

TOWN OF ELLINGTON

BASIC FINANCIAL STATEMENTS

AS OF JUNE 30, 2004

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



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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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2005 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 3 through 16 is not a required part of the basic financial statements but is 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.

Carlin, Chason & Rosen, LLP

Glastonbury, Connecticut
February 15, 2005

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, 2004.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$53,121,291 (net assets). Of this amount, \$8,164,346 (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, 2004 amounted to \$3,615,974 primarily due to the realization of capital grants from the State of Connecticut for the High School and Center School additions and renovations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,450,709, an increase of \$1,954,580 in comparison with the prior year. Of this amount, 31.6% or \$1,500,230 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 \$1,237,095, or 3.6% of total general fund expenditures. Designations of unreserved fund balance for future "Capital Reserves", other "Capital and Nonrecurring" and compensated absences requirements totaled \$2,830,572 at June 30, 2004.
- The Town's total long-term bonded debt had a net increase of \$4,920,100 or 23.2% during the current fiscal year due to the issuance of bonds primarily for the High School, Center School and the 82 Maple Street Acquisition.
- 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 \$1,817,608, or 5.3% of the budgetary expenditures for the year ended June 30, 2004.

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 17 and 18 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 36 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 34 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 19-24 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 25-27 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 28 and 29 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 30-52 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 53-83 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 \$53,121,291 and \$48,092,680 for year ended June 30, 2004 and 2003 respectively and are summarized as follows:

Town of Ellington
Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,876,764	\$ 4,485,623	\$ 13,362,387
Capital assets	59,782,094	10,822,744	70,604,838
Total assets	<u>68,658,858</u>	<u>15,308,367</u>	<u>83,967,225</u>
Long-term debt outstanding	24,896,994	2,349,300	27,246,294
Other liabilities	2,442,233	1,157,407	3,599,640
Total liabilities	<u>27,339,227</u>	<u>3,506,707</u>	<u>30,845,934</u>
Net assets:			
Invested in capital assets, net of related debt	35,853,529	8,473,444	44,326,973
Restricted	629,972	-	629,972
Unrestricted	4,836,130	3,328,216	8,164,346
Total net assets	<u>\$ 41,319,631</u>	<u>\$ 11,801,660</u>	<u>\$ 53,121,291</u>

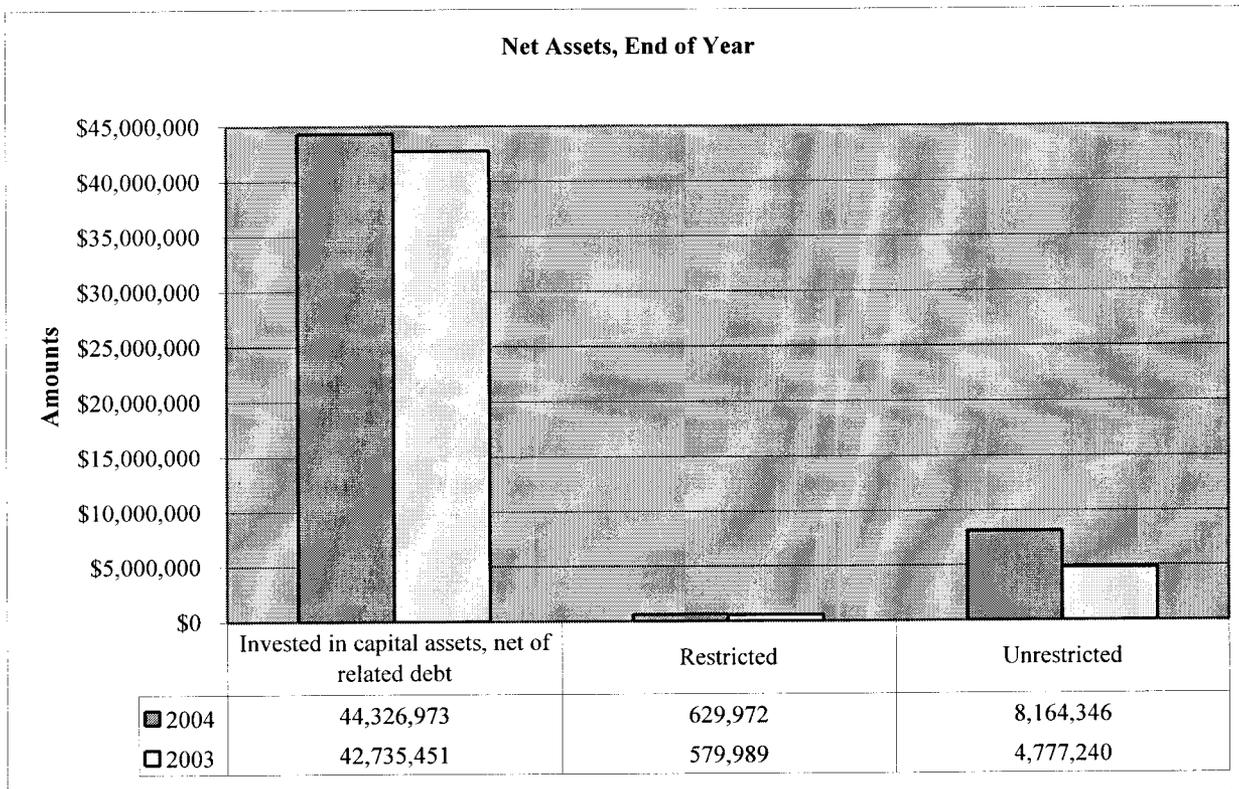
Town of Ellington
Net Assets
June 30, 2003

	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	<u>60,290,658</u>	<u>15,091,099</u>	<u>75,381,757</u>
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	<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	579,989	-	579,989
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>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)



83.4% 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 \$3,615,974 or 7.5% in comparison to the prior year primarily due to the realization of capital grants from the State of Connecticut for the High School and Center 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, 2004 and 2003 are as follows:

**Town of Ellington
Changes in Net Assets
For the Year Ended June 30, 2004**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,204,965	\$ 1,892,163	\$ 4,097,128
Operating grants and contributions	10,136,355	-	10,136,355
Capital grants and contributions	2,924,922	-	2,924,922
General revenues:			
Property taxes	22,377,703	-	22,377,703
Grants and contributions not restricted	382,884	-	382,884
Unrestricted investment earnings	117,267	24,847	142,114
Miscellaneous	224,388	63,710	288,098
Total revenues	<u>38,368,484</u>	<u>1,980,720</u>	<u>40,349,204</u>
Program expenses			
General government	1,771,845	-	1,771,845
Boards and agencies	450,212	-	450,212
Public safety	1,862,900	-	1,862,900
Public works	3,268,670	-	3,268,670
Recreation	334,950	-	334,950
Library	634,956	-	634,956
Social services	372,888	-	372,888
Town properties	277,602	-	277,602
Education	25,013,442	-	25,013,442
Interest on long-term debt	1,045,071	-	1,045,071
Sewer	-	1,700,694	1,700,694
Total expenses	<u>35,032,536</u>	<u>1,700,694</u>	<u>36,733,230</u>
Increase in net assets	3,335,948	280,026	3,615,974
Transfers	(185,281)	185,281	-
Net assets - beginning , as originally reported	<u>36,756,327</u>	<u>11,336,353</u>	<u>48,092,680</u>
Adjustments	1,412,637	-	1,412,637
Net assets - beginning as adjusted	<u>38,168,964</u>	<u>11,336,353</u>	<u>49,505,317</u>
Net assets - ending	<u>\$ 41,319,631</u>	<u>\$ 11,801,660</u>	<u>\$ 53,121,291</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)

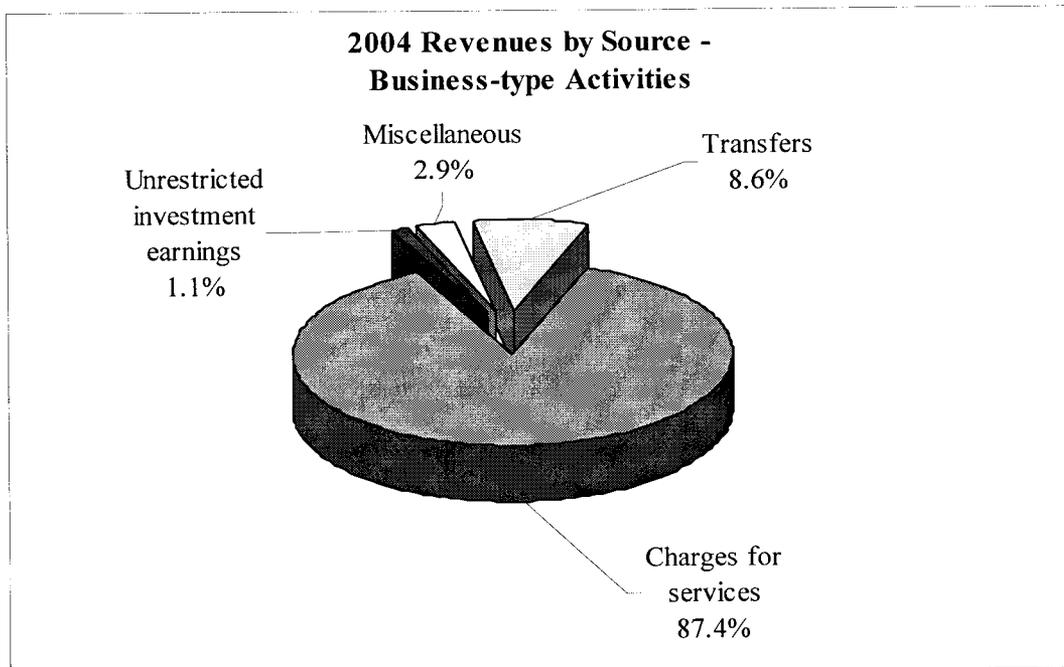
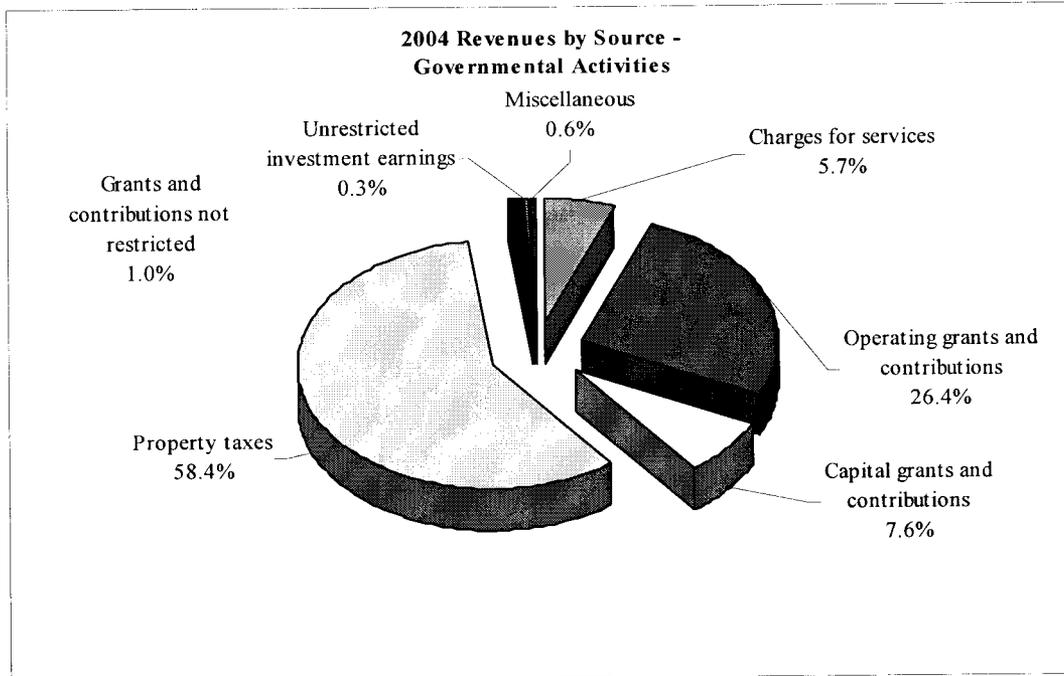
Town of Ellington
Changes in Net Assets
For the Year Ended June 30, 2003

	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)

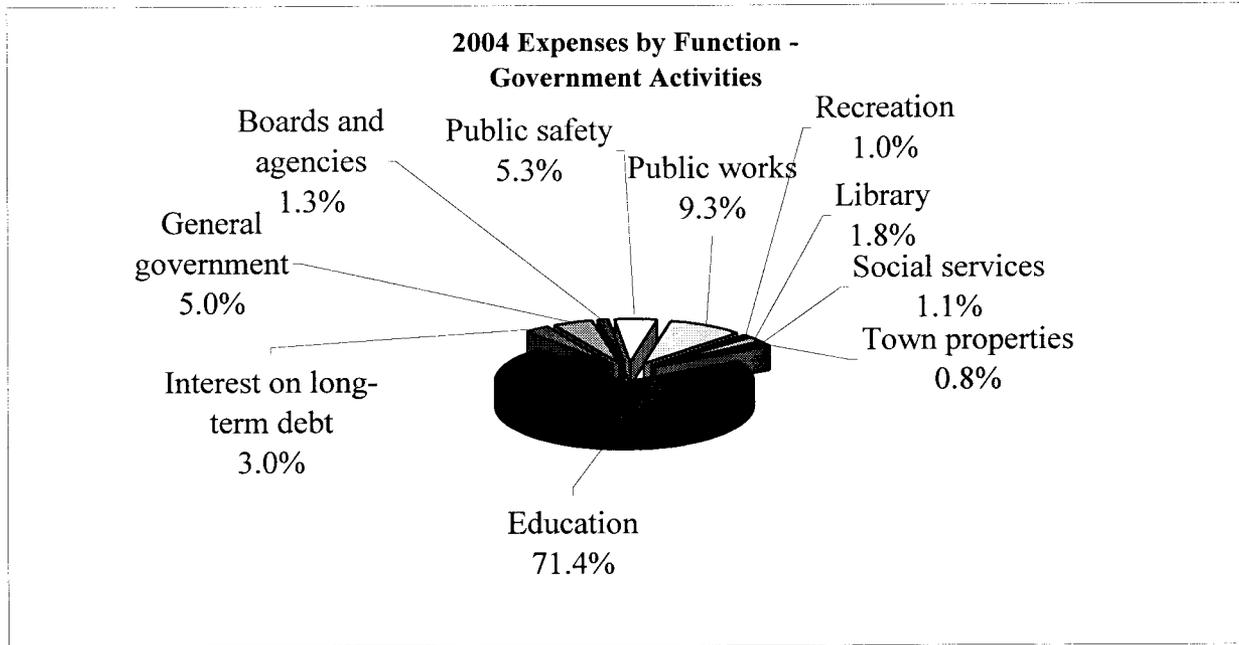
Changes in Net Assets (Continued)



**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 \$3,150,667, thereby accounting for 87.1% 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 and Center School upgrade projects.

