances, \$2,071,972 constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for specific purposes.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,156,981, while total fund balance was \$4,189,125. Designations of unreserved fund balance for future "Capital Reserves" and Capital and Nonrecurring requirements totaled \$2,464,662. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.1% of total general fund expenditures, while total fund balance represents 13.2% of that same amount.

The fund balance of the Town's general fund decreased by \$107,109 during the current fiscal year. Key factors in this decline are as follows:

- Reductions in State funding of approximately \$236,000 that occurred after the Town's budget was formally adopted.

High School/Center School Project Fund

The fund balance of the Town's High School/Center School Project decreased by \$2,082,911 resulting from the timing of construction work (which was ahead of schedule) and the corresponding financing to fund the construction costs; \$6,482,000 of bonds were issued in December 2003.

Proprietary Funds

Unrestricted net assets of the Sewer Authority, Hockanum River and Crystal Lake Sewers funds at the end of the year totaled \$903,593, \$1,916,947 and \$227,412, respectively. The total increase/(decrease) in net assets for these funds was \$(134,029), \$383,780, and \$188,589, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original expenditures budget and the final amended expenditures budget was an increase in appropriations of \$647,967. Significant components of this increase are as follows:

- Increases in Public Safety of approximately \$74,000 resulting from a growth in population.
- Increases in Public Works spending by approximately \$175,000 due to additional overtime costs associated with snow removal costs.

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- Increases in the Town Properties budget by approximately \$135,000 due to renovations to the Town Hall building along with building a new computer system in various town buildings.
- The Town's payment of \$193,000 for a portion of the Crystal Lake Sewer fund that was not covered by assessments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2003 totaled \$64,252,092 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the Town's investment in capital assets for the current fiscal year was \$18,674,147, a 55.1% increase for governmental activities and a 2% decrease for business-type activities.

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

- Outlays for construction in progress totalling \$17,970,942 in connection with school building projects. The projects are scheduled to be completed in 2004.
- Outlays for land for \$1,321,452 to be used in an upcoming project.
- Outlays for machinery and equipment totaling \$120,132 consisting primarily of fire department apparatus.
- Outlays for vehicles totalling \$105,808 consisting of a new police cruiser, and 2 new trucks used by the board of education.
- Outlays of \$359,621 for various road improvement projects to the Town's infrastructure to benefit the entire Town.

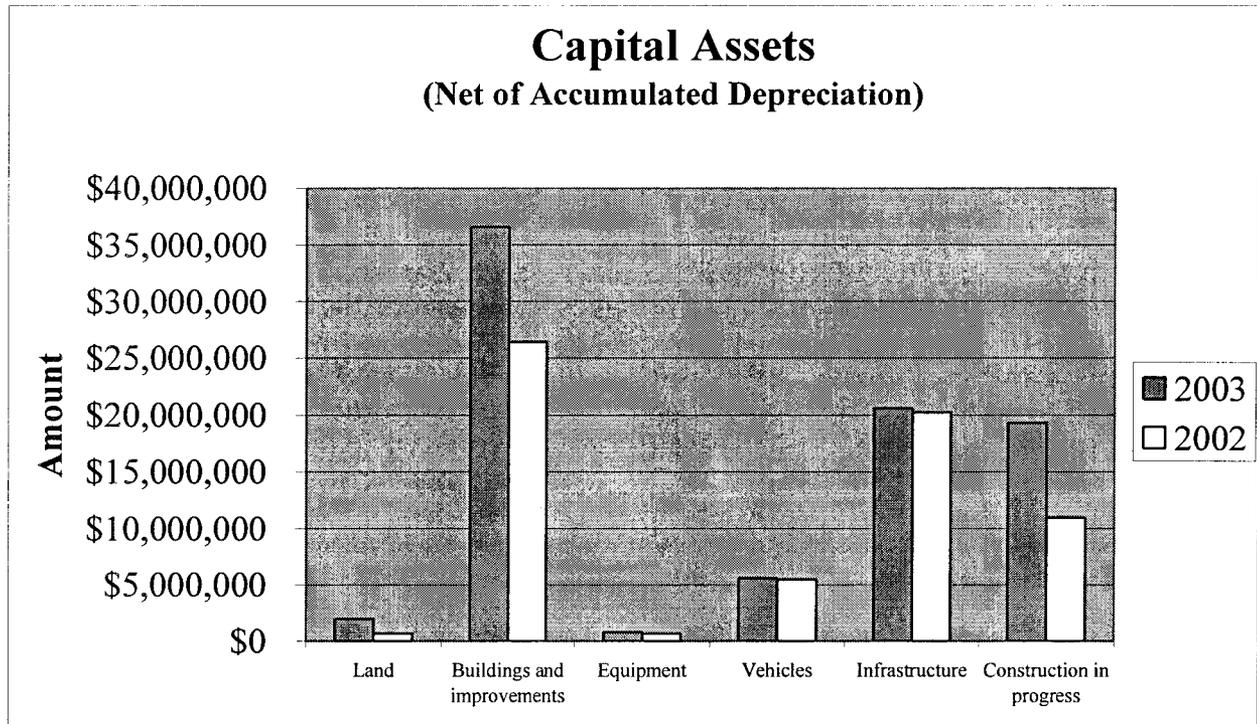
The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

Town of Ellington Capital Assets June 30, 2003						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Arts collection	\$ 35,598	\$ 35,598	\$ -	\$ -	\$ 35,598	\$ 35,598
Land	1,971,929	650,477	-	-	1,971,929	650,477
Buildings and improvements	36,614,139	26,367,929	-	-	36,614,139	26,367,929
Equipment	712,591	592,459	70,935	70,935	783,526	663,394
Vehicles	5,550,758	5,444,950	-	-	5,550,758	5,444,950
Infrastructure	5,246,035	4,886,414	15,371,513	15,371,513	20,617,548	20,257,927
Construction in progress	19,025,965	10,735,865	259,694	172,449	19,285,659	10,908,314
Totals	<u>\$ 69,157,015</u>	<u>\$ 48,713,692</u>	<u>\$ 15,702,142</u>	<u>\$ 15,614,897</u>	<u>\$ 84,859,157</u>	<u>\$ 64,328,589</u>

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)



Additional information on the Town's capital assets can be found in Note 4 on pages 39 and 40 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$21,209,200. This entire amount is comprised of debt backed by the full faith and credit of the Town.

The Town's total bonded debt increased by \$8,555,100 or 67.6% during the current fiscal year. This net funding will be used to finance the High School/Center School Project fund. There were no bonds paid off in fiscal year 2003, and due to the new debt issued during the year, there will be no substantial reduction in debt service in the upcoming years. The taxable notes issued in 1999 for the purchase of Arbor Commons will be retired in fiscal year 2004. The fire rescue truck bond will be retired in fiscal year 2006.

The Town maintains an A2 rating from from Moody's Investor Service for general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to approximately seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$146,572,279, which is significantly in excess of the Town's outstanding general obligation debt.

**TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

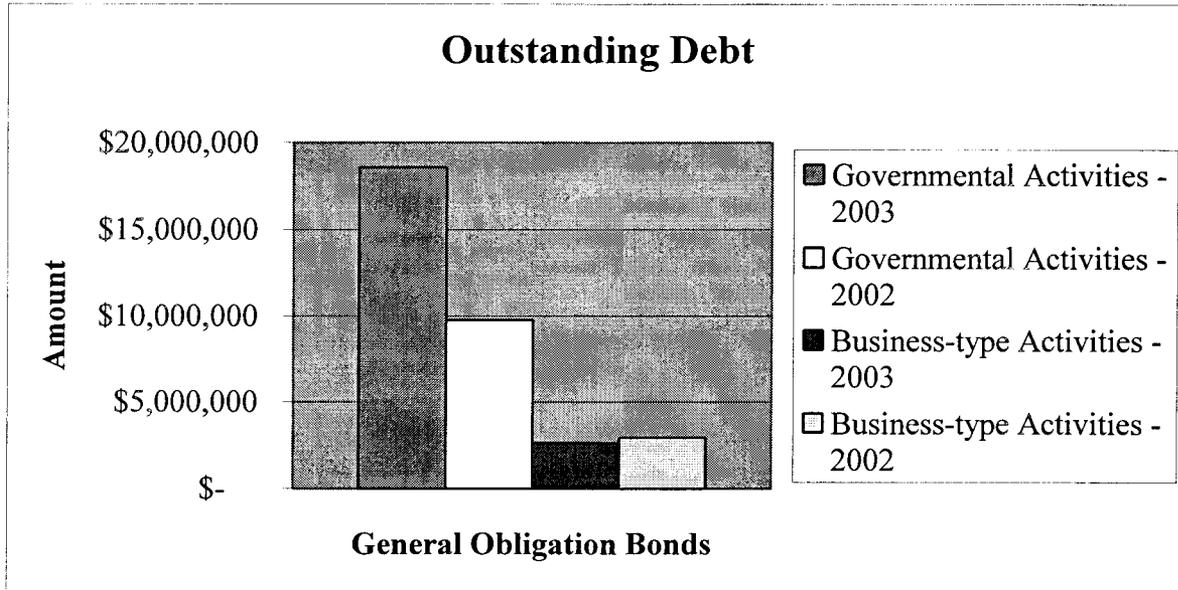
CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt (Continued)

The following table is a two year comparison of long-term debt presented for both governmental and business-type activities:

**Town of Ellington
Long-term Debt
June 30, 2003**

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
General obligation bonds	<u>\$18,577,500</u>	<u>\$9,740,000</u>	<u>\$ 2,631,700</u>	<u>\$2,914,100</u>	<u>\$21,209,200</u>	<u>\$12,654,100</u>



Additional information on the Town's long-term debt can be found in Note 8 on pages 42-44 of this report.

TOWN OF ELLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, and at this point, the State and nation are in the midst of an economic downturn which has affected the amount of intergovernmental revenues the Town will receive in fiscal year 2004 and thereafter.
- The unemployment rate for the Town is currently 3.1%, which is a decrease from a rate of 3.8% in the prior year. This compares favorably to the state's average unemployment rate of 5.2% and the national unemployment rate of 6.4%.
- Inflationary trends in the region of 2.3% compare unfavorably to national indices of 1.8%.

During the current fiscal year, unreserved fund balance of the general fund increased to \$4,156,981. The Town has appropriated \$1,094,666 of this amount for spending in the 2004 fiscal year budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2004.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Officer, Town of Ellington, 55 Main Street, Ellington, CT 06029.

Basic Financial Statements

TOWN OF ELLINGTON
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,004,084	\$ 1,024	\$ 1,005,108
Investments	2,353,510	3,401,599	5,755,109
Receivables:			
Property taxes receivable, net of allowance for uncollectibles of \$166,300	733,711	-	733,711
Sewer usage charges receivable, net of allowances for uncollectibles of \$16,000	-	111,852	111,852
Assessments and user charges receivable	-	123,615	123,615
Grants and contracts receivable	2,252,077	-	2,252,077
Interest, net of allowance for uncollectibles of \$182,000	263,917	-	263,917
Other	126,864	-	126,864
Internal balances	298,280	(298,280)	-
Inventories	2,843	-	2,843
Prepaid expenses	6,958	38,340	45,298
Deferred assessments	-	658,520	658,520
Deferred bond issuance costs, net	50,751	-	50,751
Capital assets:			
Non-depreciable	21,033,492	259,694	21,293,186
Depreciable, net	32,164,171	10,794,735	42,958,906
Total assets	<u>60,290,658</u>	<u>15,091,099</u>	<u>75,381,757</u>
LIABILITIES			
Accounts payable	2,638,395	98,591	2,736,986
Accrued liabilities:			
Retainage payable	882,320	-	882,320
Accrued interest	92,830	43,985	136,815
Other accrued liabilities	261,260	12,606	273,866
Due to funding source	7,119	-	7,119
Deferred revenue	22,738	967,862	990,600
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	1,445,494	282,500	1,727,994
Capital leases	47,380	-	47,380
Compensated absences	30,000	-	30,000
Due in more than one year:			
Bonds and notes payable	17,140,865	2,349,200	19,490,065
Capital leases	158,264	-	158,264
Compensated absences	807,666	-	807,666
Total liabilities	<u>23,534,331</u>	<u>3,754,744</u>	<u>27,289,075</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,312,830	8,422,621	42,735,451
Restricted for endowments:			
Expendable	527,492	-	527,492
Nonexpendable	52,497	-	52,497
Unrestricted	1,863,508	2,913,732	4,777,240
Total net assets	<u>\$ 36,756,327</u>	<u>\$ 11,336,353</u>	<u>\$ 48,092,680</u>

The accompanying notes are an integral part of these financial statements .

