

# **TOWN OF ELLINGTON**

**BASIC FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2006**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**AND**

**FEDERAL AND STATE  
SINGLE AUDIT REPORTS**



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

**TOWN OF ELLINGTON  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Other Financing Sources - Budget and Actual - Budgetary Basis - General Fund	24
Proprietary Fund Financial Statements	
Statement of Net Assets	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets	26
Statement of Cash Flows	27
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
Notes to the Financial Statements	30

**TOWN OF ELLINGTON**  
**TABLE OF CONTENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

	<u>Page</u>
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</b>	
Governmental Funds	
General Fund	
Schedule of Revenues - Budget and Actual	54
Schedule of Expenditures - Budget and Actual	56
Schedule of Property Taxes Levied, Collected and Outstanding	60
Schedule of Debt Limitation	61
Combining Statements	
Combining Balance Sheet By Fund Type - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances By Fund Type - Nonmajor Governmental Funds	63
Special Revenue Funds	
Combining Balance Sheet - Nonmajor Special Revenue Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds	66
Capital Projects Funds	
Combining Balance Sheet - Nonmajor Capital Projects Funds	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Capital Projects Funds	70
Permanent Funds	
Combining Balance Sheet - Nonmajor Permanent Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Permanent Funds	74
Proprietary Funds	
Enterprise Funds	
Combining Statement of Net Assets (Deficit) - Nonmajor Enterprise Funds	76
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit) - Nonmajor Enterprise Funds	77
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	78
Schedule of Sewer Usage Charges Levied, Collected and Outstanding	79
Fiduciary Funds	
Private Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets	80
Combining Statement of Changes in Fiduciary Net Assets	82
Agency Funds	
Combining Statement of Changes in Fiduciary Assets and Liabilities	84

**TOWN OF ELLINGTON**  
**TABLE OF CONTENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

Page

**SINGLE AUDIT SECTION**

**FEDERAL SINGLE AUDIT SECTION**

**Federal Internal Control and Compliance Reports**

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* 85

Report on Compliance with Requirements Applicable to Each Major Program, and on  
Internal Control over Compliance in Accordance with OMB Circular A-133 87

**Schedule of Expenditures of Federal Awards**

Schedule of Expenditures of Federal Awards 89

Notes to Schedule of Expenditures of Federal Awards 91

**Federal Findings and Questioned Costs**

Schedule of Federal Findings and Questioned Costs 92

**STATE SINGLE AUDIT SECTION**

**State Internal Control and Compliance Reports**

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* 93

Report on Compliance with Requirements Applicable to Each Major Program, and on  
Internal Control over Compliance in Accordance with the State Single Audit Act 95

**Schedule of Expenditures of State Financial Assistance**

Schedule of Expenditures of State Financial Assistance 97

Note to Schedule of Expenditures of State Financial Assistance 99

**Schedule of State Findings and Questioned Costs**

Schedule of State Findings and Questioned Costs 100

**Independent  
Auditors'  
Report**

## 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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules of federal awards and state financial assistance are presented for additional purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Act and are not required parts of the basic financial statements. In addition, the combining and individual fund statements and schedules on pages 54 through 84 are presented for additional analysis 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.

Our audit was performed 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 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, Chanson & Rosen, LLP*

Glastonbury, Connecticut  
December 18, 2006

# **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, 2006.

## FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$58,879,248 (net assets). Of this amount, \$7,703,618 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's changes in net assets for the year ended June 30, 2006 amounted to \$2,497,101 or 4.4% in comparison to the prior year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,115,519, an increase of \$1,553,871 in comparison with the prior year. This increase is due to greater than budgeted growth in the grand list, actual revenues from the Building Department in excess of the budgeted amount and less than expected energy costs. Of this amount 14.3% or \$589,458 of governmental ending fund balances are available for spending at the Town's discretion (unreserved and undesignated fund balance).
- At the end of the close of the current fiscal year, unreserved fund balance for the general fund was \$1,192,344 or 3.1% of total general fund expenditures. Designations of unreserved fund balance for future "Capital Reserves", other "Capital and Nonrecurring" and post employment benefits requirements totaled \$3,247,960 at June 30, 2006.
- The Town's total long-term bonded debt had a net decrease of \$2,039,900 or 8.5% during the current fiscal year due to the regularly scheduled principal repayments.
- 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 Projects" totaled \$2,067,608, or 5.3% of the budgetary expenditures for the year ended June 30, 2006.