Business-type Activities

Business-type activities increased the Town's net assets by \$465,307, thereby accounting for 12.9% 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 (52 new homes in Hockanum River and 17 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 \$4,450,709 an increase of \$1,954,580 in comparison with the prior year. This increase was due primarily to receipt of state grants for the High School and Center School project and bond funds issued in December 2003. Of the total governmental fund balances, \$4,330,802 constitutes unreserved fund balance, of which \$2,830,572 has been designated for specific purposes by the Town. 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 \$1,237,095, while total fund balance was \$4,067,667. Designations of unreserved fund balance for future "Capital Reserves", "Capital and Nonrecurring" and "Compensated Absences" totaled \$2,830,572. 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 3.6% of total general fund expenditures, while total fund balance represents 11.8% of that same amount.

The fund balance of the Town's general fund decreased by \$405,232 during the current fiscal year. Key factors in this decline are as follows:

- Less than projected growth of prorates in the 2003-2004 budget along with reductions in state aid.

High School/Center School Project Fund

The fund balance of the Town's High School/Center School Project increased by \$2,712,550 resulting from the reimbursement of state grants and \$6,482,000 of bonds that 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 \$885,760, \$2,131,778 and \$430,699, respectively. The total increase/(decrease) in net assets for these funds was \$(115,131), \$309,731, and \$256,508, 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 \$192,759. Significant components of this increase are as follows:

- Increases in Public Works spending of approximately \$71,000 resulting from overtime costs, equipment reports and snow removal.

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

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- Increases to the Capital Non-Recurring Fund for the following projects:

Town Hall Basement Vault	\$21,000
DUI Enforcement Vehicle	41,000
Replacement Ambulance	20,000
Crystal Lake Fire House Renovations	26,000

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, 2004 totaled \$70,604,838 (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 \$1,496,020, a 1.2% increase for governmental activities and a 0.1% increase for business-type activities.

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

- Outlays for construction in progress totalling \$4,432,070 in connection with school building projects. The projects are scheduled to be completed in 2004.
- Outlays for land for \$190,335 to be used in an upcoming project.
- Outlays for machinery and equipment totaling \$287,253 consisting primarily of fire department apparatus.
- Outlays for vehicles totalling \$239,288 consisting of a new police cruiser, DUI vehicle, and a replacement ambulance.
- Outlays of \$401,760 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:

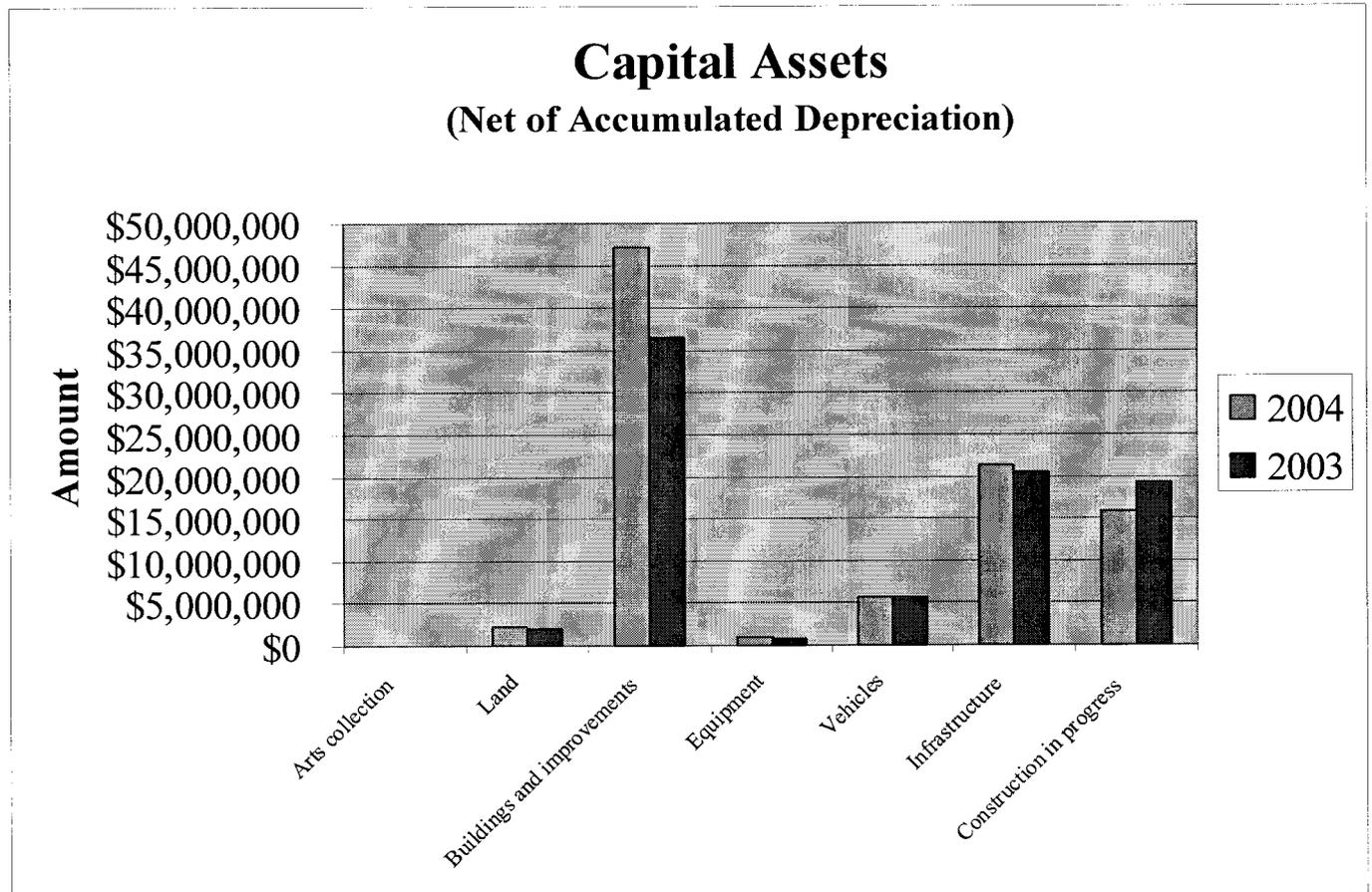
**Town of Ellington
Capital Assets
June 30, 2004**

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Arts collection	\$ 35,598	\$ 35,598	\$ -	\$ -	\$ 35,598	\$ 35,598
Land	2,162,264	1,971,929	-	-	2,162,264	1,971,929
Buildings and improvements	47,114,284	36,614,139	-	-	47,114,284	36,614,139
Equipment	999,844	712,591	70,935	70,935	1,070,779	783,526
Vehicles	5,657,846	5,550,758	-	-	5,657,846	5,550,758
Infrastructure	5,647,795	5,246,035	15,725,770	15,371,513	21,373,565	20,617,548
Construction in progress	15,827,693	19,025,965	-	259,694	15,827,693	19,285,659
Totals	\$ 77,445,324	\$ 69,157,015	\$ 15,796,705	\$ 15,702,142	\$ 93,242,029	\$ 84,859,157

**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 41 and 42 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$26,129,300. 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 \$4,920,100 or 23.2% 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 2005. The fire rescue truck bond will be retired in fiscal year 2006.

The Town maintains an A2 rating 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 \$158,487,917, which is significantly in excess of the Town's outstanding general obligation debt.

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

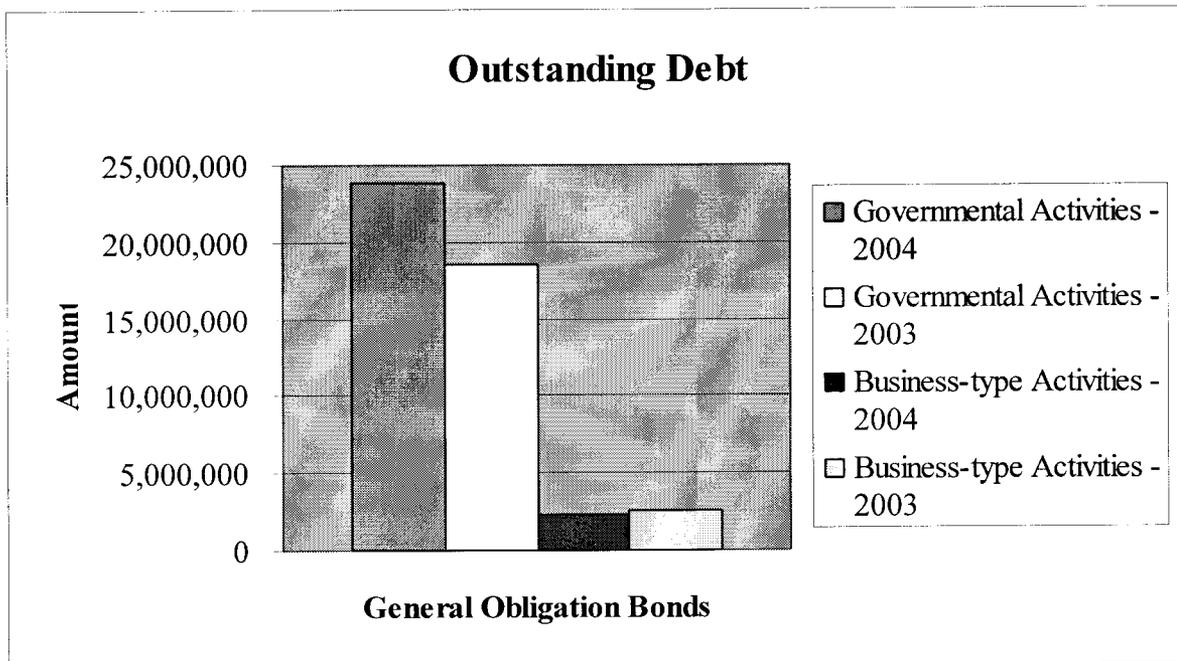
CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

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, 2004**

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General obligation bonds	<u>\$23,780,000</u>	<u>\$ 18,577,500</u>	<u>\$ 2,349,300</u>	<u>\$ 2,631,700</u>	<u>\$26,129,300</u>	<u>\$21,209,200</u>



Additional information on the Town's long-term debt can be found in Note 7 on pages 44-46 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 2005 and thereafter.
- The unemployment rate for the Town is currently 3.6%, which is an increase from a rate of 3.1% in the prior year. This compares favorably to the state's average unemployment rate of 4.8% and the national unemployment rate of 5.6%.
- Inflationary trends in the region of 3.3% compare unfavorably to national indices of 1.8%.

During the current fiscal year, unreserved fund balance of the general fund increased to \$1,237,095. The Town has appropriated \$622,629 of this amount for spending in the 2005 fiscal year budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2005.

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, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,013,416	\$ 18,104	\$ 1,031,520
Investments	5,011,870	3,650,589	8,662,459
Receivables:			
Property taxes receivable, net of allowance for uncollectibles of \$174,100	740,284	-	740,284
Sewer usage charges receivable, net of allowances for uncollectibles of \$17,500	-	116,483	116,483
Assessments and user charges receivable	-	60,925	60,925
Grants and contracts receivable	1,642,410	-	1,642,410
Interest, net of allowance for uncollectibles of \$201,000	270,893	-	270,893
Other	151,404	-	151,404
Internal balances	(61,870)	61,870	-
Inventories	9,320	-	9,320
Prepaid expenses	3,535	27,407	30,942
Deferred assessments	-	550,245	550,245
Deferred bond issuance costs, net	95,502	-	95,502
Capital assets:			
Non-depreciable	18,025,555	-	18,025,555
Depreciable, net	41,756,539	10,822,744	52,579,283
Total assets	<u>68,658,858</u>	<u>15,308,367</u>	<u>83,967,225</u>
LIABILITIES			
Accounts payable	1,537,660	104,795	1,642,455
Accrued liabilities:			
Retainage payable	739,880	-	739,880
Accrued interest	84,161	12,008	96,169
Other accrued liabilities	34,285	-	34,285
Due to funding source	9,902	-	9,902
Deferred revenue	36,345	1,040,604	1,076,949
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	1,812,702	282,500	2,095,202
Capital leases	49,972	-	49,972
Compensated absences	52,000	-	52,000
Due in more than one year:			
Bonds and notes payable	21,968,940	2,066,800	24,035,740
Capital leases	108,292	-	108,292
Compensated absences	905,088	-	905,088
Total liabilities	<u>27,339,227</u>	<u>3,506,707</u>	<u>30,845,934</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,853,529	8,473,444	44,326,973
Restricted for endowments:			
Expendable	577,475	-	577,475
Nonexpendable	52,497	-	52,497
Unrestricted	4,836,130	3,328,216	8,164,346
Total net assets	<u>\$ 41,319,631</u>	<u>\$ 11,801,660</u>	<u>\$ 53,121,291</u>