**TOWN OF ELLINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,725,660	\$ 455,596	\$ 4,019	\$ -	\$ (1,266,045)	\$ -	\$ (1,266,045)
Boards and agencies	285,173	77,570	133,949	-	(73,654)	-	(73,654)
Public safety	1,669,320	193,766	6,305	20,000	(1,449,249)	-	(1,449,249)
Public works	3,256,939	413,390	24,842	286,006	(2,532,701)	-	(2,532,701)
Recreation	318,688	109,076	-	-	(209,612)	-	(209,612)
Library	619,716	-	-	-	(619,716)	-	(619,716)
Social services	348,982	12,893	14,000	-	(322,089)	-	(322,089)
Town properties	409,209	-	-	-	(409,209)	-	(409,209)
Education	23,329,736	482,390	9,413,521	8,780,242	(4,653,583)	-	(4,653,583)
Interest on long-term debt	831,337	-	-	-	(831,337)	-	(831,337)
Total governmental activities	32,794,760	1,744,681	9,596,636	9,086,248	(12,367,195)	-	(12,367,195)
Business-type activities:							
Sewer	1,765,593	1,956,251	-	-	-	190,658	190,658
Total business-type activities	1,765,593	1,956,251	-	-	-	190,658	190,658
Total primary government	\$ 34,560,353	\$ 3,700,932	\$ 9,596,636	\$ 9,086,248	(12,367,195)	190,658	(12,176,537)
General revenues:							
Property taxes, levied for general purposes					20,751,300	-	20,751,300
Grants and contributions not restricted to specific programs					442,104	-	442,104
Unrestricted investment earnings					143,052	43,301	186,353
Miscellaneous					358,555	15,600	374,155
Transfers					(193,156)	193,156	-
Total general revenues					21,501,855	252,057	21,753,912
Change in net assets					9,134,660	442,715	9,577,375
Net assets - beginning, as restated					27,621,667	10,893,638	38,515,305
Net assets - ending					\$ 36,756,327	\$ 11,336,353	\$ 48,092,680

The accompanying notes are an integral part of these financial statements

**TOWN OF ELLINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General Fund</u>	<u>High School/ Center School Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 851,328	\$ -	\$ 152,756	\$ 1,004,084
Investments	1,253,853	-	1,099,657	2,353,510
Receivables:				
Property taxes receivable, net of allowance for uncollectibles of \$166,300	733,711	-	-	733,711
Grants and contracts receivable	377,759	1,050,003	824,315	2,252,077
Other	99,039	-	27,825	126,864
Due from other funds	3,309,488	-	610,444	3,919,932
Inventories	-	-	2,843	2,843
Prepaid expenses	-	6,958	-	6,958
Total assets	<u>\$ 6,625,178</u>	<u>\$ 1,056,961</u>	<u>\$ 2,717,840</u>	<u>\$ 10,399,979</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 749,383	\$ 1,739,569	\$ 149,443	\$ 2,638,395
Accrued liabilities:				
Retainage payable	-	882,320	-	882,320
Other accrued liabilities	261,260	-	-	261,260
Due to other funds	671,270	2,155,605	794,777	3,621,652
Deferred revenue	754,140	-	22,738	776,878
Due to funding source	-	-	7,119	7,119
Total liabilities	<u>2,436,053</u>	<u>4,777,494</u>	<u>974,077</u>	<u>8,187,624</u>
Fund balances (deficit):				
Reserved for:				
Inventories	-	-	2,843	2,843
Sanitation	-	-	41,100	41,100
Document preservation	-	-	11,799	11,799
Encumbrances	32,144	-	-	32,144
Endowments	-	-	52,497	52,497
Unreserved	4,156,981	(3,720,533)	-	436,448
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	602,350	602,350
Capital project funds	-	-	505,682	505,682
Permanent funds	-	-	527,492	527,492
Total fund balances (deficit)	<u>4,189,125</u>	<u>(3,720,533)</u>	<u>1,743,763</u>	<u>2,212,355</u>
Total liabilities and fund balances	<u>\$ 6,625,178</u>	<u>\$ 1,056,961</u>	<u>\$ 2,717,840</u>	<u>\$ 10,399,979</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ELLINGTON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003

Total fund balances for governmental funds \$ 2,212,355

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	1,971,929	
Arts collection	35,598	
Construction in progress	19,025,965	
Buildings and improvements	36,614,139	
Machinery and equipment	712,591	
Vehicles	5,550,758	
Infrastructure	5,246,035	
Less: accumulated depreciation and amortization	<u>(15,959,352)</u>	
Total capital assets, net		53,197,663

Bond issuance costs are recorded as expenditures in the governmental funds. However, these costs are deferred and amortized over the life of the related debt in the statement of net assets.

Bond issuance costs	52,052	
Less: accumulated amortization	<u>(1,301)</u>	
Total bond issuance costs, net		50,751

Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 754,140

Interest earned on delinquent taxes owed to the Town, net. 263,917

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.

Long-term debt:		
Bonds payable	(18,577,500)	
Unamortized premiums	(959)	
Notes payable	(7,900)	
Obligations under capital lease	(205,644)	
Accrued interest payable	(92,830)	
Other long-term liabilities:		
Compensated absences	<u>(837,666)</u>	
Total long-term liabilities		<u>(19,722,499)</u>

Net assets of governmental activities \$ 36,756,327

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>High School/ Center School Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 20,665,840	\$ -	\$ -	\$ 20,665,840
Licenses, permits and fees	149,701	-	-	149,701
Intergovernmental	9,740,922	8,120,842	1,304,692	19,166,456
Charges for services	936,475	-	253,410	1,189,885
Food sales	-	-	468,713	468,713
Interest and dividends	84,861	8,830	50,505	144,196
Other income	351,218	4,400	54,305	409,923
Total revenues	<u>31,929,017</u>	<u>8,134,072</u>	<u>2,131,625</u>	<u>42,194,714</u>
EXPENDITURES				
Current:				
General government	1,090,551	-	-	1,090,551
Boards and agencies	72,166	-	-	72,166
Public safety	1,356,396	-	-	1,356,396
Public works	2,336,089	-	-	2,336,089
Recreation	261,334	-	-	261,334
Library	389,410	-	-	389,410
Social services	340,039	-	-	340,039
Town properties	409,209	-	-	409,209
Education	21,389,083	-	-	21,389,083
Miscellaneous	1,360,717	-	59,429	1,420,146
Debt service:				
Principal payments	865,323	-	-	865,323
Interest and fiscal charges	796,345	36,492	6,039	838,876
Program expenditures	-	-	1,397,102	1,397,102
Capital outlays	1,176,308	17,542,102	1,849,913	20,568,323
Total expenditures	<u>31,842,970</u>	<u>17,578,594</u>	<u>3,312,483</u>	<u>52,734,047</u>
Excess (deficiency) of revenues over expenditures	86,047	(9,444,522)	(1,180,858)	(10,539,333)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	7,359,000	2,291,000	9,650,000
Premium on bonds/BANS issued	-	2,611	545	3,156
Transfers out	(193,156)	-	-	(193,156)
Total other financing sources	<u>(193,156)</u>	<u>7,361,611</u>	<u>2,291,545</u>	<u>9,460,000</u>
Net change in fund balances	(107,109)	(2,082,911)	1,110,687	(1,079,333)
Fund balances (deficit) - beginning	<u>4,296,234</u>	<u>(1,637,622)</u>	<u>633,076</u>	<u>3,291,688</u>
Fund balances (deficit) - ending	<u>\$ 4,189,125</u>	<u>\$ (3,720,533)</u>	<u>\$ 1,743,763</u>	<u>\$ 2,212,355</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ELLINGTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Net change in fund balances for governmental funds \$ (1,079,333)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation and amortization exceeded capital outlays in the current period is as follows:

Expenditures for capital assets	20,443,323	
Depreciation and amortization expense	(1,546,929)	
Net adjustment		18,896,394

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

Debt issued or incurred:		
Bonds issued	(9,650,000)	
Premium on bonds issued	(1,008)	
Bond issuance costs	52,052	
Amortization of bond issuance costs	(1,301)	
Principal repayments:		
Bonds	812,500	
Notes payable	7,900	
Obligations under capital lease	44,923	
Net adjustment		(8,734,934)

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2003

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Compensated absences	(73,876)	
Accrued interest	7,588	
Amortization of bond premium	49	
		(66,239)
Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue.		85,460
Interest earned on delinquent taxes owed to the Town, net.		33,312
Change in net assets of governmental activities		\$ 9,134,660

The accompanying notes are an integral part of these financial statements.

**TOWN OF ELLINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003**

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,024	\$ -	\$ -	\$ -	\$ 1,024
Investments	1,366,264	1,887,621	147,714	-	3,401,599
Receivables:					
Sewer usage charges receivable, net of allowances for uncollectibles of \$16,000	69,614	-	25,878	16,360	111,852
Assessments, interest and liens receivable	-	77,833	45,782	-	123,615
Due from other funds	-	60,826	281,647	-	342,473
Deferred assessments	-	160,406	443,210	54,904	658,520
Prepaid expenses	4,938	-	33,402	-	38,340
Total current assets	<u>1,441,840</u>	<u>2,186,686</u>	<u>977,633</u>	<u>71,264</u>	<u>4,677,423</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable	259,694	-	-	-	259,694
Depreciable, net	5,608,322	-	5,186,413	-	10,794,735
Total noncurrent assets	<u>5,868,016</u>	<u>-</u>	<u>5,186,413</u>	<u>-</u>	<u>11,054,429</u>
Total assets	<u>7,309,856</u>	<u>2,186,686</u>	<u>6,164,046</u>	<u>71,264</u>	<u>15,731,852</u>
LIABILITIES					
Current liabilities:					
Accounts payable	98,591	-	-	-	98,591
Accrued liabilities:					
Accrued interest	-	42,485	1,500	-	43,985
Other accrued liabilities	-	12,606	-	-	12,606
Deferred revenue	141,829	160,406	610,725	54,904	967,864
Due to other funds	297,926	54,242	138,005	150,580	640,753
Bonds and notes payable - current	-	95,000	187,500	-	282,500
Total current liabilities	<u>538,346</u>	<u>364,739</u>	<u>937,730</u>	<u>205,484</u>	<u>2,046,299</u>
Noncurrent liabilities:					
Bonds and notes payable	-	474,200	1,875,000	-	2,349,200
Total liabilities	<u>538,346</u>	<u>838,939</u>	<u>2,812,730</u>	<u>205,484</u>	<u>4,395,499</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,867,917	(569,200)	3,123,904	-	8,422,621
Unrestricted (deficit)	903,593	1,916,947	227,412	(134,220)	2,913,732
Total net assets	<u>\$ 6,771,510</u>	<u>\$ 1,347,747</u>	<u>\$ 3,351,316</u>	<u>\$ (134,220)</u>	<u>\$ 11,336,353</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
OPERATING REVENUES					
Assessments	\$ -	\$ 436,273	\$ 215,587	\$ -	\$ 651,860
User, interest and lien fees	829,482	-	128,848	-	958,330
Solid waste fees	-	-	-	346,061	346,061
Miscellaneous	14,200	-	1,400	-	15,600
Total operating revenues	<u>843,682</u>	<u>436,273</u>	<u>345,835</u>	<u>346,061</u>	<u>1,971,851</u>
OPERATING EXPENSES					
Town of Vernon	614,881	-	-	-	614,881
Town of Stafford	-	-	76,112	-	76,112
Depreciation and amortization	175,205	-	134,288	-	309,493
Utilities	7,714	-	7,153	-	14,867
General maintenance and repairs	40,819	-	21,154	-	61,973
Engineering	10,707	-	-	-	10,707
Public works and administrative expenses	30,482	-	2,617	341,075	374,174
Legal	101,926	-	-	-	101,926
Advertising	1,179	-	-	-	1,179
Consultants	15,286	-	-	-	15,286
Other	1,718	-	1,922	611	4,251
Total operating expenses	<u>999,917</u>	<u>-</u>	<u>243,246</u>	<u>341,686</u>	<u>1,584,849</u>
Operating income (loss)	(156,235)	436,273	102,589	4,375	387,002
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	22,206	21,095	-	-	43,301
Debt service-interest	-	(73,588)	(107,156)	-	(180,744)
Total non-operating revenues (expenses)	<u>22,206</u>	<u>(52,493)</u>	<u>(107,156)</u>	<u>-</u>	<u>(137,443)</u>
Income (loss) before capital contributions	(134,029)	383,780	(4,567)	4,375	249,559
Transfers in	-	-	193,156	-	193,156
Change in net assets	(134,029)	383,780	188,589	4,375	442,715
Net assets (deficit) - beginning	<u>6,905,539</u>	<u>963,967</u>	<u>3,162,727</u>	<u>(138,595)</u>	<u>10,893,638</u>
Net assets (deficit) - ending	<u>\$ 6,771,510</u>	<u>\$ 1,347,747</u>	<u>\$ 3,351,316</u>	<u>\$ (134,220)</u>	<u>\$ 11,336,353</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ELLINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 832,812	\$ 436,732	\$ 146,130	\$ 339,744	\$ 1,755,418
Receipts from interfund services provided	132,161	102,478	-	1,942	236,581
Payments to suppliers	(1,419,268)	(12,205)	(106,341)	(341,686)	(1,879,500)
Payments to employees	(38,675)	-	(2,617)	-	(41,292)
Net cash provided by (used in) operating activities	<u>(492,970)</u>	<u>527,005</u>	<u>37,172</u>	<u>-</u>	<u>71,207</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(87,245)	-	-	-	(87,245)
Principal paid on capital debt	-	(94,900)	(187,500)	-	(282,400)
Interest paid on capital debt	-	(31,103)	(105,656)	-	(136,759)
Transfer in	-	-	193,156	-	193,156
Net cash used in capital and related financing activities	<u>(87,245)</u>	<u>(126,003)</u>	<u>(100,000)</u>	<u>-</u>	<u>(313,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	-	(422,097)	-	-	(422,097)
Proceeds from sales and maturities of investments	515,709	-	62,828	-	578,537
Interest and dividends	22,206	21,095	-	-	43,301
Net cash provided by (used in) investing activities	<u>537,915</u>	<u>(401,002)</u>	<u>62,828</u>	<u>-</u>	<u>199,741</u>
Net decrease in cash and cash equivalents	(42,300)	-	-	-	(42,300)
Cash and cash equivalents, beginning of year	43,324	-	-	-	43,324
Cash and cash equivalents, end of year	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (156,235)	\$ 436,273	\$ 102,589	\$ 4,375	\$ 387,002
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization expense	175,205	-	134,288	-	309,493
(Increase) decrease in assets:					
Sewer usage receivable, net	(10,690)	(9,645)	(2,963)	(2,433)	(25,731)
Assessment, interest and liens receivable	-	-	(15,755)	-	(15,755)
Due from other funds	132,161	102,478	(61,564)	-	173,075
Deferred assessments	-	38,480	17,989	-	56,469
Other assets	(2,514)	-	(1,763)	-	(4,277)
Increase (decrease) in liabilities:					
Accounts payable	(767,828)	-	-	-	(767,828)
Accrued liabilities	-	(2,102)	-	-	(2,102)
Deferred revenue	4,847	(38,479)	(80,817)	-	(114,449)
Due to other funds	132,084	-	(54,832)	(1,942)	75,310
Net cash provided by (used in) operating activities	<u>\$ (492,970)</u>	<u>\$ 527,005</u>	<u>\$ 37,172</u>	<u>\$ -</u>	<u>\$ 71,207</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ELLINGTON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private- Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 67,082	\$ 176,611
Investments	303,240	-
Accounts receivable	480	-
Total assets	<u>370,802</u>	<u>176,611</u>
 LIABILITIES		
Due to others	<u>-</u>	<u>176,611</u>
Total liabilities	<u>-</u>	<u>176,611</u>
 NET ASSETS		
Held in trust for other purposes	<u>\$ 370,802</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ELLINGTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Other income	\$ 103,733
Private donations	64,035
Total contributions	<u>167,768</u>
Investment earnings:	
Interest	3,613
Net decrease in the fair value of investments	<u>(4,476)</u>
Total investment earnings (losses)	<u>(863)</u>
Total additions	<u>166,905</u>
 DEDUCTIONS	
Program expenditures	<u>127,185</u>
Change in net assets	39,720
Net assets - beginning	<u>331,082</u>
Net assets - ending	<u><u>\$ 370,802</u></u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ellington (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

FINANCIAL REPORTING ENTITY

The Town is governed by an elected, seven-member Board of Selectmen. The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

Related Organizations

The Board of Selectmen is responsible for appointing members to the Board of the Housing Authority of the Town of Ellington, but the Town's accountability for the Housing Authority does not extend beyond making the appointments. Amounts received from the Housing Authority in exchange for services rendered amounted to \$8,773 for the year ended June 30, 2003.