# 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*)**

##### ***Government Funds (Continued)***

The Town maintains 32 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 Fund, both of which are considered to be major funds. Data from the other 30 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 Fund, the Hockanum River Fund and the Crystal Lake Sewers Fund, 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 30-53 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 54-84 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 \$58,879,248 and \$54,184,646 for the years ended June 30, 2006 and 2005, respectively, and are summarized as follows:

**Town of Ellington**  
**Net Assets**  
**June 30, 2006**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,109,441	\$ 5,363,329	\$ 12,472,770
Capital assets	61,986,798	10,562,654	72,549,452
Total assets	<u>69,096,239</u>	<u>15,925,983</u>	<u>85,022,222</u>
Long-term debt outstanding	21,685,930	1,784,500	23,470,430
Other liabilities	1,377,507	1,295,037	2,672,544
Total liabilities	<u>23,063,437</u>	<u>3,079,537</u>	<u>26,142,974</u>
Net assets:			
Invested in capital assets, net of related debt	41,445,460	9,062,655	50,508,115
Restricted	667,515	-	667,515
Unrestricted	3,919,827	3,783,791	7,703,618
Total net assets	<u>\$ 46,032,802</u>	<u>\$ 12,846,446</u>	<u>\$ 58,879,248</u>

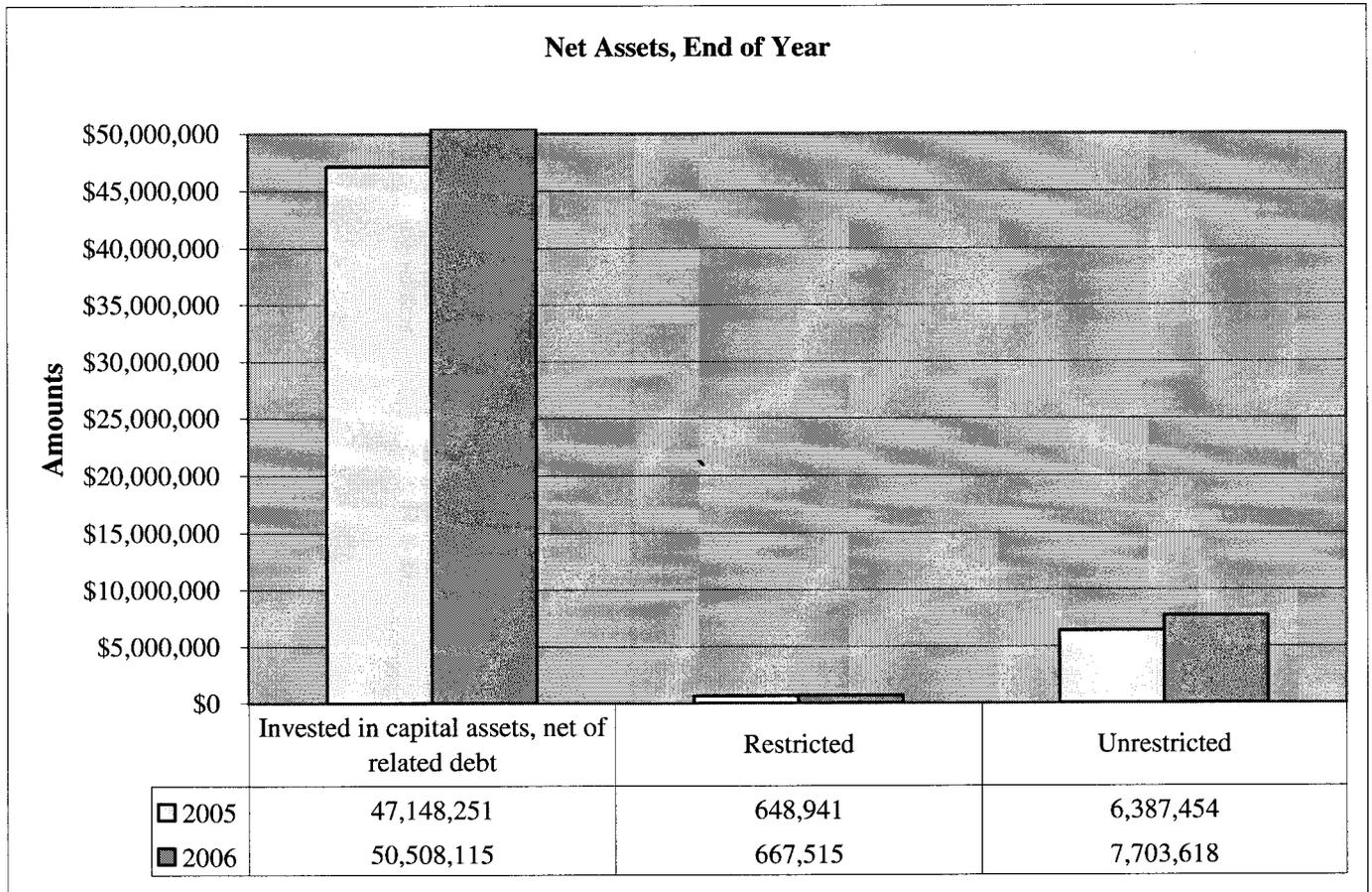
**Town of Ellington**  
**Net Assets**  
**June 30, 2005**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 6,770,102	\$ 4,827,105	\$ 11,597,207
Capital assets	60,588,615	10,786,177	71,374,792
Total assets	<u>67,358,717</u>	<u>15,613,282</u>	<u>82,971,999</u>
Long-term debt outstanding	23,097,242	2,066,900	25,164,142
Other liabilities	2,372,264	1,250,947	3,623,211
Total liabilities	<u>25,469,506</u>	<u>3,317,847</u>	<u>28,787,353</u>
Net assets:			
Invested in capital assets, net of related debt	38,428,875	8,719,376	47,148,251
Restricted	648,941	-	648,941
Unrestricted	2,811,395	3,576,059	6,387,454
Total net assets	<u>\$ 41,889,211</u>	<u>\$ 12,295,435</u>	<u>\$ 54,184,646</u>