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

**TOWN OF ELLINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government:						
Governmental activities:						
General government	\$ 1,771,845	\$ 504,802	\$ 12,025	\$ -	\$ (1,255,018)	\$ (1,255,018)
Boards and agencies	450,212	138,889	356,410	-	45,087	45,087
Public safety	1,862,900	251,023	6,694	31,938	(1,573,245)	(1,573,245)
Public works	3,268,670	658,662	31,983	271,334	(2,306,691)	(2,306,691)
Recreation	334,950	126,265	-	-	(208,685)	(208,685)
Library	634,956	-	-	-	(634,956)	(634,956)
Social services	372,888	17,163	14,000	-	(341,725)	(341,725)
Town properties	277,602	-	-	-	(277,602)	(277,602)
Education	25,013,442	508,161	9,715,243	2,621,650	(12,168,388)	(12,168,388)
Interest on long-term debt	1,045,071	-	-	-	(1,045,071)	(1,045,071)
Total governmental activities	35,032,536	2,204,965	10,136,355	2,924,922	(19,766,294)	(19,766,294)
Business-type activities:						
Sewer	1,700,694	1,892,163	-	-	191,469	191,469
Total business-type activities	1,700,694	1,892,163	-	-	191,469	191,469
Total primary government	\$ 36,733,230	\$ 4,097,128	\$ 10,136,355	\$ 2,924,922	\$ 191,469	\$ (19,574,825)
General revenues:						
Property taxes, levied for general purposes		22,377,703			-	22,377,703
Grants and contributions not restricted to specific programs		382,884			-	382,884
Unrestricted investment earnings		117,267			24,847	142,114
Miscellaneous		224,388			63,710	288,098
Transfers		(185,281)			185,281	-
Total general revenues		22,916,961			273,838	23,190,799
Change in net assets		3,150,667			465,307	3,615,974
Net assets - beginning as originally reported		36,756,327			11,336,353	48,092,680
Adjustment		1,412,637			-	1,412,637
Net assets - beginning as adjusted		38,168,964			11,336,353	49,505,317
Net assets - ending		\$ 41,319,631			\$ 11,801,660	\$ 53,121,291

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

**TOWN OF ELLINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General Fund	High School/ Center School Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 674,626	\$ -	\$ 338,790	\$ 1,013,416
Investments	3,937,358	-	1,074,512	5,011,870
Receivables:				
Property taxes receivable, net of allowance for uncollectibles of \$174,100	740,284	-	-	740,284
Grants and contracts receivable	279,953	73,699	274,833	628,485
Other	92,341	-	58,194	150,535
Due from other funds	951,340	-	302,196	1,253,536
Inventories	-	-	9,320	9,320
Prepaid expenses	-	3,535	-	3,535
Total assets	<u>\$ 6,675,902</u>	<u>\$ 77,234</u>	<u>\$ 2,057,845</u>	<u>\$ 8,810,981</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable	\$ 1,368,382	\$ 133,663	\$ 35,614	\$ 1,537,659
Accrued liabilities:				
Retainage payable	-	739,880	-	739,880
Other accrued liabilities	34,285	-	-	34,285
Due to other funds	517,905	211,674	584,959	1,314,538
Deferred revenue	687,663	-	36,345	724,008
Due to funding source	-	-	9,902	9,902
Total liabilities	<u>2,608,235</u>	<u>1,085,217</u>	<u>666,820</u>	<u>4,360,272</u>
Fund balances (deficit):				
Reserved for:				
Inventories	-	-	9,320	9,320
Sanitation	-	-	41,396	41,396
Document preservation	-	-	16,694	16,694
Endowments	-	-	52,497	52,497
Unreserved	1,237,095	(1,007,983)	-	229,112
Unreserved, designated for compensated absences	283,774	-	-	283,774
Unreserved, designated for capital projects	2,546,798	-	-	2,546,798
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	604,066	604,066
Capital project funds	-	-	89,577	89,577
Permanent funds	-	-	577,475	577,475
Total fund balances (deficit)	<u>4,067,667</u>	<u>(1,007,983)</u>	<u>1,391,025</u>	<u>4,450,709</u>
Total liabilities and fund balances (deficit)	<u>\$ 6,675,902</u>	<u>\$ 77,234</u>	<u>\$ 2,057,845</u>	<u>\$ 8,810,981</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, 2004

Total fund balances for governmental funds \$ 4,450,709

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	2,162,264	
Arts collection	35,598	
Construction in progress	15,827,693	
Buildings and improvements	47,114,284	
Machinery and equipment	999,844	
Vehicles	5,657,846	
Infrastructure	5,647,795	
Less: accumulated depreciation and amortization	<u>(17,663,230)</u>	
Total capital assets, net		59,782,094

School construction grants receivable from the State of Connecticut are not susceptible to accrual and are, therefore, not reported in the funds. 1,013,925

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	99,319	
Less: accumulated amortization	<u>(3,817)</u>	
Total bond issuance costs, net		95,502

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. 687,663

Interest earned on delinquent taxes owed to the Town, net. 270,893

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	(23,780,000)	
Unamortized premiums	(1,642)	
Obligations under capital lease	(158,264)	
Accrued interest payable	(84,161)	
Other long-term liabilities:		
Compensated absences	<u>(957,088)</u>	
Total long-term liabilities		<u>(24,981,155)</u>

Net assets of governmental activities \$ 41,319,631

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, 2004

	General Fund	High School/ Center School Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 22,248,483	\$ -	\$ -	\$ 22,248,483
Licenses, permits and fees	188,721	-	-	188,721
Intergovernmental	9,978,378	2,555,732	1,056,242	13,590,352
Charges for services	1,058,765	-	358,450	1,417,215
Food sales	-	-	474,565	474,565
Interest and dividends	75,103	9,824	32,340	117,267
Other income	403,070	29,455	36,413	468,938
Total revenues	<u>33,952,520</u>	<u>2,595,011</u>	<u>1,958,010</u>	<u>38,505,541</u>
EXPENDITURES				
Current:				
General government	1,101,373	-	-	1,101,373
Boards and agencies	66,587	-	-	66,587
Public safety	1,485,331	-	-	1,485,331
Public works	2,330,831	-	-	2,330,831
Recreation	275,124	-	-	275,124
Library	414,395	-	-	414,395
Social services	352,469	-	-	352,469
Town properties	277,602	-	-	277,602
Education	22,841,721	-	-	22,841,721
Miscellaneous	1,336,757	-	6,238	1,342,995
Program expenditures	-	-	1,563,587	1,563,587
Debt service:				
Principal payments	1,492,780	-	-	1,492,780
Interest and fiscal charges	1,031,319	22,562	-	1,053,881
Capital outlays	1,416,833	6,342,704	648,291	8,407,828
Total expenditures	<u>34,423,122</u>	<u>6,365,266</u>	<u>2,218,116</u>	<u>43,006,504</u>
Deficiency of revenues over expenditures	(470,602)	(3,770,255)	(260,106)	(4,500,963)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	6,482,000	158,000	6,640,000
Premium on bonds/BANS issued	-	805	19	824
Transfers in	250,651	-	-	250,651
Transfers out	(185,281)	-	(250,651)	(435,932)
Total other financing sources (uses)	<u>65,370</u>	<u>6,482,805</u>	<u>(92,632)</u>	<u>6,455,543</u>
Net change in fund balances	(405,232)	2,712,550	(352,738)	1,954,580
Fund balances (deficit) - beginning as originally reported	<u>4,189,125</u>	<u>(3,720,533)</u>	<u>1,743,763</u>	<u>2,212,355</u>
Adjustment	<u>283,774</u>	<u>-</u>	<u>-</u>	<u>283,774</u>
Fund balances (deficit) - beginning as adjusted	<u>4,472,899</u>	<u>(3,720,533)</u>	<u>1,743,763</u>	<u>2,496,129</u>
Fund balances (deficit) - ending	<u>\$ 4,067,667</u>	<u>\$ (1,007,983)</u>	<u>\$ 1,391,025</u>	<u>\$ 4,450,709</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, 2004

Net change in fund balances for governmental funds \$ 1,954,580

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	8,383,129	
Depreciation and amortization expense	<u>(1,836,078)</u>	
Net adjustment		6,547,051

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 37,380

Intergovernmental revenue on school construction grants is not susceptible to accrual and, therefore, is only reported as revenue in the funds when the cash is received by the Town. In the government-wide financial statements, the cash received reduces the grant receivable recognized in the government-wide statement of net assets. (114,938)

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	(6,640,000)	
Premium on bonds issued	(824)	
Bond issuance costs	48,568	
Amortization of bond issuance costs	(3,817)	
Principal repayments:		
Bonds	1,437,500	
Notes payable	7,900	
Obligations under capital lease	<u>47,380</u>	
Net adjustment		(5,103,293)

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, 2004

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	\$ (119,422)	
Accrued interest	8,669	
Amortization of bond premium	<u>141</u>	(110,612)
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.		(66,477)
Interest earned on delinquent taxes owed to the Town, net.		<u>6,976</u>
Change in net assets of governmental activities		<u><u>\$ 3,150,667</u></u>

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

TOWN OF ELLINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxation	\$ 22,425,396	\$ 22,425,396	\$ 22,437,204	\$ 11,808
Intergovernmental - education	8,205,198	8,205,198	8,213,349	8,151
Intergovernmental - other	728,630	769,880	711,081	(58,799)
Charges for goods and services	894,310	894,310	1,058,765	164,455
Interest and dividends	100,000	100,000	75,103	(24,897)
Other revenues	590,835	610,835	400,541	(210,294)
Total revenues	<u>32,944,369</u>	<u>33,005,619</u>	<u>32,896,043</u>	<u>(109,576)</u>
EXPENDITURES				
Current:				
General government	1,100,336	1,149,886	1,101,373	(48,513)
Boards and agencies	84,165	85,024	66,587	(18,437)
Public safety	1,498,469	1,522,189	1,485,331	(36,858)
Public works	2,377,520	2,489,384	2,330,831	(158,553)
Recreation	334,366	336,324	275,124	(61,200)
Library	408,775	414,395	414,395	-
Human services	359,641	364,836	352,469	(12,367)
Town properties	309,031	309,031	277,602	(31,429)
Debt service	2,895,164	2,895,164	2,806,499	(88,665)
Miscellaneous	1,670,756	1,554,397	1,336,757	(217,640)
Education	21,892,456	21,892,456	21,755,629	(136,827)
Capital outlays	1,108,356	1,218,708	1,214,770	(3,938)
Total expenditures	<u>34,039,035</u>	<u>34,231,794</u>	<u>33,417,367</u>	<u>(814,427)</u>
Excess (deficiency) of revenues over expenditures	(1,094,666)	(1,226,175)	(521,324)	704,851
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	1,094,666	1,226,175	-	(1,226,175)
Operating transfers in	-	-	250,651	250,651
Operating transfers out	-	-	(185,281)	(185,281)
Total other financing sources (uses)	<u>1,094,666</u>	<u>1,226,175</u>	<u>65,370</u>	<u>(1,160,805)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (455,954)</u>	<u>\$ (455,954)</u>

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

**TOWN OF ELLINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004**

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 18,104	\$ -	\$ -	\$ -	\$ 18,104
Investments	1,209,630	2,138,747	302,212	-	3,650,589
Receivables:					
Sewer usage charges receivable, net of allowances for uncollectibles of \$17,500	75,517	-	22,228	18,738	116,483
Assessments, interest and liens receivable	-	23,366	37,559	-	60,925
Due from other funds	181,294	34,415	388,043	-	603,752
Deferred assessments	-	130,617	366,864	52,764	550,245
Prepaid expenses	5,174	-	22,233	-	27,407
Total current assets	<u>1,489,719</u>	<u>2,327,145</u>	<u>1,139,139</u>	<u>71,502</u>	<u>5,027,505</u>
Noncurrent assets:					
Capital assets:					
Depreciable, net	5,770,619	-	5,052,125	-	10,822,744
Total assets	<u>7,260,338</u>	<u>2,327,145</u>	<u>6,191,264</u>	<u>71,502</u>	<u>15,850,249</u>
LIABILITIES					
Current liabilities:					
Accounts payable	104,796	-	-	-	104,796
Accrued interest	-	10,508	1,500	-	12,008
Deferred revenue	165,362	130,617	691,861	52,764	1,040,604
Due to other funds	333,801	54,242	15,079	138,759	541,881
Bonds and notes payable - current	-	95,000	187,500	-	282,500
Total current liabilities	<u>603,959</u>	<u>290,367</u>	<u>895,940</u>	<u>191,523</u>	<u>1,981,789</u>
Noncurrent liabilities:					
Bonds and notes payable	-	379,300	1,687,500	-	2,066,800
Total liabilities	<u>603,959</u>	<u>669,667</u>	<u>2,583,440</u>	<u>191,523</u>	<u>4,048,589</u>
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	5,770,619	(474,300)	3,177,125	-	8,473,444
Unrestricted (deficit)	885,760	2,131,778	430,699	(120,021)	3,328,216
Total net assets	<u>\$ 6,656,379</u>	<u>\$ 1,657,478</u>	<u>\$ 3,607,824</u>	<u>\$ (120,021)</u>	<u>\$ 11,801,660</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, 2004

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
OPERATING REVENUES					
Assessments	\$ -	\$ 278,276	\$ 309,204	\$ 2,303	\$ 589,783
User, interest and lien fees	806,451	-	136,528	-	942,979
Solid waste fees	-	-	-	359,401	359,401
Miscellaneous	19,110	-	2,115	-	21,225
Total operating revenues	<u>825,561</u>	<u>278,276</u>	<u>447,847</u>	<u>361,704</u>	<u>1,913,388</u>
OPERATING EXPENSES					
Town of Vernon	637,552	-	-	-	637,552
Town of Stafford	-	-	123,227	-	123,227
Depreciation and amortization	191,960	-	134,288	-	326,248
Utilities	15,770	-	8,904	-	24,674
General maintenance and repairs	50,196	-	8,993	-	59,189
Engineering	8,195	-	-	-	8,195
Public works and administrative expenses	25,829	-	2,745	346,926	375,500
Legal	12,447	-	-	-	12,447
Advertising	2,059	-	-	-	2,059
Consultants	4,320	-	-	-	4,320
Other	1,883	-	682	579	3,144
Total operating expenses	<u>950,211</u>	<u>-</u>	<u>278,839</u>	<u>347,505</u>	<u>1,576,555</u>
Operating income (loss)	(124,650)	278,276	169,008	14,199	336,833
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	9,519	15,328	-	-	24,847
Other income	-	42,485	-	-	42,485
Debt service-interest	-	(26,358)	(97,781)	-	(124,139)
Total non-operating revenues (expenses)	<u>9,519</u>	<u>31,455</u>	<u>(97,781)</u>	<u>-</u>	<u>(56,807)</u>
Income (loss) before transfers in	(115,131)	309,731	71,227	14,199	280,026
Transfers in	-	-	185,281	-	185,281
Change in net assets	(115,131)	309,731	256,508	14,199	465,307
Net assets (deficit) - beginning	<u>6,771,510</u>	<u>1,347,747</u>	<u>3,351,316</u>	<u>(134,220)</u>	<u>11,336,353</u>
Net assets (deficit) - ending	<u>\$ 6,656,379</u>	<u>\$ 1,657,478</u>	<u>\$ 3,607,824</u>	<u>\$ (120,021)</u>	<u>\$ 11,801,660</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, 2004**