The Board of Selectmen is also responsible for appointing a Board member to the Town's regional group for public health. Amounts paid to the health district amounted to \$40,771 for the year ended June 30, 2003.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This category consists of net assets which do not meet the definition of the two preceding categories.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

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

High School/Center School Project Fund - This fund accounts for all activity pertaining to the renovations taking place at Ellington High School and Center School.

The Town reports the following major enterprise funds:

Sewer Authority Fund - This fund accounts for all sewer use activities in the Hockanum River section of the Town.

Hockanum River Fund - This fund accounts for all assessments charged to users in the Hockanum River section of the Town.

Crystal Lake Sewers Fund - This fund accounts for all sewer use activities and assessments in the Crystal Lake section of the Town.

In addition, the Town reports the following fund types:

Private Purpose Trust Funds - These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes these funds to account for the individual activity in these funds.

Agency Funds - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets held for student activities.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide, Proprietary and Fiduciary Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds consist of charges to customers for services and sewer use. Operating expenses of the Town's proprietary funds consist of the cost of services, maintenance, administrative expenses, and depreciation and amortization of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting and financial reporting for governmental and business-type activities is based on all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board ("FASB") Statements and Interpretations
- b. Accounting Principles Board Opinions
- c. Accounting Research Bulletins of the Committee on Accounting Procedure

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town may also apply FASB pronouncements issued after November 30, 1989 to business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to follow subsequent private-sector pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consisted of a money market account which totaled \$31,030 as of June 30, 2003.

Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Town presents all investments at fair value, except for money market investments as defined in the Statement, which the Town has elected to report at amortized cost.

The fair value of investments traded on public markets is determined using quoted market prices. The Town invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. The fair value of the Town's position in the pool is the same as the value of the pool shares. In addition, the Town invests in the Cooperative Liquid Assets Security Fund (CLASS), which is an investment pool managed by MBIA Municipal Investors Service Corp. The fair value of the Town's position in the pool is the same as the value of the pool shares.

Donor-restricted Endowments

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Management of Institutional Funds Act (UMIFA). Under UMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net assets or unrestricted net assets, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

Net appreciation of donor-restricted endowments available for expenditure by the Town totaled \$42,772 as of June 30, 2003 and is included in unrestricted net assets. Town policy requires all investment income to be recorded in the respective fund earned and is to be used to offset future donor restricted program expenditures

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year.

Property tax revenues are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected within 60 days of the end of the current period. Property taxes receivable that are not expected to be collected during the available period are reflected as deferred revenue.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Inventories and Prepaid Items

Inventories are reported at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of U.S. Department of Agriculture (USDA) food products of the School Lunch Fund (a Nonmajor Special Revenue Fund) are valued at amounts assigned by the USDA.

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

Capital Assets

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

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

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

Property, equipment and infrastructure of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Public domain infrastructure	50
Emergency response vehicles	10
Public safety equipment	7
Vehicles	5
Office equipment	5
Computer equipment	3

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Compensated Absences

Town employees are not entitled to accumulate vacation and sick leave. Board of Education employees accumulate vacation and sick leave for subsequent use or for payment upon termination or retirement. Compensated absences are accrued when incurred in the government-wide financial statements. Vacation and sick leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year, or the amount is expected to be paid with available resources.

Long-term Obligations

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Reservations and designations of fund equity are discussed more fully in Note 10.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND ACTIVITIES

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reservation in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures or expenses in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY

BUDGETARY INFORMATION

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- The Board of Finance submits a proposed operating budget for the fiscal year commencing July 1 to a public budget hearing, at which taxpayer comments are obtained. The Board of Finance then prepares the recommended Town budget, which it presents at the annual Town meeting held on the second Tuesday in May . The operating budget includes proposed expenditures and the means of financing them.
- Expenditures are budgeted by function, department and object. Management may not exceed appropriations at the department level and must seek approval from the Board of Finance to reassign resources within a department, except for the Board of Education. The Board of Education may reassign resources within its department without seeking Board of Finance approval. The legal level of budgetary control (the level at which expenditures may not exceed appropriations) is the department level for the Board of Education and the object level for all other departments. Because the legal level of control is more detailed than the accompanying budgetary comparison schedule presented herein, a separately issued budgetary report demonstrating legal compliance with the adopted budget is available from the Town. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects. Additional appropriations of less than \$30,000 must be approved by the Board of Finance. Appropriations in excess of \$30,000 must be approved at a Town meeting. During the year, the Board of Finance and, where required, Town meetings, approved additional appropriations from fund balance of \$647,967.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Intergovernmental and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America. A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows for the year ended June 30, 2003:

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY (Continued)

BUDGETARY INFORMATION (Continued)

	Fund Balance
Budgetary basis	\$ 3,911,642
Changes in Capital and Nonrecurring Reserve	120,339
Changes in Capital Reserve	125,000
Encumbrances outstanding:	
June 30, 2002	-
June 30, 2003	32,144
	\$ 4,189,125

DEFICIT FUND EQUITY

The following funds have deficit fund balances as of June 30, 2003, none of which constitutes a violation of statutory provisions:

Fund	Amount
High School / Center School Project	\$3,720,533
Windermere School Addition	39,408
Airport Industrial Sewer Area	63,872
Watermains, Tripp and Middle Roads	136,072

The deficit in the High School / Center School Project, Windermere School Addition and Airport Industrial Sewer Area will be funded through the issuance of bonds, while the deficit in the Watermains, Tripp and Middle Roads will be funded through operations and transfers from the General Fund.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS

The Town's cash and cash equivalents are categorized pursuant to Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments, and Repurchase Agreements*. Category 1 includes amounts which are insured or collateralized with securities held by the Town or by its agent in the Town's name. Category 2 includes amounts which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name. Category 3 includes amounts which are uninsured and uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Town's name.

At June 30, 2003, the carrying amounts of the Town's cash deposits (such as checking and savings accounts, was \$1,244,777 and the bank balance was \$3,084,087. Of the bank balance, \$353,882 was covered by federal depository or private insurance (Category 1) and \$2,730,205 was uninsured and uncollateralized (Category 3). However, all such deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The level of the Town's deposits varied significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were substantially higher than at year-end.

A reconciliation of the Town's cash deposits as of June 30, 2003 is as follows:

	Total
Government-wide statement of net assets	<u>\$ 1,005,108</u>
Statement of fiduciary net assets:	
Private purpose trust funds	67,082
Agency funds	176,611
	<u><u>\$ 1,248,801</u></u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

In accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board, the Town's investments must be categorized to give an indication of the level of risk assumed at year-end. Category 1 includes securities that are insured or registered in the Town's name or are held by the Town or by its agent in the Town's name. Category 2 includes uninsured and unregistered securities, which are held by the counterparty's trust department or by its agent in the Town's name. Category 3 includes uninsured and unregistered securities, which are held by the counterparty, its trust department or its agent, but not held in the Town's name.

State statutes authorize the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The following is a summary of investments classified by risk category:

<u>Type of Investment</u>	<u>Reported Amount</u>			<u>Total</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
U.S. Government Securities	\$ 48,272	\$ -	\$ -	\$ 48,272	\$ 48,272
Common stock	408,193	-	-	408,193	408,193
Corporate bonds	184,426	-	-	184,426	184,426
Certificates of deposit	1,471,784	-	-	1,471,784	1,471,784
	<u>\$ 2,112,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,112,675</u>	<u>2,112,675</u>

Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:

Short Term Investment Fund (STIF)	204,777	204,777
Cooperative Liquid Asset Security System (CLASS)	3,740,897	3,740,897
	<u>\$ 6,058,349</u>	<u>\$ 6,058,349</u>

A reconciliation of the Town's investments as of June 30, 2003 is as follows:

	<u>Total</u>
Government-wide statement of net assets	\$ 5,755,109
Statement of fiduciary net assets:	
Private purpose trust funds	303,240
	<u>\$ 6,058,349</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 consisted of the following:

	<u>Beginning Balance, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Arts collection	\$ 35,598	\$ -	\$ -	\$ 35,598
Land	650,477	1,321,452	-	1,971,929
Construction in progress	10,735,865	17,970,942	(9,680,842)	19,025,965
Total capital assets, not being depreciated	<u>11,421,940</u>	<u>19,292,394</u>	<u>(9,680,842)</u>	<u>21,033,492</u>
Capital assets, being depreciated:				
Buildings and improvements	26,367,929	10,246,210	-	36,614,139
Equipment	592,459	120,132	-	712,591
Vehicles	5,444,950	105,808	-	5,550,758
Infrastructure	4,886,414	359,621	-	5,246,035
Total capital assets, being depreciated	<u>37,291,752</u>	<u>10,831,771</u>	<u>-</u>	<u>48,123,523</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	9,117,203	1,065,712	-	10,182,915
Equipment	214,102	100,447	-	314,549
Vehicles	4,302,114	275,849	-	4,577,963
Infrastructure	779,004	104,921	-	883,925
Total accumulated depreciation and amortization	<u>14,412,423</u>	<u>1,546,929</u>	<u>-</u>	<u>15,959,352</u>
Total capital assets, being depreciated, net	<u>22,879,329</u>	<u>9,284,842</u>	<u>-</u>	<u>32,164,171</u>
Governmental activities capital assets, net	<u>\$ 34,301,269</u>	<u>\$ 28,577,236</u>	<u>\$ (9,680,842)</u>	<u>\$ 53,197,663</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Construction in progress - Sewer Authority	\$ 172,449	\$ 87,245	\$ -	\$ 259,694
Total capital assets, not being depreciated	<u>172,449</u>	<u>87,245</u>	<u>-</u>	<u>259,694</u>
Capital assets, being depreciated:				
Equipment - Sewer Authority	61,443	-	-	61,443
Infrastructure - Sewer Authority	8,697,997	-	-	8,697,997
Equipment - Crystal Lake	9,492	-	-	9,492
Infrastructure - Crystal Lake	6,673,516	-	-	6,673,516
Total capital assets, being depreciated	<u>15,442,448</u>	<u>-</u>	<u>-</u>	<u>15,442,448</u>
Less accumulated depreciation and amortization for:				
Equipment - Sewer Authority	58,718	1,195	-	59,913
Infrastructure - Sewer Authority	2,917,195	174,010	-	3,091,205
Equipment - Crystal Lake	7,662	818	-	8,480
Infrastructure - Crystal Lake	1,354,646	133,469	-	1,488,115
Total accumulated depreciation and amortization	<u>4,338,221</u>	<u>309,492</u>	<u>-</u>	<u>4,647,713</u>
Total capital assets, being depreciated, net	<u>11,104,227</u>	<u>(309,492)</u>	<u>-</u>	<u>10,794,735</u>
Business-type activities capital assets, net	<u>\$ 11,276,676</u>	<u>\$ (222,247)</u>	<u>\$ -</u>	<u>\$ 11,054,429</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to functions of the primary government as follows:

Governmental Activities:

Education	\$ 748,385
Public works	314,868
Public safety	247,215
General government	147,111
Library	87,500
Recreation	<u>1,850</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 1,546,929</u></u>

Business-type Activities:

Sewer	<u><u>\$ 309,492</u></u>
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TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2003 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Watermains, Tripp and Middle Roads	\$ 136,072
	High School/Center School Project	2,155,605
	Local Capital Improvement	99,621
	Airport Industrial Area Sewers	63,872
	Windermere School Addition	624,897
	Crystal Lake Sewers	138,005
	Solid Waste Collection	14,508
	Sewer Authority	70,521
	Small Cities - 00 Rehab	10
	Small Cities - 02 Rehab	1,244
	Small Cities - Snipsic Village	3,585
	STEAP - Snipsic Village Renovation	1,548
		<u>3,309,488</u>
Nonmajor and Other Funds	General Fund	<u>610,444</u>
Enterprise Funds		
Hockanum River	General Fund	<u>60,826</u>
Crystal Lake Sewers	Sewer Authority	227,405
	Hockanum River	54,242
		<u>281,647</u>
Total due from/to other funds		<u><u>\$ 4,262,405</u></u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Governmental Funds		
General Fund	Crystal Lake Sewers	\$ 193,156

NOTE 7 - CHANGES IN SHORT-TERM DEBT

The following is a summary of changes in short-term debt for the year ended June 30, 2003:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
Bond anticipation notes	\$ 4,180,000	\$ 4,180,000	\$ (8,360,000)	\$ -

The Town issued \$4,180,000 of bond anticipation notes during the year ended June 30, 2003. The bond anticipation notes were repaid during 2003. The purpose of this short-term debt was to provide liquidity for capital project funds until bonds were issued.