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Assets (Continued)**



85.8% 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.

1.1% 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 \$2,497,101 or 4.4% in comparison to the prior year.

**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, 2006 and 2005 are as follows:

**Town of Ellington**  
**Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,600,879	\$ 2,139,463	\$ 4,740,342
Operating grants and contributions	11,278,664	-	11,278,664
Capital grants and contributions	1,085,252	-	1,085,252
General revenues:			
Property taxes	25,849,018	-	25,849,018
Grants and contributions not restricted	409,783	-	409,783
Unrestricted investment earnings	311,471	47,564	359,035
Miscellaneous	220,164	69,016	289,180
Total revenues	<u>41,755,231</u>	<u>2,256,043</u>	<u>44,011,274</u>
Program expenses			
General government	2,122,268	-	2,122,268
Boards and agencies	214,020	-	214,020
Public safety	2,129,079	-	2,129,079
Public works	3,917,806	-	3,917,806
Recreation	371,902	-	371,902
Library	707,553	-	707,553
Social services	422,231	-	422,231
Town properties	307,641	-	307,641
Education	28,628,297	-	28,628,297
Interest on long-term debt	906,969	-	906,969
Sewer	-	1,786,407	1,786,407
Total expenses	<u>39,727,766</u>	<u>1,786,407</u>	<u>41,514,173</u>
Excess before transfers	2,027,465	469,636	2,497,101
Transfers	<u>(81,375)</u>	<u>81,375</u>	<u>-</u>
Change in net assets	1,946,090	551,011	2,497,101
Net assets - beginning, as originally reported	41,889,211	12,295,435	54,184,646
Adjustments	<u>2,197,501</u>	<u>-</u>	<u>2,197,501</u>
Net assets - beginning, as adjusted	<u>44,086,712</u>	<u>12,295,435</u>	<u>56,382,147</u>
Net assets - ending	<u>\$ 46,032,802</u>	<u>\$ 12,846,446</u>	<u>\$ 58,879,248</u>