	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	\$ 800,548	\$ 330,645	\$ 521,973	\$ 359,326	\$ 2,012,492
(Payments for) receipts from interfund services provided	(145,418)	26,411	(122,924)	(11,821)	(253,752)
Payments to suppliers	(683,811)	-	(141,806)	(347,505)	(1,173,122)
Payments to employees	(25,829)	-	(2,745)	-	(28,574)
Net cash provided by (used in) operating activities	<u>(54,510)</u>	<u>357,056</u>	<u>254,498</u>	<u>-</u>	<u>557,044</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(94,563)	-	-	-	(94,563)
Principal paid on capital debt	-	(94,900)	(187,500)	-	(282,400)
Interest paid on capital debt	-	(26,358)	(97,781)	-	(124,139)
Transfers in	-	-	185,281	-	185,281
Net cash used in capital and related financing activities	<u>(94,563)</u>	<u>(121,258)</u>	<u>(100,000)</u>	<u>-</u>	<u>(315,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	-	(251,126)	(154,498)	-	(405,624)
Proceeds from sales and maturities of investments	156,634	-	-	-	156,634
Interest and dividends	9,519	15,328	-	-	24,847
Net cash provided by (used in) investing activities	<u>166,153</u>	<u>(235,798)</u>	<u>(154,498)</u>	<u>-</u>	<u>(224,143)</u>
Net increase in cash and cash equivalents	17,080	-	-	-	17,080
Cash and cash equivalents, beginning of year	1,024	-	-	-	1,024
Cash and cash equivalents, end of year	<u>\$ 18,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,104</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (124,650)	\$ 278,276	\$ 169,008	\$ 14,199	\$ 336,833
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	191,960	-	134,288	-	326,248
(Increase) decrease in assets:					
Sewer usage receivable, net	(5,903)	-	3,650	(2,378)	(4,631)
Assessment, interest and liens receivable	-	54,467	8,223	-	62,690
Due from other funds	(181,294)	26,411	(106,396)	-	(261,279)
Deferred assessments	-	29,789	76,346	2,140	108,275
Other assets	(236)	-	11,169	-	10,933
Increase (decrease) in liabilities:					
Accounts payable	6,204	-	-	-	6,204
Accrued liabilities	-	(2,098)	-	-	(2,098)
Deferred revenue	23,533	(29,789)	81,136	(2,140)	72,740
Due to other funds	35,876	-	(122,926)	(11,821)	(98,871)
Net cash provided by (used in) operating activities	<u>\$ (54,510)</u>	<u>\$ 357,056</u>	<u>\$ 254,498</u>	<u>\$ -</u>	<u>\$ 557,044</u>

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

TOWN OF ELLINGTON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 60,460	\$ 208,579
Investments	376,882	75,782
Other receivables	549	-
Total assets	437,891	\$ 284,361
 LIABILITIES		
Due to others	-	\$ 284,361
Due to other funds	869	-
Total liabilities	869	\$ 284,361
 NET ASSETS		
Held in trust for other purposes	\$ 437,022	

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, 2004

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations	\$ 113,548
Other income	111,017
Total contributions	<u>224,565</u>
Investment earnings:	
Interest	3,923
Net increase in the fair value of investments	9,186
Total investment earnings	<u>13,109</u>
Total additions	<u>237,674</u>
 DEDUCTIONS	
Program expenditures	<u>171,454</u>
Change in net assets	66,220
Net assets - beginning	<u>370,802</u>
Net assets - ending	<u><u>\$ 437,022</u></u>

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

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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 \$8,889 for the year ended June 30, 2004.

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 \$42,064 for the year ended June 30, 2004.

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, 2004

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 and for performance bonds.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

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, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$97,246 as of June 30, 2004.

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 \$577,475 as of June 30, 2004 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, 2004

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>
Public domain infrastructure	50
Buildings and improvements	40
Vehicles	5 - 10
Equipment	3 - 7

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

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 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 8.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

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, 2004

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 \$192,759.
- 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.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

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

BUDGETARY INFORMATION (Continued)

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, 2004:

	Fund Balance
Budgetary basis	\$ 4,017,675
Changes in Capital and Nonrecurring Reserve	(42,864)
Changes in Capital Reserve	125,000
Encumbrances outstanding:	
June 30, 2003	(32,144)
June 30, 2004	-
	\$ 4,067,667

DEFICIT FUND EQUITY

The following funds have deficit fund balances as of June 30, 2004, none of which constitutes a violation of statutory provisions:

Fund	Amount
High School / Center School Project	\$1,007,983
Windermere School Addition	68,724
Airport Industrial Sewer Area	271,709
Watermains, Tripp and Middle Roads	133,769

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, 2004

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, 2004, the carrying amounts of the Town's cash deposits (such as checking and savings accounts, was \$1,300,559 and the bank balance was \$2,137,518. Of the bank balance, \$389,321 was covered by federal depository or private insurance (Category 1) and \$1,748,197 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, 2004 is as follows:

	Total
Government-wide statement of net assets	<u>\$ 1,031,520</u>
Statement of fiduciary net assets:	
Private purpose trust funds	60,460
Agency funds	208,579
	<u><u>\$ 1,300,559</u></u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

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	\$ 25,813	\$ -	\$ -	\$ 25,813	\$ 25,813
Common stock	469,845	-	-	469,845	469,845
Corporate bonds	149,855	-	-	149,855	149,855
Certificates of deposit	1,389,059	-	-	1,389,059	1,389,059
	<u>\$ 2,034,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,034,572</u>	<u>2,034,572</u>

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

Short Term Investment Fund (STIF)	1,854,284	1,854,284
Cooperative Liquid Asset Security System (CLASS)	5,226,267	5,226,267
	<u>\$ 9,115,123</u>	<u>\$ 9,115,123</u>

A reconciliation of the Town's investments as of June 30, 2004 is as follows:

	<u>Total</u>
Government-wide statement of net assets	\$ 8,662,459
Statement of fiduciary net assets:	
Private purpose trust funds	452,664
	<u>\$ 9,115,123</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 consisted of the following:

	<u>Beginning Balance</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	1,971,929	190,335	-	2,162,264
Construction in progress	19,025,965	4,432,070	(7,630,342)	15,827,693
Total capital assets, not being depreciated	<u>21,033,492</u>	<u>4,622,405</u>	<u>(7,630,342)</u>	<u>18,025,555</u>
Capital assets, being depreciated:				
Buildings and improvements	36,614,139	10,500,145	-	47,114,284
Equipment	712,591	287,253	-	999,844
Vehicles	5,550,758	239,288	(132,200)	5,657,846
Infrastructure	5,246,035	401,760	-	5,647,795
Total capital assets, being depreciated	<u>48,123,523</u>	<u>11,428,446</u>	<u>(132,200)</u>	<u>59,419,769</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	10,182,915	1,321,389	-	11,504,304
Equipment	314,549	142,784	-	457,333
Vehicles	4,577,963	262,611	(132,200)	4,708,374
Infrastructure	883,925	109,294	-	993,219
Total accumulated depreciation and amortization	<u>15,959,352</u>	<u>1,836,078</u>	<u>(132,200)</u>	<u>17,663,230</u>
Total capital assets, being depreciated, net	<u>32,164,171</u>	<u>9,592,368</u>	<u>-</u>	<u>41,756,539</u>
Governmental activities capital assets, net	<u>\$ 53,197,663</u>	<u>\$ 14,214,773</u>	<u>\$ (7,630,342)</u>	<u>\$ 59,782,094</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	\$ 259,694	\$ -	\$ (259,694)	\$ -
Total capital assets, not being depreciated	<u>259,694</u>	<u>-</u>	<u>(259,694)</u>	<u>-</u>
Capital assets, being depreciated:				
Equipment - Sewer Authority	61,443	-	-	61,443
Infrastructure - Sewer Authority	8,697,997	354,257	-	9,052,254
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>354,257</u>	<u>-</u>	<u>15,796,705</u>
Less accumulated depreciation and amortization for:				
Equipment - Sewer Authority	59,913	993	-	60,906
Infrastructure - Sewer Authority	3,091,205	190,967	-	3,282,172
Equipment - Crystal Lake	8,480	818	-	9,298
Infrastructure - Crystal Lake	1,488,115	133,470	-	1,621,585
Total accumulated depreciation and amortization	<u>4,647,713</u>	<u>326,248</u>	<u>-</u>	<u>4,973,961</u>
Total capital assets, being depreciated, net	<u>10,794,735</u>	<u>28,009</u>	<u>-</u>	<u>10,822,744</u>
Business-type activities capital assets, net	<u>\$ 11,054,429</u>	<u>\$ 28,009</u>	<u>\$ (259,694)</u>	<u>\$ 10,822,744</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities:

Education	\$ 148,969
Public works	286,427
Public safety	309,129
General government	2,800
Library	87,500
Recreation	1,001,253
Total depreciation and amortization expense - governmental activities	<u>\$ 1,836,078</u>

Business-type Activities:

Sewer	<u>\$ 326,248</u>
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TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2004 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Watermains, Tripp and Middle Roads	\$ 133,769
	High School/Center School Project	211,674
	Other Governmental Funds	584,959
	Private Purpose Trust Funds	869
	Crystal Lake Sewers	15,079
	Other Enterprise Funds	4,990
		<u>951,340</u>
Other Governmental Funds	General Fund	<u>302,196</u>
Enterprise Funds		
Hockanum River	General Fund	<u>34,415</u>
Sewer Authority	General Fund	<u>181,294</u>
Crystal Lake Sewers	Sewer Authority	333,801
	Hockanum River	54,242
		<u>388,043</u>
Total due from/to other funds		<u>\$ 1,857,288</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.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Governmental Funds		
General Fund	Crystal Lake Sewers	\$ 185,281
Nonmajor and Other Funds	General Fund	<u>250,651</u>
		<u>\$ 435,932</u>

The transfers to the General Fund were to reimburse for expenditures paid for by the General Fund. The transfers to the Crystal Lake Sewers were to assist in the operations of this fund.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2004:

	<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	\$ 18,577,500	\$ 6,640,000	\$ (1,437,500)	\$ 23,780,000	\$ 1,807,500
Unamortized amounts:					
Discounts (premiums)	959	824	(141)	1,642	171
Issuances costs	50,751	48,568	(3,817)	95,502	5,031
Total bonds payable	<u>18,629,210</u>	<u>6,689,392</u>	<u>(1,441,458)</u>	<u>23,877,144</u>	<u>1,812,702</u>
Other liabilities:					
Notes payable	7,900	-	(7,900)	-	-
Capital leases	205,644	-	(47,380)	158,264	49,972
Compensated absences	837,666	170,697	(51,275)	957,088	52,000
	<u>\$ 19,680,420</u>	<u>\$ 6,860,089</u>	<u>\$ (1,548,013)</u>	<u>\$ 24,992,496</u>	<u>\$ 1,914,674</u>
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 2,631,700	\$ -	\$ (282,400)	\$ 2,349,300	\$ 282,500
Total bonds payable	<u>\$ 2,631,700</u>	<u>\$ -</u>	<u>\$ (282,400)</u>	<u>\$ 2,349,300</u>	<u>\$ 282,500</u>

Bonds payable and other liabilities of Governmental Activities have typically been liquidated by the General Fund.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION BONDS

A summary of general obligation bonds outstanding at June 30, 2004 is as follows:

Description of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
Governmental Activities			
School bonds issued 1994, original amount \$3,810,000	2014	4.100%	\$ 1,610,000
School bonds issued 1999, original amount \$5,390,000	2019	4.00%	4,040,000
Public improvement bonds issued 1990, original amount of \$3,360,000	2011	6.00%	1,050,000
Public improvement bonds issued 1999, original amount of \$1,650,000	2019	4.00%	1,225,000
Taxable serial notes issued 1999, original amount \$255,000	2004	7.20%	50,000
Fire rescue truck issued 2001, original amount \$360,000	2006	4.75%	140,000
School bonds issued 2003, original amount \$9,650,000	2022	3.00%	9,025,000
School bonds issued 2003, original amount \$6,640,000	2023	3.45%	6,640,000
			<u>\$ 23,780,000</u>
Business-type Activities			
Sewer bonds issued 1981, original amount \$2,642,000	2008	5.00%	\$ 474,300
Sewer bonds issued 1994, original amount \$3,375,000	2014	4.10%	1,875,000
			<u>\$ 2,349,300</u>

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity at June 30, 2004 are as follows:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2005	\$ 1,807,500	\$ 949,744	\$ 2,757,244
2006	1,757,500	880,522	2,638,022
2007	1,687,500	811,547	2,499,047
2008	1,612,500	747,782	2,360,282
2009	1,427,500	689,125	2,116,625
2010-2014	6,622,500	2,615,658	9,238,158
2015-2019	5,530,000	1,364,443	6,894,443
2020-2023	3,335,000	330,483	3,665,483
	<u>\$ 23,780,000</u>	<u>\$ 8,389,304</u>	<u>\$ 32,169,304</u>

Year ending June 30:	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
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	281,800	67,245	349,045
2010-2014	937,500	137,858	1,075,358
	<u>\$ 2,349,300</u>	<u>\$ 594,851</u>	<u>\$ 2,944,151</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, 2004 was \$167,388. Additional reimbursements of principal and interest aggregating approximately \$1,298,715 are expected to be received through the applicable bonds' maturity dates.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES (Continued)

CAPITAL LEASES

A summary of assets acquired through capital leases is as follows as of June 30, 2004:

	Governmental Activites
Vehicles	\$ 351,064
Less: accumulated amortization	(175,532)
	\$ 175,532

Amortization expense relative to leased property under capital leases totaled \$70,213 for the year ended June 30, 2004 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, 2004 is as follows:

	Governmental Activites
Year Ending June 30:	
2005	\$ 58,629
2006	58,629
2007	58,629
Total minimum lease payments	175,887
Less: amount representing interest	17,623
Present value of minimum lease payments	158,264
Less: current portion	49,972
	\$ 108,292

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 8 - 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, 2004 are as follows:

Reserve for Inventory	\$ 9,320
Reserve for Sanitation	41,396
Reserve for Document Preservation	16,694
Reserve for Endowments	52,497
Total Fund Balance – Reserved	<u>\$ 119,907</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, 2004 are as follows:

Designated for Capital Reserves	\$ 1,817,608
Designated for Capital and Nonrecurring	729,190
Designated for Compensated Absences	283,774
Undesignated	1,237,095
Total General Fund – Unreserved	<u>4,067,667</u>
Total Capital Projects – Unreserved	<u>(1,007,983)</u>
Total Fund Balance – Unreserved	<u>\$ 3,059,684</u>

The amount designated for Capital Reserves totaling \$1,817,608 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 this account.