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2003:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 9,740,000	\$ 9,650,000	\$ (812,500)	\$ 18,577,500	\$ 1,437,500
Unamortized amounts:					
Discounts (premiums)	-	1,008	(49)	959	94
Issuances costs	-	52,052	(1,301)	50,751	2,603
Total bonds payable	9,740,000	9,703,060	(813,850)	18,629,210	1,440,197
Other liabilities:					
Notes payable	15,800	-	(7,900)	7,900	7,900
Capital leases	250,567	-	(44,923)	205,644	47,380
Compensated absences	763,790	96,034	(22,158)	837,666	30,000
	<u>\$ 10,770,157</u>	<u>\$ 9,799,094</u>	<u>\$ (888,831)</u>	<u>\$ 19,680,420</u>	<u>\$ 1,525,477</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 8 - LONG-TERM LIABILITIES (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 2,914,100	\$ -	\$ (282,400)	\$ 2,631,700	\$ 282,500
Total bonds payable	<u>\$ 2,914,100</u>	<u>\$ -</u>	<u>\$ (282,400)</u>	<u>\$ 2,631,700</u>	<u>\$ 282,500</u>

Bonds payable and other liabilities in the Governmental Activities and the Business-type Activities section have typically been liquidated by the respective funds.

GENERAL OBLIGATION BONDS

A summary of general obligation bonds outstanding at June 30, 2003 is as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities			
School bonds issued 1994, original amount \$3,810,000	2014	4.696%	\$ 1,792,500
School bonds issued 1999, original amount \$5,390,000	2019	6.00%	4,310,000
Public improvement bonds issued 1990, original amount of \$3,360,000	2011	6.5129%	1,200,000
Public improvement bonds issued 1999, original amount of \$1,650,000	2019	4.5216%	1,310,000
Taxable serial notes issued 1999, original amount \$255,000	2004	7.20%	100,000
Fire rescue truck issued 2001, original amount \$360,000	2006	4.75%	215,000
School bonds issued 2003, original amount \$9,650,000	2002	3.00%	9,650,000
			<u>18,577,500</u>
Business-type Activities			
Sewer bonds issued 1981, original amount \$2,642,000	2008	5.00%	569,200
Sewer bonds issued 1994, original amount \$3,375,000	2014	4.69%	2,062,500
			<u>2,631,700</u>
			<u>\$ 21,209,200</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity at June 30, 2003 are as follows:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2004	\$ 1,437,500	\$ 769,595	\$ 2,207,095
2005	1,432,500	708,536	2,141,036
2006	1,382,500	652,250	2,034,750
2007	1,312,500	596,212	1,908,712
2008	1,287,500	544,523	1,832,023
2009-2013	5,172,500	2,038,253	7,210,753
2014-2018	4,057,500	1,040,669	5,098,169
2019-2023	2,495,000	260,313	2,755,313
	<u>\$ 18,577,500</u>	<u>\$ 6,610,351</u>	<u>\$ 25,187,851</u>

Year ending June 30:	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2004	\$ 282,500	\$ 130,135	\$ 412,635
2005	282,500	117,328	399,828
2006	282,500	104,239	386,739
2007	282,500	90,870	373,370
2008	282,500	77,311	359,811
2009-2013	1,031,700	195,867	1,227,567
2014-2018	187,500	9,210	196,710
	<u>\$ 2,631,700</u>	<u>\$ 724,960</u>	<u>\$ 3,356,660</u>

SCHOOL BOND REIMBURSEMENTS

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2003 was \$700,932. Additional reimbursements of principal and interest aggregating approximately \$1,442,708 are expected to be received through the applicable bonds' maturity dates.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 8 - LONG-TERM LIABILITIES (Continued)

NOTES PAYABLE

	Final Maturity Date	Interest Rates	Amount Outstanding
Smith property note payable issued 2000, original amount \$23,700	2003	5.00%	\$ 7,900

Aggregate principal maturities of the note payable in subsequent years is as follows:

Year ending June 30:	
2004	\$ 7,900

CAPITAL LEASES

A summary of assets acquired through capital leases is as follows as of June 30, 2003:

	<u>Primary Government</u> <u>Governmental</u> <u>Activites</u>
Vehicles	\$ 351,064
Less: accumulated amortization	(105,319)
	\$ 245,745

Amortization expense relative to leased property under capital leases totaled \$70,213 for the year ended June 30, 2003 and is included in depreciation and amortization expense disclosed in Note 4.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2003 is as follows:

	<u>Primary Government</u> <u>Governmental</u> <u>Activites</u>
Year Ending June 30:	
2004	\$ 58,629
2005	58,629
2006	58,629
2007	58,629
Total minimum lease payments	234,516
Less: amount representing interest	28,872
Present value of minimum lease payments	205,644
Less: current portion	47,380
	\$ 158,264

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 9 - ACCOUNTING CHANGES AND RESTATEMENTS

During the year ended June 30, 2003, the Town implemented the following pronouncements issued by the Governmental Accounting Standards Board:

- Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. The requirements of these statements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus, and a management's discussion and analysis. As a result, certain fund reclassifications and adjustments to fund equities reported in the prior financial statement balances were required.

- Statement No. 38, *Certain Financial Statement Note Disclosures* - This statement requires certain note disclosures when Statement No. 34 is implemented.
- Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* - This interpretation clarifies the standards for modified accrual recognition of certain liabilities and expenditures.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 9 - ACCOUNTING CHANGES AND RESTATEMENTS (Continued)

Beginning net assets as of June 30, 2002 for governmental activities and fiduciary funds were determined as follows:

Fund balances (deficits) of governmental funds, as previously reported:

General fund	\$	4,296,234
Special revenue funds		561,866
Capital projects funds		(2,168,682)
Permanent fund		-

Add fund reclassification - previously reported as non-expendable trust funds:

Marshall E. Charter Fund	\$	341,575
Kimball Memorial Fund		60,050
John T. McKnight Maintenance Fund		12,047
Eugene K. Mosley Fund		100
Arthur Hyde Fund		200
Sarah H. McKinney Fund		500
Mary Wadsworth Gardner Fund		60,982
Hall Memorial Library Fund		125,816
Batz Farm Fund		210,000
Wiley Fund		1,000
		812,270

Fund balances of governmental funds, as restated		3,501,688
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Add GASB No. 34 adjustments as of June 30, 2002:

Record capital assets, including infrastructure		48,713,692
Record accumulated depreciation and amortization		(14,412,423)
Recognize deferred revenue on taxes and assessments		668,680
Record interest receivable (net) for delinquent taxes owed to the Town		230,605
Record bonds payable		(9,740,000)
Restricted land previously reflected in non-expendable trust fund		(210,000)
Record note payable		(15,800)
Record capital lease		(250,567)
Record accrued interest on bonds and note payable		(100,418)
Record compensated absences		(763,790)

Net assets of governmental activities, as of June 30, 2002, as restated	\$	27,621,667
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Fund balances of fiduciary funds, as previously reported	\$	1,143,352
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Less fund reclassifications:

Marshall E. Charter Fund	\$	(341,575)
Kimball Memorial Fund		(60,050)
John T. McKnight Maintenance Fund		(12,047)
Eugene K. Mosley Fund		(100)
Arthur Hyde Fund		(200)
Sarah H. McKinney Fund		(500)
Mary Wadsworth Gardner Fund		(60,982)
Hall Memorial Library Fund		(125,816)
Batz Farm Fund		(210,000)
Wiley Fund		(1,000)
		(812,270)

Net assets of fiduciary funds, as of June 30, 2002, as restated	\$	331,082
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TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 10 - FUND BALANCE RESERVATIONS AND DESIGNATIONS

RESERVED FUND BALANCE

Descriptions of significant fund balance reservations reported in the governmental funds balance sheet as of June 30, 2003 are as follows:

Reserve for Encumbrances	\$ 32,144
Total General Fund - Reserved	<u>32,144</u>
Reserve for Inventory	2,843
Reserve for Sanitation	41,100
Reserve for Document Preservation	11,799
Reserve for Endowments	52,497
Total Fund Balance - Reserved	<u>\$ 140,383</u>

DESIGNATED FUND BALANCE

Designations, of unreserved fund balance reported in the governmental funds balance sheet, represent the Town's self-imposed limitations on the use of otherwise available expendable financial resources of governmental funds. Descriptions of significant unreserved fund balance designations reported in the governmental fund balance sheet as of June 30, 2003 are as follows:

Designated for Capital Reserves	\$ 1,692,608
Designated for Capital and Nonrecurring	772,054
Undesignated	1,692,319
Total General Fund – Unreserved	<u>4,156,981</u>
Total Capital Projects – Unreserved	<u>(3,720,533)</u>
Total Fund Balance - Unreserved	<u>\$ 436,448</u>

The amount designated for Capital Reserves totaling \$1,692,608 was created by the Board of Finance, as mandated by the Town Charter, to reserve 5 to 7% of the operating budget to support the working capital requirements of the Town. Each year, the Board of Finance transfers the unallocated contingency fund to the this account.

NOTE 11 - PENSION PLANS

DEFINED CONTRIBUTION PLANS

Money Purchase Plan

The Town provides pension plan benefits for all full-time and part-time employees of the Town Hall through a non-contributory money purchase plan. Employees are eligible to participate from the date of employment. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested from the date of employment. The Town is required to contribute 7.1% of the payroll of the active employees.

The Town's contribution amounted to \$103,297. All monies contributed are used to purchase insurance contracts on behalf of the participants, therefore the assets of the plan are not included in the Town's basic financial statements.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 11 - PENSION PLANS (Continued)

DEFINED CONTRIBUTION PLANS (Continued)

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. Employee deferrals amounted to \$106,066 for the year ended June 30, 2003. Plan enrollment now totals 40 people. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Accordingly, the assets of the trust are not included in the Town's basic financial statements.

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Description of the Plan

The Town participates in the Connecticut Municipal Employee's Retirement System (MERS), which is a cost-sharing multiple employer defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission. MERS covers all full time employees of the Town, except for Board of Education employees who participate in the Connecticut State Teacher's Retirement System. MERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. There are no separate financial statements available for MERS.

Terms of the Plan

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases of between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. Effective January 1, 2002, all other retired members receive a 2.5% annual adjustment until age 65, at which point they will receive the same COLA as those currently age 65. For those retiring after December 31, 2001, annual cost of living increases will be between 2.5% and 6%. All benefits vest after 5 years of continuous service. Members who retire after age 55 with 10 years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit.

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1-1/2% of the three-year average of earnings not in excess of the year's breakpoint.

Funding Policy

Covered employees are required by State statute to contribute 2.25% of earnings upon which Social Security Tax is paid plus 5% of earnings on which no Social Security Tax is paid. The Town's current rate of contributions is equivalent to 3.75% of the annual active member payroll. The contribution requirement of plan members and the participating towns are established and may be amended by the State Retirement Commission through revision of State statutes.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 11 - PENSION PLANS (Continued)

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost

For the year ended June 30, 2003 the Town's annual pension cost of \$99,485 was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2002 actuarial evaluation using the entry age normal cost method. Significant actuarial assumptions used include the following:

- Rate of return on the investment of present and future assets of 8.5% per year compounded annually.
- Projected salary increases of 3.75% per year compounded annually, attributable to inflation.
- Additional projected salary increases ranging from 7.50% to 0.75%, per year, attributable to seniority/merit.
- Post-retirement benefit increases of 5.0% per year compounded annually, applied only to the benefits of disabled retirees, retirees who have reached age 65, and beneficiaries or deceased retirees who would have reached age 65, who are currently on the roll. For all others currently on the roll, 2.5% compounded annually. For current active members, 2.6% compounded annually.

The actuarial value of plan assets is based on a market-related method that recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed 5-year period.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2001	\$ 121,338	100.0%	-
June 30, 2002	99,726	100.0%	-
June 30, 2003	99,485	100.0%	-

Required Supplementary Information - Analysis of Funding Progress (in millions of dollars)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) % Funded (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (4)/(5)
July 1, 2000	\$1,252	\$1,153	109%	\$(99)	\$290	(34)
July 1, 2001	1,353	1,238	109	(115)	311	(37)
July 1, 2002	1,403	1,319	106	(84)	322	(26)

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

NOTE 11 – PENSION PLANS (Continued)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. Prior to completing five years of service, teachers are fully vested in their contributions up to 5% of their earnings. After five years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on actuarial information for the plan as a whole which does not provide actuarial information on an individual town basis. For the year ended June 30, 2003, Town teachers contributed \$781,386 to the plan and covered payroll for the period was \$11,162,656.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$704,252 made by the State of Connecticut into the Teachers' Retirement System as intergovernmental revenues and education expenditures of the general fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE 12 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town has commercial insurance for all risks of loss including workers' compensation, employee health and accident and property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 13 – CONTINGENT LIABILITIES

In prior years, there was a dispute between the Town and Town of Vernon (Vernon) concerning the Town's appropriate allocation of capital costs associated with a mandated upgrade of the Vernon sewer treatment plant. During the year ended 2003, this matter was resolved by settlement and the lawsuit has been withdrawn.

The Town has been named in a lawsuit filed by a union representing certain employees seeking entitlement to some or all of the proceeds received by the Town during 2002 from the demutualization of Anthem Inc. This issue is common to many local governments and school districts throughout the State of Connecticut. Should the union prevail in the this matter, the maximum exposure to the Town for this case will be limited to the amount each employee/member contributed to the premiums paid during the computation period. The Ellington Teachers' Association (the "Association") has already made such a claim through the teacher grievance process and the Town's Board of Education has settled their claim with that Association as of June 30, 2003.