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Assets (Continued)**

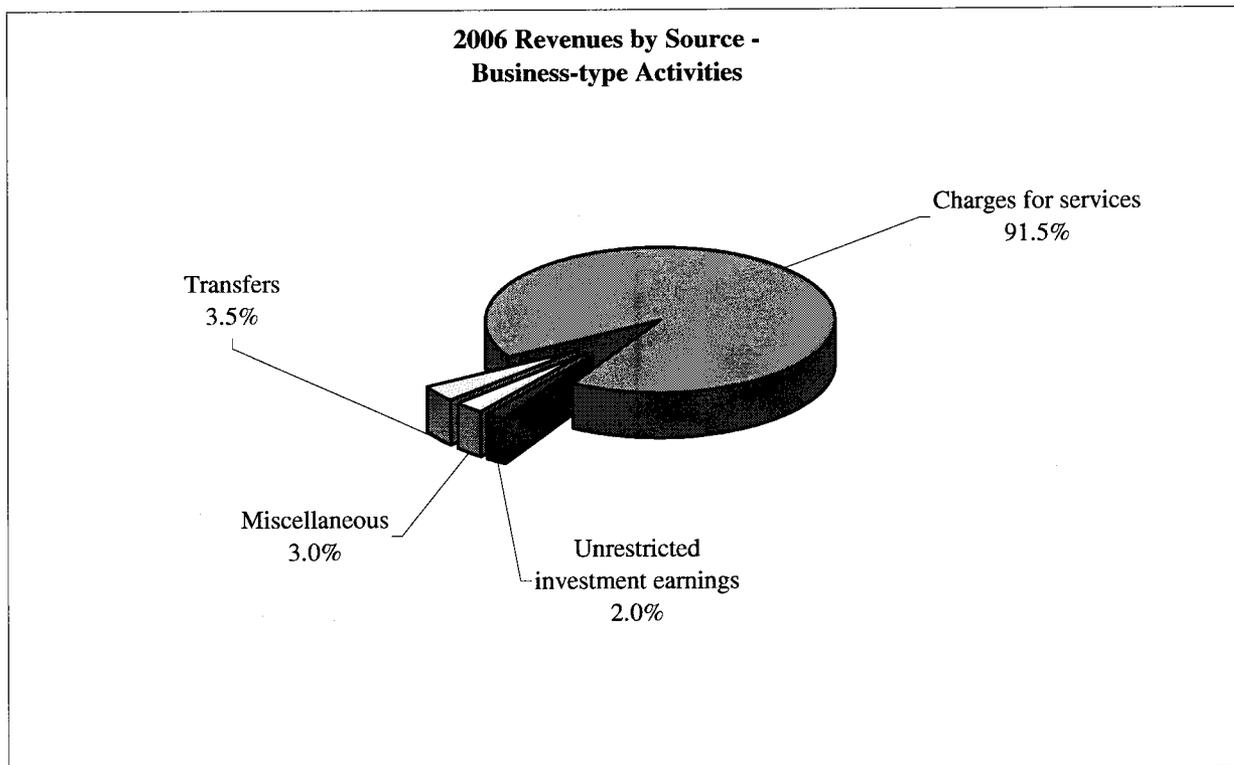
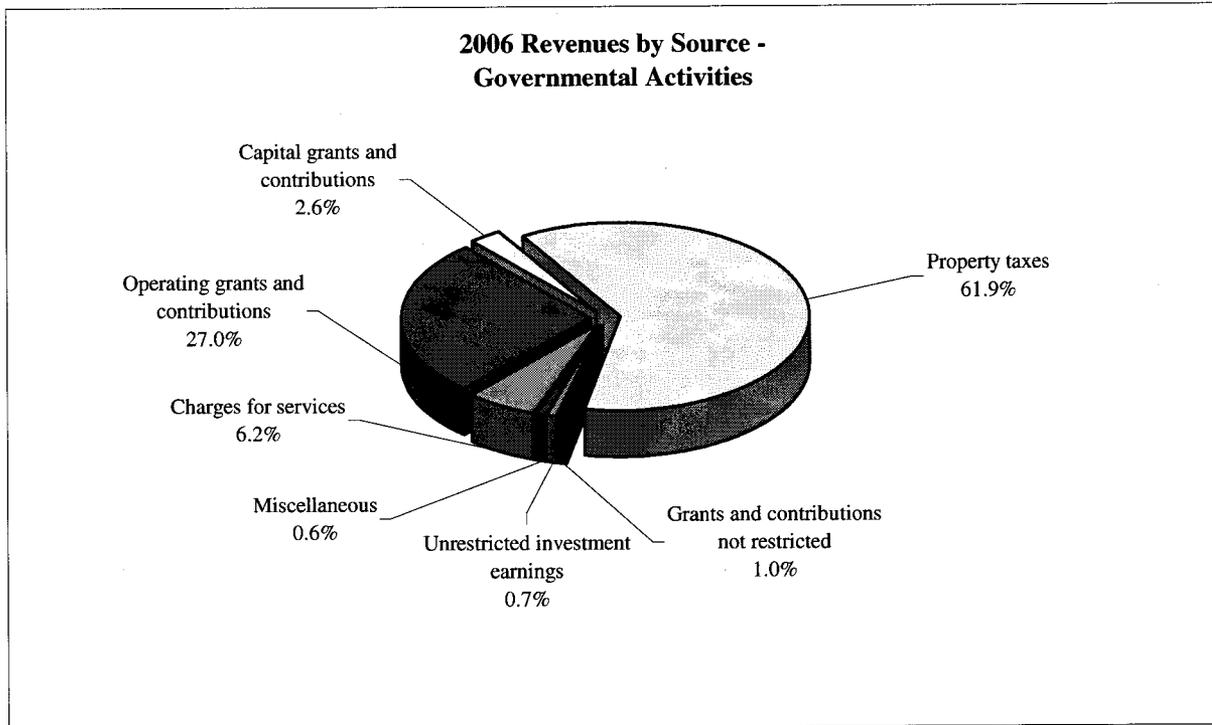
**Town of Ellington**  
**Changes in Net Assets**  
**For the Year Ended June 30, 2005**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,339,343	\$ 2,001,467	\$ 4,340,810
Operating grants and contributions	10,710,437	-	10,710,437
Capital grants and contributions	822,919	-	822,919
General revenues:			
Property taxes	24,238,969	-	24,238,969
Grants and contributions not restricted	402,374	-	402,374
Unrestricted investment earnings	164,934	19,856	184,790
Miscellaneous	91,446	55,719	147,165
Total revenues	<u>38,770,422</u>	<u>2,077,042</u>	<u>40,847,464</u>
Program expenses			
General government	2,252,985	-	2,252,985
Boards and agencies	1,014,173	-	1,014,173
Public safety	2,026,115	-	2,026,115
Public works	3,714,238	-	3,714,238
Recreation	321,129	-	321,129
Library	635,369	-	635,369
Social services	428,371	-	428,371
Town properties	298,235	-	298,235
Education	26,268,030	-	26,268,030
Interest on long-term debt	1,064,978	-	1,064,978
Sewer	-	1,760,486	1,760,486
Total expenses	<u>38,023,623</u>	<u>1,760,486</u>	<u>39,784,109</u>
Excess before transfers	746,799	316,556	1,063,355
Transfers	<u>(177,219)</u>	<u>177,219</u>	<u>-</u>
Change in net assets	569,580	493,775	1,063,355
Net assets - beginning	<u>41,319,631</u>	<u>11,801,660</u>	<u>53,121,291</u>
Net assets - ending	<u>\$ 41,889,211</u>	<u>\$ 12,295,435</u>	<u>\$ 54,184,646</u>