NOTE 9 - 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 \$108,017. 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, 2004

NOTE 9 - 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 \$111,476 for the year ended June 30, 2004. Plan enrollment totaled 40 people at June 30, 2004. 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 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, payable for life, in an amount for each of service equal to:

- 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. The year's breakpoint for 2003 is \$36,400.

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, 2004

NOTE 9 - PENSION PLANS (Continued)

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost

For the year ended June 30, 2004 the Town's annual pension cost of \$126,413 was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2003 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 of 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, 2002	\$ 99,726	100.0%	-
June 30, 2003	99,485	100.0%	-
June 30, 2004	126,413	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, 2001	\$1,353	\$1,238	109%	\$(115)	\$311	(37)
July 1, 2002	1,403	1,319	106	(84)	322	(26)
July 1, 2003	1,418	1,379	103	(39)	326	(12)

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 9 - 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, 2004, Town teachers contributed \$809,872 to the plan and covered payroll for the period was \$11,569,606.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$723,100 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 10 - 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 11 - CONTINGENT LIABILITIES

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 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 settled their claim with that Association during the year ended June 30, 2003.

There are several other lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

TOWN OF ELLINGTON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2004

NOTE 12 - ADJUSTMENTS

Net assets as of June 30, 2003 were adjusted by \$1,128,863 to reflect school construction grants receivable from the State of Connecticut which were previously omitted. The effect of the adjustment on the change in net assets for the year ended June 30, 2003 was a decrease of \$114,888 from \$9,134,660 to \$9,019,772. Net assets/fund balance was also increased by \$283,774 to properly classify the liability for compensated absences. The effect of this adjustment on the change in net assets for the year ended June 30, 2003 was not readily determinable.

**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, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		OVER (UNDER)
PROPERTY TAXATION				
Revenues from Property Taxes	\$ 22,270,396	\$ 22,270,396	\$ 22,248,483	\$ (21,913)
Interest and Lien Fees	155,000	155,000	188,721	33,721
Total Property Taxation	<u>22,425,396</u>	<u>22,425,396</u>	<u>22,437,204</u>	<u>11,808</u>
INTERGOVERNMENTAL - EDUCATION				
Education Cost Sharing Grant	7,684,811	7,684,811	7,710,482	25,671
Transportation	292,344	292,344	322,629	30,285
Adult Education and Vocational Agriculture	10,370	10,370	11,809	1,439
Blind Grant	55,000	55,000	33,042	(21,958)
Building Grant	162,673	162,673	135,387	(27,286)
Total Intergovernmental - Education	<u>8,205,198</u>	<u>8,205,198</u>	<u>8,213,349</u>	<u>8,151</u>
INTERGOVERNMENTAL - OTHER				
Town Aid Road	108,018	108,018	67,814	(40,204)
Elderly Circuit Breaker Reimbursement	68,741	68,741	72,873	4,132
Manufacturers Machinery/Equipment Grant	124,876	124,876	138,674	13,798
State Property Forest	5,404	5,404	5,025	(379)
Mashantucket Pequot Fund	102,789	102,789	79,227	(23,562)
Circuit Court Fines	145	145	70	(75)
Housing Authority	9,145	9,145	8,889	(256)
In Lieu of Taxes - Boats	3,848	3,848	3,848	-
Dog Damage	100	100	-	(100)
Telephone Tax/SNET	92,749	92,749	74,936	(17,813)
Additional Income Veterans	36,000	36,000	13,325	(22,675)
Local Capital Improvement Program	99,621	99,621	101,760	2,139
DWI	-	-	6,664	6,664
Erase Grant	-	-	3,105	3,105
CRRA Transfer Station Use Fee	8,620	8,620	4,849	(3,771)
FEMA Disaster #3176	-	-	31,983	31,983
DUI Enforcement Vehicle	-	41,250	31,938	(9,312)
Emergency Management	3,574	3,574	1,560	(2,014)
Pupil Tuition	20,000	20,000	12,541	(7,459)
BOE - CLS Roof Replacement	45,000	45,000	45,000	-
Historical Preserve Award	-	-	7,000	7,000
Total Intergovernmental - Other	<u>728,630</u>	<u>769,880</u>	<u>711,081</u>	<u>(58,799)</u>
CHARGES FOR GOODS AND SERVICES				
Building Department	290,000	290,000	343,957	53,957
Planning and Zoning	35,000	35,000	73,343	38,343
Fire Marshal	750	750	606	(144)
Parks and Recreation	17,900	17,900	19,867	1,967
Recreation Program Receipts	126,570	126,570	100,418	(26,152)
Recreation Intra Agency After School	15,000	15,000	1,600	(13,400)
Cultural Arts	5,000	5,000	4,380	(620)
Town Clerk Conveyance Tax	184,100	184,100	199,015	14,915
Town Clerk Recording Fees and Licenses	180,000	180,000	208,970	28,970
Aircraft Registration	2,290	2,290	2,590	300
Board of Education	1,000	1,000	21,055	20,055
Special Duty	10,000	10,000	46,076	36,076
Animal Control Officer Fees and Licenses	18,600	18,600	22,860	4,260
Animal Control Donations	100	100	-	(100)
Police DARE Donations	1,500	1,500	1,341	(159)
Youth Service Donations	1,000	1,000	-	(1,000)
Youth Service Activities	2,000	2,000	3,563	1,563
Human Service Counseling Services	1,000	1,000	992	(8)
Human Service Donations	1,000	1,000	3,719	2,719
Human Services Food Pantry Donations	1,000	1,000	2,093	1,093
Human Services Rope Donations	500	500	2,320	1,820
Total Charges for Goods and Services	<u>894,310</u>	<u>894,310</u>	<u>1,058,765</u>	<u>164,455</u>

TOWN OF ELLINGTON
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - (Continued)
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
INTEREST AND DIVIDENDS				
Interest and Dividends	\$ 100,000	\$ 100,000	\$ 75,103	\$ (24,897)
OTHER REVENUES				
WPCA	223,360	223,360	223,360	-
Insurance Claims and Refunds	5,000	5,000	35,923	30,923
WPCA Reimbursement	23,130	23,130	24,980	1,850
WPCA Reimbursement Maintenance Budget	91,085	91,085	66,364	(24,721)
Building Demolition	3,000	3,000	-	(3,000)
Sundry Refunds and Receipts	3,000	3,000	3,457	457
Appropriation from Surplus	1,094,666	1,226,175	-	(1,226,175)
Ambulance Fee Program	205,260	225,260	221,898	(3,362)
Rental Income of Town Property	-	-	15,881	15,881
Sale of Property	-	-	7,900	7,900
Closeout-Prior Yr Capital Projects	37,000	37,000	51,429	14,429
Total Other Revenues	<u>1,685,501</u>	<u>1,837,010</u>	<u>651,192</u>	<u>(1,185,818)</u>
TOTAL BUDGETARY REVENUES	\$ <u>34,039,035</u>	\$ <u>34,231,794</u>	\$ <u>33,146,694</u>	\$ <u>(1,085,100)</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE UNDER (OVER)
	ORIGINAL	FINAL		
GENERAL GOVERNMENT				
Board of Selectmen	\$ 157,063	\$ 160,263	\$ 153,194	\$ 7,069
Board of Finance	9,500	9,500	8,425	1,075
Auditors	22,700	22,700	22,000	700
Auditors - Special Project	1,000	1,000	-	1,000
Finance Officer	197,388	200,647	198,893	1,754
Tax Assessor	166,093	172,296	150,484	21,812
Tax Collector	122,748	123,712	123,712	-
Board of Tax Review	1,500	1,500	469	1,031
Insurance Advisory Board	425	425	-	425
Town Clerk	167,302	179,128	179,128	-
Town Counsel	75,000	96,858	96,858	-
Probate Court	6,660	6,660	2,475	4,185
Town Planner	172,957	175,197	165,735	9,462
Total General Government	<u>1,100,336</u>	<u>1,149,886</u>	<u>1,101,373</u>	<u>48,513</u>
BOARDS AND AGENCIES				
Registrars and Electors	36,513	36,513	27,635	8,878
Economic Development Commission	6,425	6,425	2,860	3,565
Planning and Zoning	20,200	21,059	21,059	-
Zoning Board of Appeals	6,426	6,426	5,363	1,063
Permanent Building Commission	2,850	2,850	898	1,952
Inland Wetland Agency	9,200	9,200	8,592	608
Conservation Commission	2,550	2,550	180	2,370
WPCA	1	1	-	1
Total Boards and Agencies	<u>84,165</u>	<u>85,024</u>	<u>66,587</u>	<u>18,437</u>
PUBLIC SAFETY				
Center Fire Department	105,510	105,516	105,516	-
Crystal Lake Fire Department	52,837	52,837	52,425	412
Fire Protection Hydrants	248,227	248,227	228,271	19,956
Emergency 911	31,063	31,063	31,055	8
Police	582,863	589,101	589,100	1
Police Special Duty	10,000	18,378	18,377	1
Police Drug Abuse Resistance Education	1,500	1,500	1,341	159
Animal Control Officer	66,256	66,256	61,880	4,376
Emergency Management	12,039	12,039	8,645	3,394
Building Department	105,702	107,462	99,432	8,030
Volunteer Ambulance	135,530	138,083	138,083	-
Emergency Service Incentive Program	89,375	92,186	92,186	-
Public Safety Commission	1,000	1,526	1,525	1
Fire Marshal	56,567	58,015	57,495	520
Total Public Safety	<u>1,498,469</u>	<u>1,522,189</u>	<u>1,485,331</u>	<u>36,858</u>
PUBLIC WORKS				
General Town Roads	1,088,805	1,092,111	1,033,808	58,303
New Equipment	12,600	12,600	11,243	1,357
Equipment Maintenance	104,672	117,906	117,905	1
Town Garage	40,825	46,495	46,495	-
Street Signs	10,000	10,000	9,976	24
Grounds Maintenance - BOE/Parks	43,058	43,058	41,550	1,508
Town Aid Road - Winter	80,000	112,723	112,722	1
Town Aid Road - Materials	186,215	190,430	190,429	1
Sanitary Landfill	386,688	386,688	315,729	70,959
Sanitary Recycling	208,357	258,041	258,041	-
Household Hazardous Waste	25,000	26,460	26,459	1
WPCA Maintenance	60,000	60,000	40,915	19,085
Street Lighting	66,300	66,300	58,987	7,313
Engineer and Inspections	65,000	66,572	66,572	-
Total Public Works	<u>2,377,520</u>	<u>2,489,384</u>	<u>2,330,831</u>	<u>158,553</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS			VARIANCE UNDER (OVER)
	ORIGINAL	FINAL	ACTUAL	
RECREATION				
Parks and Recreation	\$ 280,766	\$ 282,724	\$ 244,363	\$ 38,361
Cultural Arts	18,600	18,600	18,105	495
Interagency After School Program	25,000	25,000	7,656	17,344
Shenipsit Lake Recreation	5,000	5,000	5,000	-
Crystal Lake Water Monitor	5,000	5,000	-	5,000
Total Recreation	<u>334,366</u>	<u>336,324</u>	<u>275,124</u>	<u>61,200</u>
LIBRARY				
Hall Memorial Library	408,775	414,395	414,395	-
Total Library	<u>408,775</u>	<u>414,395</u>	<u>414,395</u>	<u>-</u>
HUMAN SERVICES				
Public Health Nursing	7,225	7,225	4,100	3,125
Tri-Town Emergency Shelter	4,000	4,000	4,000	-
Connecticut Legal Services	1,200	1,200	1,200	-
Women's Center Northeast Connecticut	1,042	1,042	-	1,042
Regional Mental Health Board	904	904	904	-
Kidsafe CT	2,500	2,500	2,500	-
Hockanum Valley Community Council	18,000	18,000	18,000	-
Food Pantry	500	1,072	1,072	-
Rope	10,000	10,438	10,438	-
Youth Activity Programs	18,095	22,011	22,010	1
Hartford Interval House	1,500	1,500	1,500	-
Human Services	141,145	141,145	139,296	1,849
North Central Health District	42,064	42,064	42,064	-
Welfare	15,000	15,000	10,376	4,624
Municipal Agent	1,000	1,269	1,268	1
Senior Center	95,466	95,466	93,741	1,725
Total Social Services	<u>359,641</u>	<u>364,836</u>	<u>352,469</u>	<u>12,367</u>
TOWN PROPERTIES				
Town Hall	291,931	291,931	264,378	27,553
Center Cemetery	500	500	500	-
Batz Property	500	500	400	100
Arbor Commons	16,100	16,100	12,324	3,776
Total Town Properties	<u>309,031</u>	<u>309,031</u>	<u>277,602</u>	<u>31,429</u>
DEBT SERVICE				
Debt Redemption - Principal	1,775,180	1,775,180	1,775,180	-
Debt Redemption - Interest	1,119,984	1,119,984	1,031,319	88,665
Total Debt Service	<u>2,895,164</u>	<u>2,895,164</u>	<u>2,806,499</u>	<u>88,665</u>
MISCELLANEOUS				
Social Security	235,505	235,505	230,480	5,025
Insurance	1,167,701	1,034,020	1,030,908	3,112
Insurance Reimbursement and Claims	7,500	29,279	29,278	1
Insurance Prior Year	5,000	5,000	4,375	625
Service Insurance	56,000	56,000	56,000	-
Contingency Fund	125,000	125,000	125,000	-
Capital Reserve Fund	100	100	-	100
AD HOC Alcohol/Drug Council	5,500	5,500	2,682	2,818
CADAC-Recreation	2,400	2,400	500	1,900
Memorial Day Committee	1,250	1,497	1,496	1
Miscellaneous	2,000	2,000	604	1,396
Referendum	2,800	20,324	20,323	1
Building Demolition/Eviction	5,000	6,146	6,146	-
Salary Adjustment	35,000	11,626	-	11,626
Town Communications	8,000	8,000	5,842	2,158
Town Web Site	5,000	5,000	4,938	62
Grant Applications	7,000	7,000	3,466	3,534
Total Miscellaneous	<u>1,670,756</u>	<u>1,554,397</u>	<u>1,522,038</u>	<u>32,359</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
CAPITAL OUTLAYS				
Unimproved Road Improvement	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Local Capital Improvement Program	99,621	101,760	101,760	-
Road Overlay	200,000	200,000	200,000	-
Townwide Sidewalks	9,000	9,000	9,000	-
Town Hall Basement Vault	17,000	37,963	37,963	-
Codification Town Law & Regulations	22,500	22,500	22,500	-
Police Cruisers	26,400	26,400	26,400	-
Town Hall Office Renovations	50,000	50,000	50,000	-
DUI Enforcement Vehicle	-	41,250	41,250	-
EVAC-Replacement Ambulance R643	125,000	145,000	141,638	3,362
EVAC Equipment	80,260	80,260	80,260	-
ELFD Fire Apparatus Sink Fund	135,000	135,000	135,000	-
EVFD - Radio Equipment Upgrade	10,000	10,000	10,000	-
Crystal Lake Breathing Apparatus Replacement/Upgrade	50,575	50,575	50,575	-
Crystal Lake Rescue Boat	12,000	12,000	11,424	576
Crystal Lake Renovation	-	26,000	26,000	-
BOE - Replacement Maintenance Vehicle	30,000	30,000	30,000	-
BOE - CLS Roof Replacement	90,000	90,000	90,000	-
BOE - CLS Renovations	51,000	51,000	51,000	-
Total Capital Outlays	<u>1,108,356</u>	<u>1,218,708</u>	<u>1,214,770</u>	<u>3,938</u>
EDUCATION				
Salaries				
Administrative	960,498	967,037	967,036	1
Faculty	10,788,358	10,565,760	10,565,760	-
Secretarial	599,013	601,201	601,201	-
Custodial	694,663	671,627	671,626	1
Health Aides	201,434	202,841	202,841	-
Instructor Aides	669,562	643,886	643,886	-
General Aides	21,506	13,392	13,392	-
Media Aides	54,916	55,438	55,438	-
Severance	35,410	61,471	61,470	1
Alpha and Omega Faculty	6,056	1,731	1,731	-
Secretarial Substitutes	24,142	20,896	20,895	1
Custodial Substitutes	25,750	47,881	47,880	1
Substitute Teachers	156,783	189,040	189,040	-
Coaches and Advisors	177,583	160,069	160,069	-
Custodial Overtime	65,701	60,630	60,629	1
Total Salaries	<u>14,481,375</u>	<u>14,262,900</u>	<u>14,262,894</u>	<u>6</u>
Employee Benefits				
Health Benefits	2,682,302	2,541,176	2,541,176	-
Social Security	311,885	318,464	318,463	1
Unemployment	5,000	2,626	2,626	-
Retirement - MERS	95,376	119,657	119,656	1
Course Tuition	1,000	-	-	-
Total Employee Benefits	<u>3,095,563</u>	<u>2,981,923</u>	<u>2,981,921</u>	<u>2</u>