Combining and Individual Fund Statements and Schedules

General Fund

TOWN OF ELLINGTON
SCHEDULE OF REVENUES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u>
				<u>(UNDER)</u>
PROPERTY TAXATION				
Revenues from Property Taxes	\$ 20,772,819	\$ 20,772,819	\$ 20,665,840	\$ (106,979)
Interest and Lien Fees	140,000	140,000	149,701	9,701
Total Property Taxation	<u>20,912,819</u>	<u>20,912,819</u>	<u>20,815,541</u>	<u>(97,278)</u>
INTERGOVERNMENTAL - EDUCATION				
Education Cost Sharing Grant	7,587,545	7,587,545	7,571,910	(15,635)
Transportation	345,676	345,676	291,941	(53,735)
Adult Education and Vocational Agriculture	7,000	7,000	10,526	3,526
Blind Grant	50,000	50,000	48,035	(1,965)
Special Education Tuition	20,000	20,000	13,385	(6,615)
Building Grant	167,298	167,298	170,205	2,907
Total Intergovernmental - Education	<u>8,177,519</u>	<u>8,177,519</u>	<u>8,106,002</u>	<u>(71,517)</u>
INTERGOVERNMENTAL - OTHER				
BOE - Special Ed Van	29,750	29,750	29,750	-
Town Aid Road	186,215	186,215	86,764	(99,451)
Elderly Circuit Breaker Reimbursement	65,723	65,723	68,741	3,018
Manufacturers Machinery/Equipment Grant	168,814	168,814	124,877	(43,937)
Disability Reimbursement	1,047	1,047	1,630	583
State Property Forest	5,344	5,344	5,305	(39)
Mashantucket Pequot Fund	131,239	131,239	108,165	(23,074)
Circuit Court Fines	100	100	180	80
Housing Authority	9,145	9,145	8,773	(372)
In Lieu of Taxes - Boats	3,848	3,848	3,849	1
Dog Damage	100	100	-	(100)
Telephone Tax/SNET	97,408	97,408	92,749	(4,659)
Additional Income Veterans	35,096	35,096	36,788	1,692
Local Capital Improvement Program	98,176	98,176	99,621	1,445
DWI	-	-	3,292	3,292
Juvenile Justice Grant	10,000	10,000	-	(10,000)
Erase Grant	-	-	3,105	3,105
CRRA Transfer Station Use Fee	8,620	8,620	7,005	(1,615)
Index Recreation Grant	-	-	5,000	5,000
East Conn Team Sub/Action Grant	-	-	2,000	2,000
DOT Grant Ford Explorer	-	-	20,000	20,000
FEMA Disaster #3176	-	-	24,842	24,842
Youth Community Police Grant	-	-	3,013	3,013
Emergency Management	3,574	3,574	2,020	(1,554)
Total Intergovernmental - Other	<u>854,199</u>	<u>854,199</u>	<u>737,469</u>	<u>(116,730)</u>
CHARGES FOR GOODS AND SERVICES				
Building Department	250,000	250,000	372,916	122,916
Planning and Zoning	32,500	32,500	56,470	23,970
Fire Marshal	750	750	527	(223)
Parks and Recreation	15,825	15,825	22,493	6,668
Recreation Program Receipts	102,602	102,602	82,150	(20,452)
Recreation Intra Agency After School	3,000	3,000	-	(3,000)
Cultural Arts	5,000	5,000	4,433	(567)
Town Maps	1,000	1,000	-	(1,000)
Town Clerk Conveyance Tax	50,000	50,000	121,879	71,879
Town Clerk Recording Fees and Licenses	120,000	120,000	206,257	86,257
Aircraft Registration	2,250	2,250	2,290	40
Board of Education	1,000	1,000	292	(708)
Special Duty	6,500	6,500	31,807	25,307
Animal Control Officer Fees and Licenses	17,000	17,000	22,281	5,281
Animal Control Donations	-	-	170	170
Police DARE Donations	1,000	1,000	1,729	729
Youth Service Donations	1,000	1,000	-	(1,000)

TOWN OF ELLINGTON
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - (Continued)
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u>
				<u>(UNDER)</u>
CHARGES FOR GOODS AND SERVICES (Continued)				
Youth Service Activities	\$ 1,000	\$ 1,000	\$ 3,268	\$ 2,268
Human Service Counseling Services	1,000	1,000	852	(148)
Human Service Donations	-	-	5,310	5,310
Human Services Food Pantry Donations	-	-	1,351	1,351
Total Charges for Goods and Services	<u>611,427</u>	<u>611,427</u>	<u>936,475</u>	<u>325,048</u>
INTEREST AND DIVIDENDS				
Interest and Dividends	<u>250,000</u>	<u>250,000</u>	<u>84,861</u>	<u>(165,139)</u>
OTHER REVENUES				
WPCA	228,105	228,105	228,105	-
Sale of Anthem Blue Cross Stock	-	-	17,400	17,400
Marshall E. Charter Fund	15,600	15,600	15,600	-
Dod Fund	-	-	4,141	4,141
Insurance Claims and Refunds	5,000	5,000	75,484	70,484
WPCA Reimbursement	22,805	22,805	24,105	1,300
WPCA Reimbursement Maintenance Budget	91,085	91,085	70,664	(20,421)
Building Demolition	3,000	3,000	597	(2,403)
Sundry Refunds and Receipts	3,000	3,000	4,366	1,366
Crystal Lake Association Water Monitor	2,150	2,150	-	(2,150)
Appropriation from Surplus	272,512	292,512	-	(292,512)
Total Other Revenues	<u>643,257</u>	<u>663,257</u>	<u>440,462</u>	<u>(222,795)</u>
TOTAL BUDGETARY REVENUES	<u>\$ 31,449,221</u>	<u>\$ 31,469,221</u>	<u>\$ 31,120,810</u>	<u>\$ (348,411)</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
GENERAL GOVERNMENT				
Board of Selectmen	\$ 150,397	\$ 150,397	\$ 148,721	\$ 1,676
Board of Finance	9,500	9,500	7,962	1,538
Auditors	23,000	23,000	22,000	1,000
Auditors - Special Project	1,000	1,000	-	1,000
Finance Officer	192,057	192,057	183,043	9,014
Tax Assessor	155,684	155,684	146,057	9,627
Tax Collector	113,456	113,456	113,348	108
Board of Tax Review	1,500	1,500	463	1,037
Insurance Advisory Board	425	425	-	425
Town Clerk	155,159	175,578	175,578	-
Town Counsel	68,278	88,226	88,225	1
Probate Court	7,145	7,145	5,062	2,083
Town Planner	166,700	200,092	200,092	-
Total General Government	<u>1,044,301</u>	<u>1,118,060</u>	<u>1,090,551</u>	<u>27,509</u>
BOARDS AND AGENCIES				
Registrars and Electors	35,990	35,990	34,103	1,887
Economic Development Commission	20,000	20,000	3,712	16,288
Planning and Zoning	16,660	17,495	17,494	1
Zoning Board of Appeals	6,051	6,240	6,240	-
Permanent Building Commission	2,850	2,850	730	2,120
Inland Wetland Agency	-	2,446	2,445	1
Conservation Commission	8,250	8,250	7,442	808
Forest and Open Space Commission	500	500	-	500
WPCA	1	1	-	1
Total Boards and Agencies	<u>90,302</u>	<u>93,772</u>	<u>72,166</u>	<u>21,606</u>
PUBLIC SAFETY				
Center Fire Department	100,000	107,151	107,151	-
Crystal Lake Fire Department	51,263	62,371	62,371	-
Fire Protection Hydrants	238,227	238,227	223,936	14,291
Emergency 911	29,300	29,363	29,363	-
Police	570,591	621,987	621,987	-
Police Special Duty	6,500	16,965	16,964	1
Police Drug Abuse Resistance Education	1,500	1,729	1,729	-
Juvenile Justice Grant	10,000	10,000	-	10,000
Animal Control Officer	64,022	64,022	60,394	3,628
Emergency Management	5,267	10,267	3,880	6,387
Building Department	101,549	101,549	101,146	403
Volunteer Ambulance	100,000	141,058	141,057	1
Emergency Service Incentive Program	89,375	89,375	79,997	9,378
Public Safety	1,000	1,000	974	26
Public Safety Service - Independent Review	30,000	30,000	19,437	10,563
Fire Marshal	48,000	50,033	50,032	1
Total Public Safety	<u>1,446,594</u>	<u>1,575,097</u>	<u>1,520,418</u>	<u>54,679</u>
PUBLIC WORKS				
General Town Roads	1,003,203	1,069,319	1,069,318	1
New Equipment	12,600	12,600	12,164	436
Equipment Maintenance	102,897	141,692	141,692	-
Town Garage	43,825	43,825	38,206	5,619
Street Signs	15,000	16,726	16,726	-
Grounds Maintenance - BOE/Parks	43,058	43,058	38,736	4,322
Town Aid Road - Winter	59,649	153,902	153,901	1
Town Aid Road - Materials	186,215	190,285	190,284	1
Sanitary Landfill	293,827	293,827	264,205	29,622
Sanitary Recycling	210,427	218,502	218,502	-
Household Hazardous Waste	25,000	25,000	22,607	2,393
WPCA Maintenance	50,680	50,680	34,738	15,942
Street Lighting	69,800	69,800	58,224	11,576
Engineer and Inspections	45,000	76,787	76,786	1
Total Public Works	<u>2,161,181</u>	<u>2,406,003</u>	<u>2,336,089</u>	<u>69,914</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
RECREATION				
Parks and Recreation	\$ 247,163	\$ 247,163	\$ 229,935	\$ 17,228
Cultural Arts	18,680	18,680	18,180	500
Intragency After School Program	7,000	7,000	4,181	2,819
Shenipsit Lake Recreation	5,000	5,000	5,000	-
Crystal Lake Water Monitor	4,300	4,300	4,038	262
Total Recreation	<u>282,143</u>	<u>282,143</u>	<u>261,334</u>	<u>20,809</u>
LIBRARY				
Hall Memorial Library	377,636	389,411	389,410	1
Total Library	<u>377,636</u>	<u>389,411</u>	<u>389,410</u>	<u>1</u>
HUMAN SERVICES				
Public Health Nursing	9,225	9,225	2,880	6,345
Vernon Area Community Health Center	5,000	5,000	5,000	-
Tri-Town Emergency Shelter	4,000	4,000	4,000	-
Conn Legal Services	1,200	1,200	1,200	-
NE CT Sexual Assault Center	1,042	1,042	1,042	-
Regional Mental Health Board	904	904	904	-
Kidsafe CT	2,500	2,500	2,500	-
Hockanum Valley	16,500	16,885	16,885	-
Food Pantry	-	389	389	-
Rope	10,000	10,000	9,960	40
Youth Activity Programs	11,595	20,799	20,798	1
Hartford Interval House	1,500	1,500	1,500	-
Human Services	133,706	133,706	131,542	2,164
North Central Health District	40,770	40,771	40,770	1
Welfare	17,500	17,500	13,133	4,367
Municipal Agent	1,000	1,032	1,031	1
Senior Center	89,833	89,833	86,505	3,328
Total Social Services	<u>346,275</u>	<u>356,286</u>	<u>340,039</u>	<u>16,247</u>
TOWN PROPERTIES				
Town Hall	249,210	389,352	389,351	1
Center Cemetary	500	500	500	-
Batz Property	2,200	2,200	541	1,659
Arbor Commons	23,600	23,600	18,817	4,783
Total Town Properties	<u>275,510</u>	<u>415,652</u>	<u>409,209</u>	<u>6,443</u>
DEBT SERVICE				
Debt Redemption - Principal	1,147,723	1,147,723	1,147,723	-
Debt Redemption - Interest	849,834	849,834	796,345	53,489
Total Debt Service	<u>1,997,557</u>	<u>1,997,557</u>	<u>1,944,068</u>	<u>53,489</u>
MISCELLANEOUS				
Social Security	216,760	222,603	222,603	-
Insurance	1,092,269	981,194	923,462	57,732
Insurance Reimbursement and Claims	7,500	53,755	53,754	1
Insurance Prior Year	5,000	5,000	2,278	2,722
Service Insurance	56,000	56,000	56,000	-
Contingency Fund	125,000	125,000	125,000	-
ADHOC Alcohol Drug Council	7,200	7,200	6,701	499
CADAC-Recreation	2,400	2,400	500	1,900
Memorial Day Committee	1,250	1,250	1,177	73
Charter Revision Commission	6,750	6,750	1,361	5,389
Miscellaneous	2,000	2,000	89	1,911
Referendum	2,800	9,324	9,323	1
Building Demolition	25,000	25,000	7,097	17,903
Salary Adjustment	110,000	110,000	36,000	74,000
Anthem Demutualization Settlement	-	29,608	29,608	-
Town Communications	7,250	7,250	5,890	1,360
Town Web Site	1	1	-	1
Grant Applications	7,000	7,000	4,874	2,126
Total Miscellaneous	<u>1,674,180</u>	<u>1,651,335</u>	<u>1,485,717</u>	<u>165,618</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
CAPITAL OUTLAYS				
Unimproved Road Improvement	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Local Cap. Imp. Program	98,176	99,621	99,621	-
Road Overlay	200,000	200,000	200,000	-
Townwide Sidewalks	18,000	18,000	18,000	-
Windermere Corridor Reconstruction	125,000	125,000	-	125,000
Town Hall Parking Lot Renovations	50,000	50,000	45,700	4,300
Town Hall Office Renovations - Lower Level	21,000	27,855	27,854	1
Town Hall Annex - Renovations	64,000	64,000	51,096	12,904
Town Hall Annex - Furniture	15,600	29,781	29,781	-
Arbor Commons - Police Station/Meeting Rm	76,000	106,385	106,385	-
Arbor Commons - Police Station Furniture	25,000	30,332	30,331	1
Brookside Park Refurbish Basketball Court	12,000	12,000	12,000	-
Recreation - Equipment Parks	25,000	25,000	25,000	-
Animal Control Officer - Replacement Van	15,000	15,000	15,000	-
DPW - Small Dump Truck Replacement	32,500	32,500	32,500	-
Open Space Fund	1,000	1,000	1,000	-
Municipal Land Trust Fund	1,000	1,000	1,000	-
Reevaluation	40,000	40,000	40,000	-
Reindexing of Land Records	11,472	11,472	11,472	-
GASB 34 Implementation	50,000	50,000	50,000	-
EVFD/EVAC - Roof Replacement	30,045	30,045	30,045	-
EVFD - Radio Equipment Upgrade	10,000	10,132	10,132	-
EVFD - Breathing Apparatus Replacement/Upgr	67,500	67,500	67,500	-
Crystal Lake Breathing Apparatus Replacement/ Upgr	42,500	42,500	42,500	-
BOE - Replacement Vans/ Spec Ed	35,000	35,000	31,704	3,296
BOE - Replacement Maintenance Vehicle	15,000	15,000	15,000	-
BOE - CLS Renovations	79,000	79,000	78,999	1
BOE - Student Technology Update	1	1	-	1
Total Capital Outlays	<u>1,219,794</u>	<u>1,278,124</u>	<u>1,132,620</u>	<u>145,504</u>
EDUCATION				
Salaries				
Administrative	919,121	928,622	928,621	1
Faculty	10,377,294	10,195,124	10,195,124	-
Secretarial	576,518	582,093	582,092	1
Custodial	651,776	649,573	649,572	1
Health Aides	176,583	189,540	189,540	-
Instructor Aides	601,853	607,939	607,938	1
General Aides	20,880	13,920	13,920	-
Media Aides	63,899	54,125	54,124	1
Severance	7,000	51,165	51,165	-
Alpha and Omega Faculty	19,678	2,168	2,167	1
Secretarial Substitutes	23,438	23,117	23,117	-
Custodial Substitutes	25,000	31,860	31,860	-
Substitute Teachers	147,560	185,830	185,829	1
Coaches and Advisors	164,437	154,842	154,842	-
Custodial Overtime	56,058	51,345	51,344	1
Total Salaries	<u>13,831,095</u>	<u>13,721,263</u>	<u>13,721,255</u>	<u>8</u>
Employee Benefits				
Health Benefits	2,143,476	2,181,762	2,181,761	1
Social Security	294,000	309,318	309,318	-
Unemployment	5,000	124	123	1
Retirement - MERS	90,000	82,729	82,728	1
Course Tuition	1,000	2,012	2,012	-
Total Employee Benefits	<u>2,533,476</u>	<u>2,575,945</u>	<u>2,575,942</u>	<u>3</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Contracted Services				
Program Improvement	\$ 95,018	\$ 91,488	\$ 91,487	\$ 1
Pupil Services	72,879	51,960	51,960	-
Management Services	22,081	19,345	19,344	1
Professional/Tech Serv	218,198	299,002	299,002	-
Public Utilities-Electricity	241,001	243,181	243,180	1
Other Property Services	131,376	127,745	127,744	1
Property Insurance	154,393	135,461	135,461	-
Rentals	91,681	98,812	98,811	1
Repairs Instrument Equipment	85,308	64,819	64,819	-
Propane	9,536	11,609	11,608	1
Water	32,655	23,369	23,369	-
Repairs/Maintenance	120,832	126,504	126,504	-
Regional Pupil Transportation	977,826	970,225	970,225	-
Conference/Travel/Admin.	20,850	18,095	18,095	-
Conference/Travel/Teachers	20,000	14,315	14,314	1
Special Ed Transp.	181,999	205,503	205,503	-
Athletic Transportation	37,100	33,986	33,985	1
Cheney Vo-Ag Transportation	51,088	50,748	50,748	-
Conference/Travel Support Staff	9,695	3,060	3,059	1
Other Transportation Service	4,000	8,061	8,060	1
Communications/Telephone	58,631	44,532	44,532	-
Printing /Advertising	40,884	26,222	26,221	1
Outside Tuition	408,928	450,477	450,477	-
Total Contracted Services	<u>3,085,959</u>	<u>3,118,519</u>	<u>3,118,508</u>	<u>11</u>
Capital Outlays				
Replacement Equipment	72,824	68,611	68,610	1
Total Capital Outlays	<u>72,824</u>	<u>68,611</u>	<u>68,610</u>	<u>1</u>
Supplies and Materials				
Administrative Supplies	48,371	41,479	41,478	1
Program Supplies	269,776	229,871	229,870	1
Special Education	28,310	20,171	20,171	-
Basic	93,695	82,943	82,943	-
Custodial/Maintenance Gasoline	8,837	8,171	8,171	-
Custodial Supplies	49,094	49,188	49,188	-
Heating Fuel and Gasoline	182,875	157,528	157,527	1
Textbooks	62,827	143,725	143,724	1
Library/Media	58,961	45,811	45,811	-
Total Supplies and Materials	<u>802,746</u>	<u>778,887</u>	<u>778,883</u>	<u>4</u>
Miscellaneous				
Dues and Memberships	29,929	25,450	25,449	1
Transfer account	-	9,943	-	9,943
Food Service	138,719	173,954	173,954	-
Townwide Maintenance Program	39,000	61,176	61,175	1
Total Miscellaneous	<u>207,648</u>	<u>270,523</u>	<u>260,578</u>	<u>9,945</u>
TOTAL BOARD OF EDUCATION	<u>20,533,748</u>	<u>20,533,748</u>	<u>20,523,776</u>	<u>9,972</u>
TOTAL BUDGETARY EXPENDITURES	<u>\$ 31,449,221</u>	<u>\$ 32,097,188</u>	<u>\$ 31,505,397</u>	<u>\$ 591,791</u>

TOWN OF ELLINGTON
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2003

GRAND LIST YEAR	BALANCE UNCOLLECTED JUNE 30, 2002	CURRENT LEVY	LAWFUL CORRECTIONS ADDITIONS	LAWFUL CORRECTIONS DEDUCTIONS	TRANSFERS TO SUSPENSE	BALANCE TO BE COLLECTED	COLLECTIONS			LIEN FEES	TOTAL	REFUNDS AND ADJUSTMENTS	BALANCE UNCOLLECTED JUNE 30, 2003
							TAXES	INTEREST					
2001	\$	20,762,143	\$ 66,101	\$ 75,485	\$	20,752,759	\$ 20,493,970	\$ 63,893	\$ 2,060	\$ 20,559,923	\$ 49,348	\$ 308,137	
2000	301,349	-	3,625	8,436	-	296,538	124,434	27,294	1,884	153,612	3,416	175,520	
1999	183,628	-	101	69	17,068	166,592	54,529	21,613	930	77,072	-	112,063	
1998	111,573	-	-	14,669	848	97,752	20,406	10,592	432	31,430	-	77,346	
1997	73,121	-	-	1,627	390	71,884	9,378	3,476	120	12,974	-	62,506	
1996	52,673	-	-	1,535	-	51,138	3,982	2,719	96	6,797	-	47,156	
1995	35,553	-	-	1,535	-	34,018	1,981	646	72	2,699	-	32,037	
1994	30,491	-	-	-	26	30,517	3,668	5,873	96	9,637	-	26,849	
1993	21,831	-	-	-	65	21,896	3,165	332	72	3,569	-	18,731	
1992	13,840	-	-	-	103	13,943	1,779	910	72	2,761	-	12,164	
1991	10,600	-	-	-	-	10,600	204	404	72	680	-	10,396	
1990	8,961	-	-	-	353	9,314	2,342	4,854	72	7,268	-	6,972	
1989	4,336	-	-	-	58	4,394	159	297	-	456	-	4,235	
1988	3,329	-	-	-	120	3,449	120	290	48	458	-	3,329	
1987	1,938	-	-	-	-	1,938	-	-	-	-	-	1,938	
1986	607	-	-	-	268	875	268	558	-	826	-	607	
	\$ 853,830	\$ 20,762,143	\$ 69,827	\$ 103,356	\$ 19,299	\$ 21,567,607	\$ 20,720,385	\$ 143,751	\$ 6,026	\$ 20,870,162	\$ 52,764	\$ 899,986	

**TOWN OF ELLINGTON
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)
JUNE 30, 2003**

Total cash collections for the
year ended June 30, 2003

Taxes	\$ 20,720,385
Interest and lien fees	149,771
Total	<u>20,870,156</u>

Reimbursed for Tax relief for elderly	68,741
Total	<u>68,741</u>

Base	<u>\$ 20,938,897</u>
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	<u>GENERAL PURPOSE</u>	<u>SCHOOLS</u>	<u>SEWERS</u>	<u>URBAN RENEWAL</u>
Debt limitation:				
2-1/4 times base	\$ 47,112,518	\$ -	\$ -	\$ -
4-1/2 times base	-	94,225,037	-	-
3-3/4 times base	-	-	78,520,864	-
3-1/4 times base	-	-	-	68,051,415
Total debt limitation	<u>47,112,518</u>	<u>94,225,037</u>	<u>78,520,864</u>	<u>68,051,415</u>
Indebtedness:				
Bonds and notes payable	3,038,544	15,752,500	2,631,700	-
Less: sewer assessments and usage charges receivable	-	-	235,467	-
Less: amounts to be provided by the State	-	1,442,708	-	-
Total indebtedness	<u>3,038,544</u>	<u>14,309,792</u>	<u>2,396,233</u>	<u>-</u>
Debt limitation in excess of Outstanding and authorized debt	<u>\$ 44,073,974</u>	<u>\$ 79,915,245</u>	<u>\$ 76,124,631</u>	<u>\$ 68,051,415</u>
Total capacity of borrowing (7 times base)				\$ 146,572,279
Total present indebtedness				<u>19,744,569</u>
Margin for additional borrowing				<u>\$ 126,827,710</u>

Combining Statements

TOWN OF ELLINGTON
COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 152,756	\$ -	\$ -	\$ 152,756
Investments	424,801	96,292	578,564	1,099,657
Receivables:				
Grants and contracts receivable	93,839	730,476	-	824,315
Other	25,786	-	2,039	27,825
Due from other funds	71,240	539,204	-	610,444
Inventories	2,843	-	-	2,843
Total assets	<u>\$ 771,265</u>	<u>\$ 1,365,972</u>	<u>\$ 580,603</u>	<u>\$ 2,717,840</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 76,929	\$ 71,900	\$ 614	\$ 149,443
Due to other funds	6,387	788,390	-	794,777
Deferred revenue	22,738	-	-	22,738
Due to funding source	7,119	-	-	7,119
Total liabilities	<u>113,173</u>	<u>860,290</u>	<u>614</u>	<u>974,077</u>
Fund Balances:				
Reserved for:				
Inventories	2,843	-	-	2,843
Sanitation	41,100	-	-	41,100
Document preservation	11,799	-	-	11,799
Endowments	-	-	52,497	52,497
Unreserved	<u>602,350</u>	<u>505,682</u>	<u>527,492</u>	<u>1,635,524</u>
Total fund balances	<u>658,092</u>	<u>505,682</u>	<u>579,989</u>	<u>1,743,763</u>
Total liabilities and fund balances	<u>\$ 771,265</u>	<u>\$ 1,365,972</u>	<u>\$ 580,603</u>	<u>\$ 2,717,840</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 745,626	\$ 559,066	\$ -	\$ 1,304,692
Charges for services	253,410	-	-	253,410
Food sales	468,713	-	-	468,713
Interest and dividends	7,048	685	42,772	50,505
Other income	900	41,398	12,007	54,305
Total revenues	<u>1,475,697</u>	<u>601,149</u>	<u>54,779</u>	<u>2,131,625</u>
EXPENDITURES				
Current:				
Program expenditures	1,379,471	-	17,631	1,397,102
Interest and fiscal charges	-	6,039	-	6,039
Miscellaneous	-	-	59,429	59,429
Capital outlays	-	1,849,913	-	1,849,913
Total expenditures	<u>1,379,471</u>	<u>1,855,952</u>	<u>77,060</u>	<u>3,312,483</u>
Excess (deficiency) of revenues over expenditures	96,226	(1,254,803)	(22,281)	(1,180,858)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	2,291,000	-	2,291,000
Premium on bonds issued	-	545	-	545
Total other financing sources (uses)	<u>-</u>	<u>2,291,545</u>	<u>-</u>	<u>2,291,545</u>
Net change in fund balances	96,226	1,036,742	(22,281)	1,110,687
Fund balances - beginning	<u>561,866</u>	<u>(531,060)</u>	<u>602,270</u>	<u>633,076</u>
Fund balances - ending	<u>\$ 658,092</u>	<u>\$ 505,682</u>	<u>\$ 579,989</u>	<u>\$ 1,743,763</u>

*Special Revenue
Funds*

TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2003

	Historic Document Preservation	HUD Small Cities Rehab 2002	STEAP Snipsic Village Renovation	Small Cities Program Income	Small Cities Snipsic Village	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 10	\$ -	\$ 17,735	\$ 10	\$ 152,756
Investments	11,722	-	-	-	-	424,801
Receivables:						
Grants and contracts receivable	-	53,234	1,548	-	3,575	93,839
Other	-	-	-	-	-	25,786
Due from other funds	77	-	-	-	-	71,240
Inventories	-	-	-	-	-	2,843
Total assets	\$ 11,799	\$ 53,244	\$ 1,548	\$ 17,735	\$ 3,585	\$ 771,265

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ -	\$ 52,000	\$ -	\$ -	\$ -	\$ 76,929
Due to other funds	-	1,244	1,548	-	3,585	6,387
Deferred revenue	-	-	-	-	-	22,738
Due to funding source	-	-	-	-	-	7,119
Total liabilities	-	53,244	1,548	-	3,585	113,173

Fund Balances:

Reserved for:						
Inventories	-	-	-	-	-	2,843
Sanitation	-	-	-	-	-	41,100
Document preservation	11,799	-	-	-	-	11,799
Unreserved	-	-	-	17,735	-	602,350
Total fund balances	11,799	-	-	17,735	-	658,092
Total liabilities and fund balances	\$ 11,799	\$ 53,244	\$ 1,548	\$ 17,735	\$ 3,585	\$ 771,265

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	CRRAs Sanitation Control	Forfeited Assets	Dog Fund	Education Grants	School Lunch	Ambulance Fee Program	Youth Service Bureau	HUD Small Cities Housing Rehab Program	HUD Small Cities Rehab 2000
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ 513,323	\$ 80,335	\$ -	\$ 14,000	\$ -	\$ 75,592
Charges for services	-	-	63,372	-	-	168,938	-	-	-
Food sales	-	-	-	-	468,713	-	-	-	-
Interest and dividends	470	7	-	-	3,050	3,185	-	197	-
Other income	-	-	-	-	-	-	-	-	-
Total revenues	<u>470</u>	<u>7</u>	<u>63,372</u>	<u>513,323</u>	<u>552,098</u>	<u>172,123</u>	<u>14,000</u>	<u>197</u>	<u>75,592</u>
EXPENDITURES									
Current:									
Program expenditures	-	-	67,513	513,323	605,069	47,208	8,943	-	75,592
Total expenditures	<u>-</u>	<u>-</u>	<u>67,513</u>	<u>513,323</u>	<u>605,069</u>	<u>47,208</u>	<u>8,943</u>	<u>-</u>	<u>75,592</u>
Excess (deficiency) of revenues over expenditures	470	7	(4,141)	-	(52,971)	124,915	5,057	197	-
Fund balances - beginning	40,630	592	4,141	-	188,767	284,937	5,805	30,152	-
Fund balances - ending	<u>\$ 41,100</u>	<u>\$ 599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,796</u>	<u>\$ 409,852</u>	<u>\$ 10,862</u>	<u>\$ 30,349</u>	<u>\$ -</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCES (Continued)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Historic Document Preservation	HUD Small Cities Rehab 2002	STEAP Snipsic Village Renovation	Small Cities Program Income	Small Cities Snipsic Village	Total Nonmajor Special Revenue Funds
REVENUES						
Intergovernmental	\$ 4,019	\$ 53,234	\$ 1,548	\$ -	\$ 3,575	\$ 745,626
Charges for services	-	-	-	21,100	-	253,410
Food sales	-	-	-	-	-	468,713
Interest and dividends	38	-	-	101	-	7,048
Other income	900	-	-	-	-	900
Total revenues	<u>4,957</u>	<u>53,234</u>	<u>1,548</u>	<u>21,201</u>	<u>3,575</u>	<u>1,475,697</u>
EXPENDITURES						
Current:						
Program expenditures	-	53,234	1,548	3,466	3,575	1,379,471
Total expenditures	<u>-</u>	<u>53,234</u>	<u>1,548</u>	<u>3,466</u>	<u>3,575</u>	<u>1,379,471</u>
Excess (deficiency) of revenues over expenditures	4,957	-	-	17,735	-	96,226
Fund balances - beginning	6,842	-	-	-	-	561,866
Fund balances - ending	<u>\$ 11,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,735</u>	<u>\$ -</u>	<u>\$ 658,092</u>