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Contracted Services				
Program Improvement	\$ 80,872	\$ 69,438	\$ 69,438	\$ -
Pupil Services	75,585	68,285	68,285	-
Management Services	21,725	17,999	17,999	-
Professional/Tech Serv	225,835	338,396	338,395	1
Public Utilities-Electricity	258,917	293,269	293,269	-
Other Property Services	137,016	149,142	149,141	1
Property Insurance	164,832	170,012	170,012	-
Rentals	100,348	104,354	104,354	-
Repairs Instrument Equipment	76,837	46,748	46,747	1
Propane	80,000	20,879	20,878	1
Water	40,287	34,087	34,086	1
Repairs/Maintenance	124,677	166,791	166,790	1
Regional Pupil Transportation	1,012,493	980,669	980,668	1
Conference/Travel/Admin.	21,850	14,142	14,142	-
Conference/Travel/Teachers	10,000	9,156	9,156	-
Special Ed Transp.	208,812	242,736	242,735	1
Athletic Transportation	41,100	34,681	34,680	1
Cheney Vo-Ag Transportation	52,029	51,210	51,209	1
Conference/Travel Support Staff	8,695	4,213	4,212	1
Other Transportation Service	4,000	6,524	6,523	1
Communications/Telephone	61,722	58,176	58,175	1
Printing /Advertising	40,878	47,973	47,972	1
Outside Tuition	465,082	410,858	410,858	-
Total Contracted Services	<u>3,313,592</u>	<u>3,339,738</u>	<u>3,339,724</u>	<u>14</u>
Capital Outlays				
Replacement Equipment	50,000	121,711	121,710	1
Total Capital Outlays	<u>50,000</u>	<u>121,711</u>	<u>121,710</u>	<u>1</u>
Supplies and Materials				
Administrative Supplies	54,284	41,724	41,724	-
Program Supplies	275,073	261,451	261,451	-
Special Education	33,078	22,337	22,336	1
Basic	99,726	93,112	93,112	-
Custodial/Maintenance Gasoline	11,202	13,816	13,815	1
Custodial Supplies	57,551	56,682	56,682	-
Heating Fuel and Gasoline	121,214	137,661	137,661	-
Textbooks	31,444	106,134	106,133	1
Library/Media	64,282	61,871	61,870	1
Total Supplies and Materials	<u>747,854</u>	<u>794,788</u>	<u>794,784</u>	<u>4</u>
Miscellaneous				
Dues and Memberships	26,742	26,855	26,854	1
Transfer account	-	136,797	-	136,797
Food Service	138,330	164,920	164,919	1
Townwide Maintenance Program	39,000	62,824	62,823	1
Total Miscellaneous	<u>204,072</u>	<u>391,396</u>	<u>254,596</u>	<u>136,800</u>
TOTAL BOARD OF EDUCATION	<u>21,892,456</u>	<u>21,892,456</u>	<u>21,755,629</u>	<u>136,827</u>
TOTAL BUDGETARY EXPENDITURES	<u>\$ 34,039,035</u>	<u>\$ 34,231,794</u>	<u>\$ 33,602,648</u>	<u>\$ 629,146</u>

**TOWN OF ELLINGTON
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2004**

GRAND LIST YEAR	BALANCE UNCOLLECTED JUNE 30, 2003	CURRENT LEVY	LAWFUL CORRECTIONS		TRANSFERS TO SUSPENSE	BALANCE TO BE COLLECTED	COLLECTIONS			REFUNDS AND ADJUSTMENTS	BALANCE UNCOLLECTED JUNE 30, 2004
			ADDITIONS	DEDUCTIONS			TAXES	INTEREST	LIEN FEES		
2002	\$ -	\$ 22,405,352	\$ 62,829	\$ 171,758	\$ -	\$ 22,296,423	\$ 22,128,610	\$ 69,071	\$ 7,785	\$ 142,893	\$ 310,706
2001	308,137	-	4,713	18,010	-	294,840	128,631	28,460	1,803	12,857	179,066
2000	175,520	-	112	12,205	(16,139)	147,288	47,647	16,291	761	8,851	108,492
1999	112,063	-	-	4,861	2,730	109,932	25,514	12,907	485	-	84,418
1998	77,346	-	-	4,658	370	73,058	14,584	10,068	288	-	58,474
1997	62,506	-	179	4,812	143	58,016	11,577	9,011	269	-	46,439
1996	47,156	-	42	4,371	-	42,827	7,902	10,222	120	-	34,925
1995	32,037	-	223	4,371	36	27,925	5,438	7,859	96	-	22,487
1994	26,849	-	-	4,371	394	22,872	6,271	7,745	120	-	16,601
1993	18,731	-	-	2,232	-	16,499	2,746	3,682	48	-	13,753
1992	12,164	-	-	-	-	12,164	-	300	-	-	12,164
1991	10,396	-	-	-	164	10,560	164	336	-	-	10,396
1990	6,972	-	-	-	10	6,982	11	550	-	-	6,971
1989	4,235	-	-	-	73	4,308	73	174	-	-	4,235
1988	3,329	-	-	-	236	3,565	237	-	-	-	3,328
1987	1,938	-	-	-	402	2,340	402	-	-	-	1,938
	\$ 899,379	\$ 22,405,352	\$ 68,098	\$ 231,649	\$ (11,581)	\$ 23,129,599	\$ 22,379,807	\$ 176,676	\$ 11,775	\$ 164,601	\$ 914,393

TOWN OF ELLINGTON
STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)
JUNE 30, 2004

Total cash collections for the
year ended June 30, 2004

Taxes	\$ 22,379,807
Interest and lien fees	188,451
Total	22,568,258

Reimbursed for
Tax relief for elderly
Total

	72,873
	72,873

Base

	\$ 22,641,131

Debt limitation:

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
2-1/4 times base	\$ 50,942,545	-	-	-	-
4-1/2 times base	-	101,885,090	-	-	-
3-3/4 times base	-	-	84,904,241	-	-
3-1/4 times base	-	-	-	73,583,676	-
3 times base	-	-	-	-	67,923,393
Total debt limitation	50,942,545	101,885,090	84,904,241	73,583,676	67,923,393

Indebtedness:

Bonds and notes payable	4,278,000	19,502,000	2,349,300	-	-
Less: sewer assessments and usage charges receivable	-	-	177,408	-	-
Less: amounts to be provided by the State	-	1,042,316	-	-	-
Total indebtedness	4,278,000	18,459,684	2,171,892	-	-

Debt limitation in excess of
Outstanding and authorized debt

	\$ 46,664,545	\$ 83,425,406	\$ 82,732,349	\$ 73,583,676	\$ 67,923,393

Total capacity of borrowing (7 times base)

	\$ 158,487,917
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Total present indebtedness

	24,909,576

Margin for additional borrowing

	\$ 133,578,341

Combining Statements

TOWN OF ELLINGTON
COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	<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	\$ 338,790	\$ -	\$ -	\$ 338,790
Investments	349,220	96,983	628,309	1,074,512
Receivables:				
Grants and contracts receivable	127,238	147,595	-	274,833
Other	55,900	-	2,294	58,194
Due from other funds	15,004	287,192	-	302,196
Inventories	9,320	-	-	9,320
Total assets	<u>\$ 895,472</u>	<u>\$ 531,770</u>	<u>\$ 630,603</u>	<u>\$ 2,057,845</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 34,983	\$ -	\$ 631	\$ 35,614
Due to other funds	142,766	442,193	-	584,959
Deferred revenue	36,345	-	-	36,345
Due to funding source	9,902	-	-	9,902
Total liabilities	<u>223,996</u>	<u>442,193</u>	<u>631</u>	<u>666,820</u>
Fund Balances:				
Reserved for:				
Inventories	9,320	-	-	9,320
Sanitation	41,396	-	-	41,396
Document preservation	16,694	-	-	16,694
Endowments	-	-	52,497	52,497
Unreserved	604,066	89,577	577,475	1,271,118
Total fund balances	<u>671,476</u>	<u>89,577</u>	<u>629,972</u>	<u>1,391,025</u>
Total liabilities and fund balances	<u>\$ 895,472</u>	<u>\$ 531,770</u>	<u>\$ 630,603</u>	<u>\$ 2,057,845</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, 2004

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ 954,013	\$ 102,229	\$ -	\$ 1,056,242
Charges for services	358,450	-	-	358,450
Food sales	474,565	-	-	474,565
Interest and dividends	5,039	691	26,610	32,340
Other income	4,807	-	31,606	36,413
Total revenues	<u>1,796,874</u>	<u>102,920</u>	<u>58,216</u>	<u>1,958,010</u>
EXPENDITURES				
Current:				
Miscellaneous	-	-	6,238	6,238
Program expenditures	1,561,592	-	1,995	1,563,587
Capital outlays	-	648,291	-	648,291
Total expenditures	<u>1,561,592</u>	<u>648,291</u>	<u>8,233</u>	<u>2,218,116</u>
Excess (deficiency) of revenues over expenditures	235,282	(545,371)	49,983	(260,106)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	158,000	-	158,000
Premium on bonds issued	-	19	-	19
Transfers out	(221,898)	(28,753)	-	(250,651)
Total other financing sources (uses)	<u>(221,898)</u>	<u>129,266</u>	<u>-</u>	<u>(92,632)</u>
Net change in fund balances	13,384	(416,105)	49,983	(352,738)
Fund balances - beginning	<u>658,092</u>	<u>505,682</u>	<u>579,989</u>	<u>1,743,763</u>
Fund balances - ending	<u>\$ 671,476</u>	<u>\$ 89,577</u>	<u>\$ 629,972</u>	<u>\$ 1,391,025</u>

*Special Revenue
Funds*

**TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004**

	CRRR Sanitation Control	Forfeited Assets	Dog Fund	Education Grants	School Lunch	Ambulance Fee Program	Youth Service Bureau	HUD		HUD Small Cities Housing Rehab Program	HUD Small Cities Rehab 2002
								\$	10		
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 38,925	\$ 159,634	\$ 11,157	\$ -	\$ -	\$ 67,324	\$ 10	\$ -
Investments	41,396	-	-	-	-	291,223	-	-	-	-	-
Receivables:											
Grants and contracts receivable	-	-	-	1,350	1,518	-	-	-	-	-	62,802
Other	-	-	-	-	-	55,900	-	-	-	-	-
Due from other funds	-	-	9,902	566	-	-	4,443	-	-	-	-
Inventories	-	-	-	-	9,320	-	-	-	-	-	-
Total assets	\$ 41,396	\$ -	\$ 9,902	\$ 40,841	\$ 170,472	\$ 358,280	\$ 4,443	\$ -	\$ 67,324	\$ 62,812	\$ 62,812
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 4,496	\$ 9,506	\$ 163	\$ -	\$ -	\$ -	\$ 14,842	\$ -
Due to other funds	-	-	-	-	16,466	21,521	-	-	623	47,970	-
Deferred revenue	-	-	-	36,345	-	-	-	-	-	-	-
Due to funding source	-	-	9,902	-	-	-	-	-	-	-	-
Total liabilities	\$ -	\$ -	\$ 9,902	\$ 40,841	\$ 25,972	\$ 21,684	\$ -	\$ 623	\$ 623	\$ -	\$ 62,812
Fund Balances:											
Reserved for:											
Inventories	-	-	-	-	9,320	-	-	-	-	-	-
Sanitation	41,396	-	-	-	-	-	-	-	-	-	-
Document preservation	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	135,180	336,596	4,443	-	66,701	-	-
Total fund balances	\$ 41,396	\$ -	\$ -	\$ -	\$ 144,500	\$ 336,596	\$ 4,443	\$ -	\$ 66,701	\$ -	\$ -
Total liabilities and fund balances	\$ 41,396	\$ -	\$ 9,902	\$ 40,841	\$ 170,472	\$ 358,280	\$ 4,443	\$ -	\$ 67,324	\$ 62,812	\$ 62,812

TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2004

	Historic Document Preservation	STEAP McKnight House	STEAP Snipsic Village Renovation	Small Cities Program Income	Small Cities Snipsic Village	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 61,730	\$ 10	\$ 338,790
Investments	16,601	-	-	-	-	349,220
Receivables:						
Grants and contracts receivable	-	10,718	44,042	-	6,808	127,238
Other	-	-	-	-	-	55,900
Due from other funds	93	-	-	-	-	15,004
Inventories	-	-	-	-	-	9,320
Total assets	\$ 16,694	\$ 10,718	\$ 44,042	\$ 61,730	\$ 6,818	\$ 895,472

LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 888	\$ 4,708	\$ 380	\$ -	\$ 34,983
Due to other funds	-	9,830	39,334	204	6,818	142,766
Deferred revenue	-	-	-	-	-	36,345
Due to funding source	-	-	-	-	-	9,902
Total liabilities	-	10,718	44,042	584	6,818	223,996

Fund Balances:						
Reserved for:						
Inventories	-	-	-	-	-	9,320
Sanitation	-	-	-	-	-	41,396
Document preservation	16,694	-	-	-	-	16,694
Unreserved	-	-	-	61,146	-	604,066
Total fund balances	16,694	-	-	61,146	-	671,476
Total liabilities and fund balances	\$ 16,694	\$ 10,718	\$ 44,042	\$ 61,730	\$ 6,818	\$ 895,472

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCE FUNDS
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	CRRRA 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 2002
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ 488,752	\$ 94,851	\$ -	\$ 14,000	\$ -	\$ 198,014
Charges for services	-	-	71,783	-	-	179,920	-	41,201	-
Food sales	-	-	-	-	474,565	-	-	-	-
Interest and dividends	296	4	-	-	1,582	2,838	-	131	-
Other income	-	-	-	-	-	-	-	-	-
Total revenues	296	4	71,783	488,752	570,998	182,758	14,000	41,332	198,014
EXPENDITURES									
Current:									
Program expenditures	-	603	71,783	488,752	562,294	34,116	20,419	4,980	198,014
Total expenditures	-	603	71,783	488,752	562,294	34,116	20,419	4,980	198,014
Excess (deficiency) of revenues over expenditures	296	(599)	-	-	8,704	148,642	(6,419)	36,352	-
OTHER FINANCING USES									
Transfers out	-	-	-	-	-	(221,898)	-	-	-
Net change in fund balances	296	(599)	-	-	8,704	(73,256)	(6,419)	36,352	-
Fund balances - beginning	41,100	599	-	-	135,796	409,852	10,862	30,349	-
Fund balances - ending	\$ 41,396	\$ -	\$ -	\$ -	\$ 144,500	\$ 336,596	\$ 4,443	\$ 66,701	\$ -

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCES (Continued)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Historic Document Preservation	STEAP McKnight House	STEAP Snipsic Village Renovation	Small Cities Program Income	Small Cities Snipsic Village	Total Nonmajor Special Revenue Funds
REVENUES						
Intergovernmental	\$ -	\$ 10,718	\$ 97,651	\$ -	\$ 50,027	\$ 954,013
Charges for services	-	-	450	65,096	-	358,450
Food sales	-	-	-	-	-	474,565
Interest and dividends	88	-	-	100	-	5,039
Other income	4,807	-	-	-	-	4,807
Total revenues	<u>4,895</u>	<u>10,718</u>	<u>98,101</u>	<u>65,196</u>	<u>50,027</u>	<u>1,796,874</u>
EXPENDITURES						
Current:						
Program expenditures	-	10,718	98,101	21,785	50,027	1,561,592
Total expenditures	<u>-</u>	<u>10,718</u>	<u>98,101</u>	<u>21,785</u>	<u>50,027</u>	<u>1,561,592</u>
Excess (deficiency) of revenues over expenditures	4,895	-	-	43,411	-	235,282
OTHER FINANCING USES						
Transfers out	-	-	-	-	-	(221,898)
Net changes in fund balances	4,895	-	-	43,411	-	13,384
Fund balances - beginning	11,799	-	-	17,735	-	658,092
Fund balances - ending	<u>\$ 16,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,146</u>	<u>\$ -</u>	<u>\$ 671,476</u>

*Capital Projects
Funds*

TOWN OF ELLINGTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2004

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
ASSETS						
Investments	\$ 22,031	\$ -	\$ 6,270	\$ -	\$ 15,725	\$ 52,957
Grants and contract receivables	-	101,760	-	45,835	-	-
Due from other funds	-	-	-	65,962	-	-
Total assets	\$ 22,031	\$ 101,760	\$ 6,270	\$ 111,797	\$ 15,725	\$ 52,957
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ -	\$ 101,760	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ 101,760	\$ -	\$ -	\$ -	\$ -
Fund Balances:						
Unreserved	22,031	-	6,270	111,797	15,725	52,957
Total fund balances	22,031	-	6,270	111,797	15,725	52,957
Total liabilities and fund balances	\$ 22,031	\$ 101,760	\$ 6,270	\$ 111,797	\$ 15,725	\$ 52,957

TOWN OF ELLINGTON
COMBINING BALANCE SHEET (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2004

	Windermere School Addition	Liebeman Property	Windermere Relocation Bridge	Airport Industrial Sewer Area	82 Maple Street Property	Total Nonmajor Capital Projects Funds
ASSETS						
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,983
Grants and contract receivables	-	-	-	-	-	147,595
Due from other funds	-	-	221,230	-	-	287,192
Total assets	\$ -	\$ -	\$ 221,230	\$ -	\$ -	\$ 531,770
LIABILITIES AND FUND BALANCES (DEFICIT)						
Liabilities:						
Due to other funds	\$ 68,724	\$ -	\$ -	\$ 271,709	\$ -	\$ 442,193
Total liabilities	68,724	-	-	271,709	-	442,193
Fund Balances (Deficit):						
Unreserved	(68,724)	-	221,230	(271,709)	-	89,577
Total fund balances (deficit)	(68,724)	-	221,230	(271,709)	-	89,577
Total liabilities and fund balances (deficit)	\$ -	\$ -	\$ 221,230	\$ -	\$ -	\$ 531,770

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
REVENUES						
Intergovernmental	\$ -	\$ 101,760	-	469	\$ -	\$ -
Interest and dividends	157	-	45	-	112	377
Total revenues	157	101,760	45	469	112	377
EXPENDITURES						
Capital outlays	-	101,760	-	970	-	-
Total expenditures	-	101,760	-	970	-	-
Excess (deficiency) of revenues over expenditures	157	-	45	(501)	112	377
OTHER FINANCING SOURCES (USES)						
Bonds and notes issued	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	157	-	45	(501)	112	377
Fund balances - beginning	21,874	-	6,225	112,298	15,613	52,580
Fund balances - ending	\$ 22,031	\$ -	\$ 6,270	\$ 111,797	\$ 15,725	\$ 52,957

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Windermere School Addition	Liebeman Property	Windermere Relocation Bridge	Airport Industrial Sewer Area	82 Maple Street Property	Total Nonmajor Capital Projects Funds
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,229
Interest and dividends	-	-	-	-	-	691
Total revenues	-	-	-	-	-	102,920
EXPENDITURES						
Capital outlays	29,316	-	155,453	207,837	152,955	648,291
Total expenditures	29,316	-	155,453	207,837	152,955	648,291
Excess (deficiency) of revenues over expenditures	(29,316)	-	(155,453)	(207,837)	(152,955)	(545,371)
OTHER FINANCING SOURCES (USES)						
Bonds and notes issued	-	-	-	-	158,000	158,000
Premium on bonds issued	-	-	-	-	19	19
Transfers out	-	(23,689)	-	-	(5,064)	(28,753)
Total other financing sources (uses)	-	(23,689)	-	-	152,955	129,266
Net change in fund balances	(29,316)	(23,689)	(155,453)	(207,837)	-	(416,105)
Fund balances - beginning	(39,408)	23,689	376,683	(63,872)	-	505,682
Fund balances - ending	(68,724)	\$ -	\$ 221,230	\$ (271,709)	\$ -	\$ 89,577

*Permanent
Funds*

**TOWN OF ELLINGTON
COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2004**

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
ASSETS						
Investments	\$ 349,578	\$ 64,797	\$ 12,998	\$ 135	\$ 270	\$ 675
Other receivables	1,272	245	49	-	-	-
Total assets	<u>\$ 350,850</u>	<u>\$ 65,042</u>	<u>\$ 13,047</u>	<u>\$ 135</u>	<u>\$ 270</u>	<u>\$ 675</u>

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 35	\$ 70	\$ 175
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>70</u>	<u>175</u>

Fund Balances:

Reserved for endowments	29,697	5,000	1,000	100	200	500
Unreserved	321,153	60,042	12,047	-	-	-
Total fund balances	<u>350,850</u>	<u>65,042</u>	<u>13,047</u>	<u>100</u>	<u>200</u>	<u>500</u>
Total liabilities and fund balances	<u>\$ 350,850</u>	<u>\$ 65,042</u>	<u>\$ 13,047</u>	<u>\$ 135</u>	<u>\$ 270</u>	<u>\$ 675</u>

TOWN OF ELLINGTON
COMBINING BALANCE SHEET (Continued)
NONMAJOR PERMANENT FUNDS
JUNE 30, 2004

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
ASSETS				
Investments	\$ 62,742	\$ 135,763	\$ 1,351	\$ 628,309
Other receivables	214	514	-	2,294
Total assets	<u>\$ 62,956</u>	<u>\$ 136,277</u>	<u>\$ 1,351</u>	<u>\$ 630,603</u>

LIABILITIES AND FUND BALANCES

Liabilities				
Accounts payable	\$ -	\$ -	\$ 351	\$ 631
Total liabilities	<u>-</u>	<u>-</u>	<u>351</u>	<u>631</u>
Fund Balances:				
Reserved for endowments	5,000	10,000	1,000	52,497
Unreserved	57,956	126,277	-	577,475
Total fund balances	<u>62,956</u>	<u>136,277</u>	<u>1,000</u>	<u>629,972</u>
Total liabilities and fund balances	<u>\$ 62,956</u>	<u>\$ 136,277</u>	<u>\$ 1,351</u>	<u>\$ 630,603</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
REVENUES						
Interest and dividends	\$ 22,361	\$ 791	\$ 157	\$ 1	\$ 2	\$ 5
Other income	9,383	5,604	1,124	-	-	-
Total revenues	<u>31,744</u>	<u>6,395</u>	<u>1,281</u>	<u>1</u>	<u>2</u>	<u>5</u>
EXPENDITURES						
Current:						
Program expenditures	-	765	153	1	2	5
Miscellaneous	3,968	-	-	-	-	-
Total expenditures	<u>3,968</u>	<u>765</u>	<u>153</u>	<u>1</u>	<u>2</u>	<u>5</u>
Excess of revenues over expenditures	27,776	5,630	1,128	-	-	-
Fund balances - beginning	<u>323,074</u>	<u>59,412</u>	<u>11,919</u>	<u>100</u>	<u>200</u>	<u>500</u>
Fund balances - ending	<u>\$ 350,850</u>	<u>\$ 65,042</u>	<u>\$ 13,047</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, 2004

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
REVENUES				
Interest and dividends	\$ 1,625	\$ 1,658	\$ 10	\$ 26,610
Other income	3,754	11,741	-	31,606
Total revenues	<u>5,379</u>	<u>13,399</u>	<u>10</u>	<u>58,216</u>
EXPENDITURES				
Current:				
Program expenditures	1,059	-	10	1,995
Miscellaneous	668	1,602	-	6,238
Total expenditures	<u>1,727</u>	<u>1,602</u>	<u>10</u>	<u>8,233</u>
Excess of revenues over expenditures	3,652	11,797	-	49,983
Fund balances - beginning	<u>59,304</u>	<u>124,480</u>	<u>1,000</u>	<u>579,989</u>
Fund balances - ending	<u>\$ 62,956</u>	<u>\$ 136,277</u>	<u>\$ 1,000</u>	<u>\$ 629,972</u>

*Proprietary
Funds*

TOWN OF ELLINGTON
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2004

	<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 \$3,100	\$ 18,738	\$ -	\$ 18,738
Deferred assessments	-	52,764	52,764
Total assets	<u>18,738</u>	<u>52,764</u>	<u>71,502</u>
LIABILITIES			
Deferred revenue	-	52,764	52,764
Due to other funds	4,990	133,769	138,759
Total liabilities	<u>4,990</u>	<u>186,533</u>	<u>191,523</u>
NET ASSETS			
Unrestricted (deficit)	13,748	(133,769)	(120,021)
Total net assets	<u>\$ 13,748</u>	<u>\$ (133,769)</u>	<u>\$ (120,021)</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Solid Waste Collection	Watermains, Tripp and Middle Roads	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Assessments	\$ -	\$ 2,303	\$ 2,303
Solid waste fees	359,401	-	359,401
Total operating revenues	<u>359,401</u>	<u>2,303</u>	<u>361,704</u>
OPERATING EXPENSES			
Public works and administrative expenses	346,926	-	346,926
Other	579	-	579
Total operating expenses	<u>347,505</u>	<u>-</u>	<u>347,505</u>
Change in net assets	11,896	2,303	14,199
Net assets (deficit) - beginning	<u>1,852</u>	<u>(136,072)</u>	<u>(134,220)</u>
Net assets (deficit) - ending	<u>\$ 13,748</u>	<u>\$ (133,769)</u>	<u>\$ (120,021)</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Solid Waste Collection	Watermains, Tripp and Middle Roads	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 357,023	\$ 2,303	\$ 359,326
Payments for interfund services provided	(9,518)	(2,303)	(11,821)
Payments to suppliers	(347,505)	-	(347,505)
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 to net cash provided by (used in) operating activities:			
Operating income	\$ 11,896	\$ 2,303	\$ 14,199
(Increase) decrease in assets:			
Sewer usage receivable, net	(2,378)	-	(2,378)
Deferred assessments	-	2,140	2,140
Increase (decrease) in liabilities:			
Deferred revenue	-	(2,140)	(2,140)
Due to other funds	(9,518)	(2,303)	(11,821)
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, 2004