*Capital Projects
Funds*

TOWN OF ELLINGTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2003

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
ASSETS						
Investments	\$ 21,874	\$ -	\$ 6,225	\$ -	\$ 15,613	\$ 52,580
Grants and contract receivables	-	99,621	-	45,366	-	-
Due from other funds	-	-	-	66,932	-	-
Total assets	\$ 21,874	\$ 99,621	\$ 6,225	\$ 112,298	\$ 15,613	\$ 52,580

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	99,621	-	-	-	-
Total liabilities	-	99,621	-	-	-	-

Fund Balances:

Unreserved	21,874	-	6,225	112,298	15,613	52,580
Total fund balances	21,874	-	6,225	112,298	15,613	52,580
Total liabilities and fund balances	\$ 21,874	\$ 99,621	\$ 6,225	\$ 112,298	\$ 15,613	\$ 52,580

TOWN OF ELLINGTON
 COMBINING BALANCE SHEET (Continued)
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2003

	Windermere School Addition	Liebeman Property	Windermere Relocation Bridge	Airport Industrial Sewer Area	Total Nonmajor Capital Projects Funds
ASSETS					
Investments	\$ -	\$ -	\$ -	\$ -	\$ 96,292
Grants and contract receivables	585,489	-	-	-	730,476
Due from other funds	-	23,689	448,583	-	539,204
Total assets	<u>\$ 585,489</u>	<u>\$ 23,689</u>	<u>\$ 448,583</u>	<u>\$ -</u>	<u>\$ 1,365,972</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	71,900	\$ -	\$ 71,900
Due to other funds	624,897	-	-	63,872	788,390
Total liabilities	<u>624,897</u>	<u>-</u>	<u>71,900</u>	<u>63,872</u>	<u>860,290</u>
Fund Balances:					
Unreserved	(39,408)	23,689	376,683	(63,872)	505,682
Total fund balances	<u>(39,408)</u>	<u>23,689</u>	<u>376,683</u>	<u>(63,872)</u>	<u>505,682</u>
Total liabilities and fund balances	<u>\$ 585,489</u>	<u>\$ 23,689</u>	<u>\$ 448,583</u>	<u>\$ -</u>	<u>\$ 1,365,972</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
REVENUES						
Intergovernmental	\$ -	\$ 99,621	\$ -	\$ -	\$ -	\$ -
Interest and dividends	250	-	71	-	178	153
Other income	-	-	-	-	-	41,398
Total revenues	250	99,621	71	-	178	41,551
EXPENDITURES						
Debt service:						
Interest and fiscal charges	-	-	-	-	-	-
Capital outlays	-	99,621	-	-	-	-
Total expenditures	-	99,621	-	-	-	-
Excess (deficiency) of revenues over expenditures	250	-	71	-	178	41,551
OTHER FINANCING SOURCES (USES)						
Bonds and notes issued	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	250	-	71	-	178	41,551
Fund balances - beginning	21,624	-	6,154	112,298	15,435	11,029
Fund balances - ending	\$ 21,874	\$ -	\$ 6,225	\$ 112,298	\$ 15,613	\$ 52,580

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Windermere School Addition	Liebeman Property	Windermere Relocation Bridge	Airport Industrial Sewer Area	Total Nonmajor Capital Projects Funds
REVENUES					
Intergovernmental	\$ 459,445	\$ -	\$ -	\$ -	\$ 559,066
Interest and dividends	33	-	-	-	685
Other income	-	-	-	-	41,398
Total revenues	459,478	-	-	-	601,149
EXPENDITURES					
Debt service:					
Interest and fiscal charges	6,039	-	-	-	6,039
Capital outlays	271,602	1,321,452	93,366	63,872	1,849,913
Total expenditures	277,641	1,321,452	93,366	63,872	1,855,952
Excess (deficiency) of revenues over expenditures	181,837	(1,321,452)	(93,366)	(63,872)	(1,254,803)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	476,000	1,345,000	470,000	-	2,291,000
Premium on bonds issued	355	141	49	-	545
Total other financing sources (uses)	476,355	1,345,141	470,049	-	2,291,545
Net change in fund balances	658,192	23,689	376,683	(63,872)	1,036,742
Fund balances - beginning	(697,600)	-	-	-	(531,060)
Fund balances - ending	\$ (39,408)	\$ 23,689	\$ 376,683	\$ (63,872)	\$ 505,682

*Permanent
Funds*

**TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2003**

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
ASSETS						
Investments	\$ 321,936	\$ 59,197	\$ 11,876	\$ 134	\$ 268	\$ 671
Other	1,138	215	43	-	-	-
Total assets	<u>\$ 323,074</u>	<u>\$ 59,412</u>	<u>\$ 11,919</u>	<u>\$ 134</u>	<u>\$ 268</u>	<u>\$ 671</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 34	\$ 68	\$ 171
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>68</u>	<u>171</u>
Fund Balances:						
Reserved for:						
Endowments	29,697	5,000	1,000	100	200	500
Permanent funds	293,377	54,412	10,919	-	-	-
Total fund balances	<u>323,074</u>	<u>59,412</u>	<u>11,919</u>	<u>100</u>	<u>200</u>	<u>500</u>
Total liabilities and fund balances	<u>\$ 323,074</u>	<u>\$ 59,412</u>	<u>\$ 11,919</u>	<u>\$ 134</u>	<u>\$ 268</u>	<u>\$ 671</u>

TOWN OF ELLINGTON
COMBINING BALANCE SHEET (Continued)
NONMAJOR PERMANENT FUNDS
JUNE 30, 2003

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
ASSETS				
Investments	\$ 59,111	\$ 124,030	\$ 1,341	\$ 578,564
Other	193	450	-	2,039
Total assets	<u>\$ 59,304</u>	<u>\$ 124,480</u>	<u>\$ 1,341</u>	<u>\$ 580,603</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ -	\$ -	\$ 341	\$ 614
Total liabilities	<u>-</u>	<u>-</u>	<u>341</u>	<u>614</u>

Fund Balances:				
Reserved for:				
Endowments	5,000	10,000	1,000	52,497
Permanent funds	54,304	114,480	-	527,492
Total fund balances	<u>59,304</u>	<u>124,480</u>	<u>1,000</u>	<u>579,989</u>
Total liabilities and fund balances	<u>\$ 59,304</u>	<u>\$ 124,480</u>	<u>\$ 1,341</u>	<u>\$ 580,603</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Marshall E.	Kimball	John T.	Eugene K.	Arthur	Sarah H.		
	Charter	Memorial	McKnight	Mosley	Hyde	McKinney		
REVENUES								
Interest and dividends	\$ 30,784	\$ 4,384	\$ 880	\$ 2	\$ 3	\$ 8		
Other income	-	1,325	265	-	-	-		
Total revenues	<u>30,784</u>	<u>5,709</u>	<u>1,145</u>	<u>2</u>	<u>3</u>	<u>8</u>		
EXPENDITURES								
Current:								
Program expenditures	15,600	704	141	2	3	8		
Miscellaneous	33,685	5,643	1,132	-	-	-		
Total expenditures	<u>49,285</u>	<u>6,347</u>	<u>1,273</u>	<u>2</u>	<u>3</u>	<u>8</u>		
Excess (deficiency) of revenues over expenditures	(18,501)	(638)	(128)	-	-	-		
Fund balances - beginning	<u>341,575</u>	<u>60,050</u>	<u>12,047</u>	<u>100</u>	<u>200</u>	<u>500</u>		
Fund balances - ending	<u>\$ 323,074</u>	<u>\$ 59,412</u>	<u>\$ 11,919</u>	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 500</u>		

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
REVENUES				
Interest and dividends	\$ 5,152	\$ 1,544	\$ 15	\$ 42,772
Other income	-	10,417	-	12,007
Total revenues	<u>5,152</u>	<u>11,961</u>	<u>15</u>	<u>54,779</u>
EXPENDITURES				
Current:				
Program expenditures	1,158	-	15	17,631
Miscellaneous	5,672	13,297	-	59,429
Total expenditures	<u>6,830</u>	<u>13,297</u>	<u>15</u>	<u>77,060</u>
Excess (deficiency) of revenues over expenditures	(1,678)	(1,336)	-	(22,281)
Fund balances - beginning	<u>60,982</u>	<u>125,816</u>	<u>1,000</u>	<u>602,270</u>
Fund balances - ending	<u>\$ 59,304</u>	<u>\$ 124,480</u>	<u>\$ 1,000</u>	<u>\$ 579,989</u>

*Proprietary
Funds*

TOWN OF ELLINGTON
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2003

	<u>Solid Waste Collection</u>	<u>Watermains, Tripp and Middle Roads</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Sewer usage charges receivable, net of allowance for uncollectibles of \$2,600	\$ 16,360	\$ -	\$ 16,360
Deferred assessments	-	54,904	54,904
Total assets	<u>16,360</u>	<u>54,904</u>	<u>71,264</u>
LIABILITIES			
Deferred revenue	-	54,904	54,904
Due to other funds	14,508	136,072	150,580
Total liabilities	<u>14,508</u>	<u>190,976</u>	<u>205,484</u>
NET ASSETS			
Unrestricted (deficit)	1,852	(136,072)	(134,220)
Total net assets	<u>\$ 1,852</u>	<u>\$ (136,072)</u>	<u>\$ (134,220)</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Solid Waste Collection</u>	<u>Watermains, Tripp and Middle Roads</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES			
Solid waste fees	\$ 346,061	\$ -	\$ 346,061
OPERATING EXPENSES			
Public works and administrative expenses	341,075	-	341,075
Other	611	-	611
Total operating expenses	341,686	-	341,686
Change in net assets	4,375	-	4,375
Net assets (deficit) - beginning	(2,523)	(136,072)	(138,595)
Net assets (deficit) - ending	<u>\$ 1,852</u>	<u>\$ (136,072)</u>	<u>\$ (134,220)</u>

**TOWN OF ELLINGTON
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Solid Waste Collection	Watermains, Tripp and Middle Roads	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 339,744	\$ -	\$ 339,744
Receipts from interfund services provided	1,942	-	1,942
Payments to suppliers	(341,686)	-	(341,686)
Net cash provided by (used in) operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 4,375	\$ -	\$ 4,375
(Increase) decrease in assets:			
Sewer usage receivable, net	(2,433)	-	(2,433)
Increase (decrease) in liabilities:			
Due to other funds	(1,942)	-	(1,942)
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF ELLINGTON
SCHEDULE OF SEWER USAGE CHARGES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2003

GRAND LIST YEAR	UNCOLLECTED USER CHARGES JUNE 30, 2002 & CURRENT LEVY		LAWFUL CORRECTIONS	USER CHARGES COLLECTIBLE	ACTUAL CASH COLLECTIONS			TOTAL	UNCOLLECTED USER CHARGES JUNE 30, 2003
	\$				\$	INTEREST	LIEN FEES		
2002	940,009		1,412	941,421	884,361	3,687	-	888,048	57,060
2001	45,643	621		46,264	27,377	3,439	696	31,512	18,887
2000	18,194	-		18,194	6,318	1,941	696	8,955	11,876
1999	10,370	(2)		10,368	3,282	1,744	282	5,308	7,086
1998	6,278	(1)		6,277	1,824	1,229	144	3,197	4,453
1997	3,794	-		3,794	1,330	855	121	2,306	2,464
1996	2,877	-		2,877	731	590	96	1,417	2,146
1995	2,170	-		2,170	722	766	96	1,584	1,448
1994	1,266	-		1,266	452	495	72	1,019	814
1993	696	-		696	-	-	-	-	696
1992	740	-		740	-	-	-	-	740
1991	700	-		700	-	-	-	-	700
1990	537	-		537	-	-	-	-	537
	<u>1,033,274</u>	<u>2,030</u>		<u>1,035,304</u>	<u>926,397</u>	<u>14,746</u>	<u>2,203</u>	<u>943,346</u>	<u>108,907</u>

*Fiduciary
Funds*

TOWN OF ELLINGTON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2003

	Municipal Land Trust Fund	Public Health Nursing	John T. McKnight	Hall Memorial Library	William P. McMillen	Brookside Park Pavilion	D.A.R.E.	Senior Center Donation
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 46,847	\$ -	\$ -	\$ -	\$ -
Investments	14,369	1,929	21,730	-	108	110	10,084	11,275
Other	-	-	-	-	-	-	-	-
Total assets	<u>14,369</u>	<u>1,929</u>	<u>21,730</u>	<u>46,847</u>	<u>108</u>	<u>110</u>	<u>10,084</u>	<u>11,275</u>
NET ASSETS								
Held in trust for other purposes	<u>\$ 14,369</u>	<u>\$ 1,929</u>	<u>\$ 21,730</u>	<u>\$ 46,847</u>	<u>\$ 108</u>	<u>\$ 110</u>	<u>\$ 10,084</u>	<u>\$ 11,275</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS (Continued)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2003