GRAND LIST YEAR	UNCOLLECTED USER CHARGES JUNE 30, 2003 & CURRENT LEVY	LAWFUL CORRECTIONS	USER CHARGES COLLECTIBLE	ACTUAL CASH COLLECTIONS			REFUNDS	UNCOLLECTED USER CHARGES JUNE 30, 2004
				USER CHARGES	INTEREST	LIEN FEES		
2003	\$ 924,482	\$ (758)	\$ 923,724	\$ 873,254	\$ 3,895	\$ -	\$ 877,149	\$ 50,828
2002	57,060	143	57,203	32,305	4,335	960	37,600	24,444
2001	18,887	(4)	18,883	6,058	1,886	744	8,688	12,825
2000	11,876	-	11,876	2,965	1,625	312	4,902	8,911
1999	7,086	-	7,086	2,124	1,171	288	3,583	4,962
1998	4,453	-	4,453	1,857	1,357	192	3,406	2,596
1997	2,464	-	2,464	766	745	119	1,630	1,698
1996	2,146	-	2,146	698	675	120	1,493	1,448
1995	1,448	-	1,448	390	591	48	1,029	1,058
1994	814	-	814	126	69	24	219	688
1993	696	-	696	-	-	-	-	696
1992	740	-	740	-	-	-	-	740
1991	700	-	700	-	-	-	-	700
1990	537	-	537	-	-	-	-	537
	<u>\$ 1,033,389</u>	<u>\$ (619)</u>	<u>\$ 1,032,770</u>	<u>\$ 920,543</u>	<u>\$ 16,349</u>	<u>\$ 2,807</u>	<u>\$ 939,699</u>	<u>\$ 112,131</u>

*Fiduciary
Funds*

TOWN OF ELLINGTON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2004

	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	\$ -	\$ -	\$ -	\$ 44,805	\$ -	\$ -	\$ -	\$ -
Investments	15,473	1,943	21,886	-	-	-	8,815	10,856
Other receivables	-	-	-	-	-	-	-	-
Total assets	<u>15,473</u>	<u>1,943</u>	<u>21,886</u>	<u>44,805</u>	<u>-</u>	<u>-</u>	<u>8,815</u>	<u>10,856</u>
LIABILITIES								
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS								
Held in trust for other purposes	<u>\$ 15,473</u>	<u>\$ 1,943</u>	<u>\$ 21,886</u>	<u>\$ 44,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,815</u>	<u>\$ 10,856</u>

TOWN OF ELLINGTON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS (Continued)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2004

	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	\$ 414	\$ 15,241	\$ -	\$ -	\$ -	\$ -	\$ 60,460
Investments	9,546	-	129,520	5,152	10,246	163,445	376,882
Other receivables	-	-	490	20	39	-	549
Total assets	<u>9,960</u>	<u>15,241</u>	<u>130,010</u>	<u>5,172</u>	<u>10,285</u>	<u>163,445</u>	<u>437,891</u>
LIABILITIES							
Due to other funds	869	-	-	-	-	-	869
Total liabilities	<u>869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>869</u>
NET ASSETS							
Held in trust for other purposes	\$ 9,091	\$ 15,241	\$ 130,010	\$ 5,172	\$ 10,285	\$ 163,445	\$ 437,022

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	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	\$ -	\$ -	\$ -	\$ 38,542	\$ -	\$ -	\$ -	\$ -
Other income	1,000	-	-	16,094	-	-	-	-
Total contributions	1,000	-	-	54,636	-	-	-	-
Investment earnings:								
Interest	104	14	156	205	1	1	72	81
Net increase in the fair value of investments	-	-	-	-	-	-	-	-
Total investment earnings	104	14	156	205	1	1	72	81
Total additions	1,104	14	156	54,841	1	1	72	81
DEDUCTIONS								
Program expenditures	-	-	-	56,883	109	111	1,341	500
Total deductions	-	-	-	56,883	109	111	1,341	500
Change in net assets	1,104	14	156	(2,042)	(108)	(110)	(1,269)	(419)
Net Assets Held in Trust for Others:								
Beginning	14,369	1,929	21,730	46,847	108	110	10,084	11,275
Ending	\$ 15,473	\$ 1,943	\$ 21,886	\$ 44,805	\$ -	\$ -	\$ 8,815	\$ 10,856

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (Continued)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Memorial Myrtle Eddy	Hall Memorial Moriarty	Open Space	Total Private Purpose Trust Funds
ADDITIONS							
Private donations	\$ 15,795	\$ -	\$ -	\$ -	\$ -	\$ 59,211	\$ 113,548
Other income	-	91,313	2,610	-	-	-	111,017
Total contributions	15,795	91,313	2,610	-	-	59,211	224,565
Investment earnings:							
Interest	63	-	1,963	159	317	787	3,923
Net increase in the fair value of investments	-	-	8,209	327	650	-	9,186
Total investment earnings	63	-	10,172	486	967	787	13,109
Total additions	15,858	91,313	12,782	486	967	59,998	237,674
DEDUCTIONS							
Program expenditures	16,090	94,467	1,528	142	283	-	171,454
Total deductions	16,090	94,467	1,528	142	283	-	171,454
Change in net assets	(232)	(3,154)	11,254	344	684	59,998	66,220
Net Assets Held in Trust for Others:							
Beginning	9,323	18,395	118,756	4,828	9,601	103,447	370,802
Ending	\$ 9,091	\$ 15,241	\$ 130,010	\$ 5,172	\$ 10,285	\$ 163,445	\$ 437,022

TOWN OF ELLINGTON
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Balance,</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2004</u>
CASH AND CASH EQUIVALENTS				
Ellington Center School	\$ 4,121	\$ 12,292	\$ 8,992	\$ 7,421
Ellington High School	49,738	396,368	363,750	82,356
Ellington School Use Activity	33,978	7,962	9,229	32,711
Crystal Lake School	1,201	5,077	5,369	909
Windermere School	29,414	41,260	42,323	28,351
Special Education Preschool Department	13,095	26,828	22,148	17,775
Board of Education Educational Services	13,694	1,897	13,700	1,891
Special Education Petty Cash Reimbursement	518	6,890	6,892	516
Ellington Middle School	29,981	95,001	89,135	35,847
Special Education Account	300	12,541	12,541	300
Petty Cash - High School	571	-	69	502
Construction Performance Bonds	-	398,782	323,000	75,782
Total Assets	<u>\$ 176,611</u>	<u>\$ 1,004,898</u>	<u>\$ 897,148</u>	<u>\$ 284,361</u>
DUE TO OTHERS				
Ellington Center School	\$ 4,121	\$ 12,292	\$ 8,992	\$ 7,421
Ellington High School	49,738	396,368	363,750	82,356
Ellington School Use Activity	33,978	7,962	9,229	32,711
Crystal Lake School	1,201	5,077	5,369	909
Windermere School	29,414	41,260	42,323	28,351
Special Education Preschool Department	13,095	26,828	22,148	17,775
Board of Education Educational Services	13,694	1,897	13,700	1,891
Special Education Petty Cash Reimbursement	518	6,890	6,892	516
Ellington Middle School	29,981	95,001	89,135	35,847
Special Education Account	300	12,541	12,541	300
Petty Cash - High School	571	-	69	502
Due to Contractors	-	398,782	323,000	75,782
Total Liabilities	<u>\$ 176,611</u>	<u>\$ 1,004,898</u>	<u>\$ 897,148</u>	<u>\$ 284,361</u>

SINGLE AUDIT SECTION

Federal Single Audit Section

*Federal Internal
Control and
Compliance
Reports*



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

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, 2004, and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the 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 reportable 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 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.

COMPLIANCE AND OTHER MATTERS

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Carlson, Channon & Rosen, LLP

Glastonbury, Connecticut
February 15, 2005



CARLIN, CHARRON & ROSEN, LLP
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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, 2004. 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, 2004.

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 reportable 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 caused by error or fraud, 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, 2004, and have issued our report thereon dated February 15, 2005. 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.

Carlson, Cherson & Rosen, LLP

Glastonbury, Connecticut
February 15, 2005

*Schedule of
Expenditures
of Federal
Awards*

TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<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:			
Small Cities - Rehab - 2002	20030480010520201A	14.219	\$ 198,014
Small Cities Snipsic Village 2002	20030480020520201A	14.219	50,027
Total Department of Housing and Urban Development			<u>248,041</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through State of Connecticut			
Department of Education:			
IDEA - Part B, Section 611	962-300031101	84.027	102,735
IDEA - Part B, Section 611	962-400031101	84.027	101,331
			<u>204,066</u>
IDEA - Part B, Section 619	963-300031101	84.173	6,365
IDEA - Part B, Section 619	963-400031101	84.173	4,480
			<u>10,845</u>
Title IV Safe and Drug Free Schools	929-300030101	84.186	445
Title IV Safe and Drug Free Schools	929-400031101	84.186	5,850
			<u>6,295</u>
Title I Improving Basic Programs	861-300030101	84.010	50,998
Title I Improving Basic Programs	861-400030101	84.010	109,141
			<u>160,139</u>
Title V Innovative Education Strategies	942-300030101	84.298	986
Title V Innovative Education Strategies	942-400030101	84.298	11,806
			<u>12,792</u>
Title II Part A Teachers	924-300030101	84.367	238
Title II Part A Teachers	924-400030101	84.367	52,977
			<u>53,215</u>
Total Department of Education			<u>447,352</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, 2004

<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 AGRICULTURE			
Passed through State of Connecticut			
Department of Education:			
National School Lunch Program	520-400010001	10.555	\$ 52,731
National School Milk	501-400010001	10.555	<u>1,715</u>
			<u>54,446</u>
USDA Commodities	-	10.550	<u>32,152</u>
Total Department of Agriculture			<u>86,598</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through State of Connecticut			
Department of Transportation:			
State and Community Highway Safety	-	20.600	<u>6,664</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Connecticut Office of Policy and Management:			
Public Assistance Grants	-	97.036	31,311
Emergency Operations Centers	-	97.052	<u>2,232</u>
Total Department of Homeland Security			<u>33,543</u>
TOTAL FEDERAL ASSISTANCE EXPENDED			<u>\$ 822,198</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, 2004**

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 \$32,152 for the year ended June 30, 2004 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, 2004**

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:

CFDA Number	Name of Federal Program
14.218 / 14.219	CDBG - Entitlement and (HUD Administered) Small Cities Cluster

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

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, 2004, and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the 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 reportable 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 caused by error or fraud 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.

COMPLIANCE AND OTHER MATTERS

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, Channon & Rosen, LLP

Glastonbury, Connecticut
February 15, 2005



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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, 2004. 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, 2004.

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 reportable 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 caused by error or fraud 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, 2004, and have issued our report thereon dated February 15, 2005. 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.

Carlisle, Channon & Rosen, LLP

Glastonbury, Connecticut
February 15, 2005

*Schedule of
Expenditures of
State Financial
Assistance*

**TOWN OF ELLINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2004**

<u>STATE GRANTOR; PASS-THROUGH GRANTOR; PROGRAM TITLE</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Non-exempt Programs:		
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Direct:		
Small Town Economic Assistance Program	12052-ECD46000-42411	\$ 108,369
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	138,674
Mashantucket Pequot Fund Grant	11000-OPM20100-18010	79,227
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	5,025
Property Tax Relief for Elderly Homeowner - Freeze Program	11000-OPM20600-17021	72,873
Property Tax Relief for Veterans	11000-OPM20600-17024	13,326
Local Capital Improvement Program	12050-OPM20600-40254	101,760
Total Office of Policy and Management		<u>410,885</u>
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grant	12001-DOT57000-17036	67,814
Ford Explorer Grant	12001-DOT57000-41206	31,938
		<u>99,752</u>
DEPARTMENT OF EDUCATION		
Direct:		
State Match	11000-SDE64370-16072	8,253
Youth Service Bureau	11000-SDE64370-17052	14,000
Magnet School Transportation	11000-SDE64370-17057	2,400
Adult Education	11000-SDE64370-17030	11,809
Interdistrict Cooperative	11000-SDE64370-17045	39,000
Total Department of Education		<u>75,462</u>
BOARD OF EDUCATION AND SERVICES FOR THE BLIND		
Direct:		
Tuition and Services - Public School Children	11000-ESB65020-12060	33,042
CONNECTICUT STATE LIBRARY		
Direct:		
Connecticard	11000-CSL66051-17010	2,233
State Grants to Free Public Libraries	11000-CSL66051-17003	1,791
Historical Documents Preservation	12060-CSL66094-35150	7,000
Total Connecticut State Library		<u>11,024</u>
STATE COMPTROLLER		
Direct:		
Boat Grant	12027-OSC15910-40211	3,849
Total Non-exempt programs		<u>742,383</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, 2004

<u>STATE GRANTOR; PASS-THROUGH GRANTOR; PROGRAM TITLE</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Exempt Programs:		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	\$ 7,710,482
Public School Transportation	11000-SDE64370-17027	322,629
Excess Cost - Student Based	11000-SDE64370-17047	330,848
School Construction Grants	13009-SDE64370-40896	213,970
School Building Projects	13010-SDE44370-40901	2,556,201
		<u>11,134,130</u>
 TOTAL STATE FINANCIAL ASSISTANCE		 <u><u>\$ 11,876,513</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, 2004

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2004**

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 Core-CT Number	Expenditures
Office of Policy and Management		
Property Tax Relief for Manufacturing and Equipment	11000-OPM20600-17031	\$138,674
Local Capital Improvement Program	12050-OPM20600-40254	101,760
Mashantucket Pequot Fund	11000-OPM20100-18010	79,227
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46000-42411	108,369

TOWN OF ELLINGTON
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2004

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

- We issued a report dated February 15, 2005 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- 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.