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Memorial Myrtle Eddy	Hall Memorial Moriarty	Open Space	Total Private Purpose Trust Funds
ASSETS							
Cash and cash equivalents	\$ 1,840	\$ 18,395	\$ -	\$ -	\$ -	\$ -	\$ 67,082
Investments	7,483	-	118,327	4,811	9,567	103,447	303,240
Other	-	-	429	17	34	-	480
Total assets	<u>9,323</u>	<u>18,395</u>	<u>118,756</u>	<u>4,828</u>	<u>9,601</u>	<u>103,447</u>	<u>370,802</u>
NET ASSETS							
Held in trust for other purposes	\$ 9,323	\$ 18,395	\$ 118,756	\$ 4,828	\$ 9,601	\$ 103,447	\$ 370,802

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Municipal Land Trust Fund	Public Health Nursing	John T. McKnight	Hall Memorial Library	William P. McMillen	Brookside Park Pavilion	D.A.R.E.	Senior Center Donation
ADDITIONS								
Private donations	\$ -	\$ -	\$ -	\$ 14,125	\$ -	\$ -	\$ 2,525	\$ 325
Other income	750	-	-	35,354	-	-	-	-
Total contributions	750	-	-	49,479	-	-	2,525	325
Investment earnings:								
Interest	80	22	249	396	1	1	63	124
Net increase (decrease) in the fair value of investments	-	-	-	-	-	-	-	-
Total investment earnings (losses)	80	22	249	396	1	1	63	124
Total additions	830	22	249	49,875	1	1	2,588	449
DEDUCTIONS								
Program expenditures	-	-	-	47,145	-	1	1,729	-
Total deductions	-	-	-	47,145	-	1	1,729	-
Change in net assets	830	22	249	2,730	1	-	859	449
Net Assets Held in Trust for Others:								
Beginning	13,539	1,907	21,481	44,117	107	110	9,225	10,826
Ending	\$ 14,369	\$ 1,929	\$ 21,730	\$ 46,847	\$ 108	\$ 110	\$ 10,084	\$ 11,275

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (Continued)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Myrtle Eddy	Hall Moriarty	Open Space	Total Private Purpose Trust Funds
ADDITIONS							
Private donations	\$ 13,271	\$ -	\$ -	\$ -	\$ -	\$ 33,789	\$ 64,035
Other income	-	64,981	2,648	-	-	-	103,733
Total contributions	13,271	64,981	2,648	-	-	33,789	167,768
Investment earnings:							
Interest	78	-	1,473	166	330	630	3,613
Net increase (decrease) in the fair value of investments	-	-	(3,989)	(163)	(324)	-	(4,476)
Total investment earnings (losses)	78	-	(2,516)	3	6	630	(863)
Total additions	13,349	64,981	132	3	6	34,419	166,905
DEDUCTIONS							
Program expenditures	12,889	63,524	1,407	164	326	-	127,185
Total deductions	12,889	63,524	1,407	164	326	-	48,875
Change in net assets	460	1,457	(1,275)	(161)	(320)	34,419	39,720
Net Assets Held in Trust for Others:							
Beginning	8,863	16,938	120,031	4,989	9,921	69,028	331,082
Ending	\$ 9,323	\$ 18,395	\$ 118,756	\$ 4,828	\$ 9,601	\$ 103,447	\$ 370,802

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Balance,</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2003</u>
CASH AND CASH EQUIVALENTS				
Ellington Center School	\$ 4,136	\$ 10,846	\$ 10,861	\$ 4,121
Ellington High School	67,880	284,161	302,303	49,738
Ellington School Use Activity	32,844	11,326	10,192	33,978
Crystal Lake School	1,329	6,025	6,153	1,201
Windermere School	27,630	54,377	52,593	29,414
Special Education Preschool Department	5,833	22,429	15,167	13,095
Board of Education Educational Services	7,074	8,252	1,632	13,694
Special Education Petty Cash Reimbursement	419	6,552	6,453	518
Ellington Middle School	26,898	93,951	90,868	29,981
Special Education Account	211	11,397	11,308	300
Petty Cash	971	-	400	571
Total Assets	<u>\$ 175,225</u>	<u>\$ 509,316</u>	<u>\$ 507,930</u>	<u>\$ 176,611</u>
DUE TO OTHERS				
Ellington Center School	\$ 4,136	\$ 10,846	\$ 10,861	\$ 4,121
Ellington High School	67,880	284,161	302,303	49,738
Ellington School Use Activity	32,844	11,326	10,192	33,978
Crystal Lake School	1,329	6,025	6,153	1,201
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Special Education Preschool Department	5,833	22,429	15,167	13,095
Board of Education Educational Services	7,074	8,252	1,632	13,694
Special Education Petty Cash Reimbursement	419	6,552	6,453	518
Ellington Middle School	26,898	93,951	90,868	29,981
Special Education Account	211	11,397	11,308	300
Petty Cash	971	-	400	571
Total Liabilities	<u>\$ 175,225</u>	<u>\$ 509,316</u>	<u>\$ 507,930</u>	<u>\$ 176,611</u>

SINGLE AUDIT SECTION

Federal Single Audit Section

*Federal Internal
Control and
Compliance
Reports*



CARLIN, CHARRON & ROSEN, LLP
 Certified Public Accountants and Business Advisors

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

To the Board of Finance of the
 Town of Ellington
 Ellington, Connecticut

We have audited the basic financial statements of the Town of Ellington, Connecticut (“the Town”) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 12, 2004. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Town’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Finance, management of the Town, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Curtin, Channon & Rosen, LLP

Glastonbury, Connecticut
January 12, 2004



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

COMPLIANCE

We have audited the compliance of the Town of Ellington, Connecticut (“the Town”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The Town’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town’s management. Our responsibility is to express an opinion on the Town’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town’s compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the Town as of and for the year ended June 30, 2003, and have issued our report thereon dated January 12, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance, management of the Town, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Curtis, Chanon & Rosen, LLP

Glastonbury, Connecticut
January 12, 2004

*Schedule of
Expenditures
of Federal
Awards*

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

<u>FEDERAL GRANTOR; PROGRAM TITLE; DESCRIPTION</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State of Connecticut			
Department of Economic and Community Development:			
HUD Small Cities Grant - Rehab - 2000	048-002-052-0001A	14.219	\$ 75,592
HUD Small Cities Grant - Rehab - 2002	20030480010520201A	14.219	53,234
Snipsic Village Renovation	20030480030010001A	14.219	1,548
Small Cities Snipsic Village 2002	20030480020520201A	14.219	3,575
Total Department of Economic and Community Development			<u>133,949</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through State of Connecticut			
Department of Education:			
IDEA - Part B, Section 611	962-200031101	84.027	79,959
IDEA - Part B, Section 611	962-300031101	84.027	112,701
			<u>192,660</u>
IDEA - Part B, Section 619	963-200031101	84.173	3,884
IDEA - Part B, Section 619	963-300031101	84.173	5,467
			<u>9,351</u>
Title IV Safe and Drug Free Schools	929-200031101	84.186	113
Title IV Safe and Drug Free Schools	929-300030101	84.186	7,424
			<u>7,537</u>
Title I Improving Basic Programs	861-200030101	84.010	43,650
Title I Improving Basic Programs	861-300030101	84.010	99,575
			<u>143,225</u>
Title VI Class Size Reduction Program	903-200030101	84.298	27
Title V Innovative Education Strategies	942-200030101	84.298	902
Title V Innovative Education Strategies	942-300030101	84.298	10,906
			<u>11,835</u>
Title II Part D Technology	918-300030101	84.318	4,361
Title II Part A Teachers	924-300030101	84.367	56,227
Total Department of Education			<u>425,196</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR; PROGRAM TITLE; DESCRIPTION	Pass-Through Grantor's Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Connecticut			
Department of Education:			
National School Lunch Program	520-300010001	10.555	50,400
National School Lunch Program	520-200010001	10.555	7,548
National School Milk	501-300010001	10.555	2,462
National School Milk	501-200010001	10.555	699
			<u>61,109</u>
USDA Commodities	-	10.550	<u>9,799</u>
Total Department of Agriculture			<u>70,908</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through State of Connecticut			
Department of Transportation:			
DUI Enforcement	-	20.601	<u>1,097</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct:			
FEMA Grant - Snow Removal	-	83.544	<u>24,842</u>
Passed through the State of Connecticut Office of Policy and Management:			
Emergency Operations Planning	-	83.565	<u>519</u>
Total Federal Emergency Management Agency			<u>25,361</u>
TOTAL FEDERAL ASSISTANCE EXPENDED			<u>\$ 656,511</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ELLINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of the Town of Ellington conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the grant period.

NOTE B - OTHER FEDERAL ASSISTANCE

No other federal assistance was received in the form of loans, loan guarantees or insurance.

Non-cash assistance totaled \$9,799 for the year ended June 30, 2003 and consisted of donated USDA commodities. Such financial assistance is included in the schedule of expenditures of federal awards under federal CFDA number 10.550.

*Federal
Findings and
Questioned
Costs*

**TOWN OF ELLINGTON
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

○ Material weakness(es) identified?	_____	Yes	✓	No
○ Reportable condition(s) identified not considered to be material weaknesses	_____	Yes	✓	None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

FEDERAL AWARDS

Internal control over major programs:

○ Material weakness(es) identified?	_____	Yes	✓	No
○ Reportable condition(s) identified not considered to be material weaknesses	_____	Yes	✓	None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ Yes ✓ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.027 / 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B program: \$300,000

Auditee qualified as low-risk auditee? _____ ✓ Yes _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

There were no federal findings or questioned costs reported in the Town of Ellington's prior year federal single audit.

State Single Audit Section

*State Internal
Control and
Compliance
Reports*



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

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

We have audited the basic financial statements of the Town of Ellington, Connecticut (“the Town”) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 12, 2004. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Town’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Finance, management of the Town, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carlson, Chumley & Rosen, LLP

Glastonbury, Connecticut
January 12, 2004



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

To the Board of Finance of the
Town of Ellington
Ellington, Connecticut

COMPLIANCE

We have audited the compliance of the Town of Ellington, Connecticut (“the Town”) with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2003. The major state programs are identified in the summary of auditors’ results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town’s management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town’s compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2003.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance the State Single Audit Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

We have audited the basic financial statements of the Town as of and for the year ended June 30, 2003, and have issued our report thereon dated January 12, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance, management of the Town, the Office of Policy and Management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carlin Charney & Rosen, LLP

Glastonbury, Connecticut
January 12, 2004

*Schedule of
Expenditures of
State Financial
Assistance*

**TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003**

<u>STATE GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Non-exempt Programs:		
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Property Tax Relief for Manufacturing Machinery and Equipment	0-1310-711	\$ 124,877
Mashantucket Pequot Fund Grant	0-1114-9802-701	108,165
Payment in Lieu of Taxes on State-Owned Property	0-1310-9801-701	5,305
Property Tax Relief for Totally Disabled Homeowners & Elderly	0-1310-703	1,630
Property Tax Relief for Elderly Homeowner - Freeze Program	0-1310-706	68,741
Property Tax Relief for Veterans	0-1310-707	36,788
Local Capital Improvement Program	0-1310-1870-010	99,621
Municipal Land Trust	1875-3100-001	6,698
Youth Community Police Grant	0-1310-610	3,013
Total Office of Policy and Management		<u>454,838</u>
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grant	5000-714	86,764
Ford Explorer Grant	3795-5000-001	20,000
		<u>106,764</u>
DEPARTMENT OF EDUCATION		
Direct:		
State Match	0-7001-608	9,427
Youth Service Bureau	0-7001-745	14,000
Magnet School Transportation	0-7001-752	1,200
Adult Education	0-7001-710	10,526
Educational Technology Infrastructure	1873-7001-013	31,096
Interdistrict Cooperative	0-7001-726	55,831
Total Department of Education		<u>122,080</u>
BOARD OF EDUCATION AND SERVICES FOR THE BLIND		
Direct:		
Tuition and Services - Public School Children	0-7101-605	<u>48,035</u>
CONNECTICUT STATE LIBRARY		
Direct:		
Connecticard	0-7104-702	2,288
State Grants to Free Public Libraries	0-7104-602	1,775
Historical Documents Preservation	0-7104-361	4,019
Total Connecticut State Library		<u>8,082</u>
STATE COMPTROLLER		
Direct:		
Boat Grant	7042-1202	<u>3,849</u>
Total Non-exempt programs		<u>743,648</u>

The accompanying note is an integral part of this schedule.

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (Continued)
FOR THE YEAR ENDED JUNE 30, 2003

<u>STATE GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Exempt Programs:		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	0-7001-719	\$ 7,571,910
Public School Transportation	0-7001-709	291,941
Special Education	0-7001-733	67,095
Excess Cost - Student Based	0-7001-733	193,199
School Construction Grants	0-7001-703	27,863
School Building Projects	3090-7001-010	<u>8,821,774</u>
		<u>16,973,782</u>
 TOTAL STATE FINANCIAL ASSISTANCE		 <u><u>\$ 17,717,430</u></u>

The accompanying note is an integral part of this schedule.

TOWN OF ELLINGTON
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

The accounting policies of the Town of Ellington conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

In accordance with regulations established by the State of Connecticut, Office of Policy and Management (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals, and accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

*Schedule of
State Findings
and Questioned
Costs*

**TOWN OF ELLINGTON
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

○ Material weakness(es) identified? _____ Yes ✓ No

○ Reportable condition(s) identified not considered to be material weaknesses? _____ Yes ✓ None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

○ Material weakness(es) identified? _____ Yes ✓ No

○ Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes ✓ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ Yes ✓ No

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Grant Program Identification Number	Expenditures
Office of Policy and Management		
Property Tax Relief for Manufacturing and Equipment	0-1310-711	\$124,877
Local Capital Improvement Program	0-1310-1870-010	99,621
Mashantucket Pequot Fund	0-1114-9802-701	108,165
Department of Transportation		
Town Aid Road	5000-714	86,764

TOWN OF ELLINGTON
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2003

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER
GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

- We issued a report dated January 12, 2004 on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no reportable conditions.

**III. FINDINGS AND QUESTIONED COSTS RELATING TO STATE
FINANCIAL ASSISTANCE**

- No findings or questioned costs are reported relating to state financial assistance programs.