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

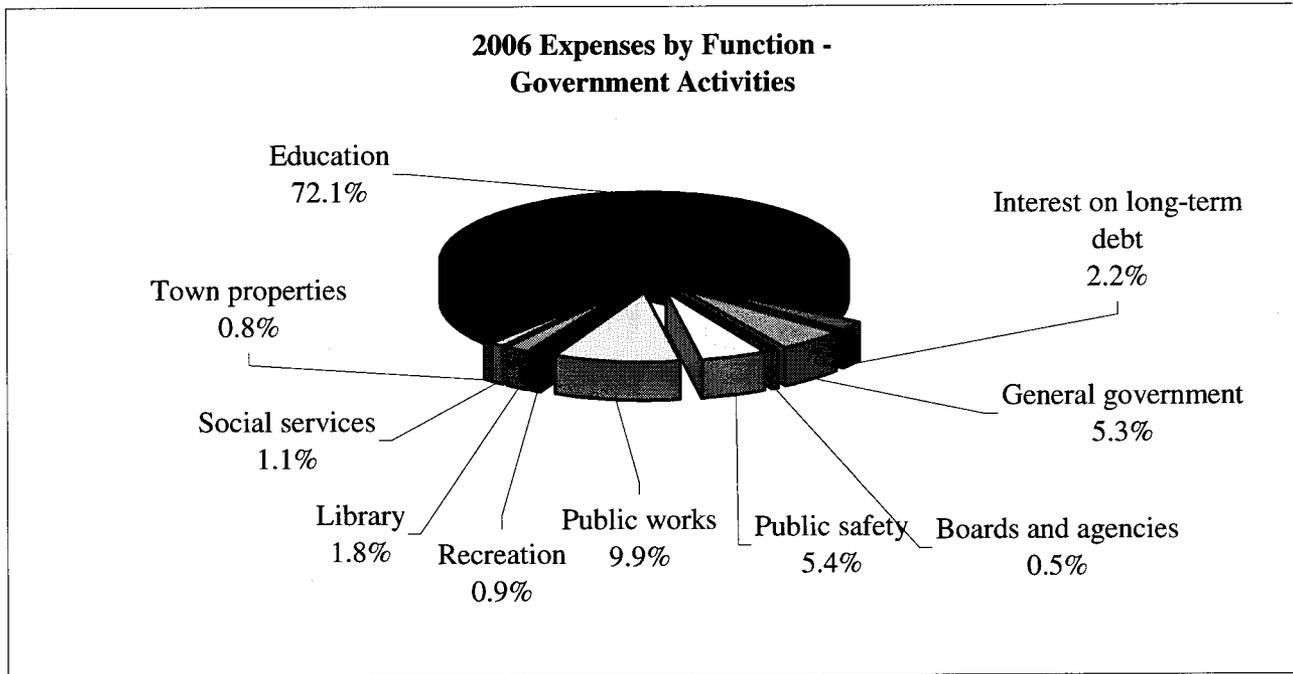
**Changes in Net Assets (Continued)**



# 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 \$1,946,090, thereby accounting for 77.9% of the total growth of the Town's net assets. This increase is primarily attributable to greater than budgeted growth in the grand list, actual revenues from the Building Department in excess of the budgeted amount and less than expected energy costs.

#### **Business-type Activities**

Business-type activities increased the Town's net assets by \$551,011, thereby accounting for 22.1% of the total growth of the Town's net assets. This increase is primarily attributable to additional assessments due to new housing developments (72 new homes in Hockanum River and 19 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 \$4,115,519 an increase of \$1,553,871 in comparison with the prior year. This increase is due to greater than budgeted growth in the grand list, actual revenues from the Building Department in excess of budgeted amount and less than expected energy costs for departments. Of the total governmental fund balances, \$3,837,418 constitutes unreserved fund balance, of which \$3,247,960 has been designated for specific purposes by the Town. The remaining fund balance of \$589,458 is mainly attributable to greater than budgeted growth in the grand list and Building Department revenues in excess of projections as noted above. 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 and undesignated fund balance of the general fund was \$1,192,344, while total fund balance was \$4,584,950. Designations of unreserved fund balance for future "Capital Projects", "Capital and Nonrecurring" and "Post Employment Benefits" totaled \$3,247,960. 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 3.1% 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 increased by \$1,125,932 during the current fiscal year. Key factors in this decline are as follows:

- Greater than projected growth of prorates in the 2005–2006 budget
- Various increases in State financial assistance
- Increase in Building Department permits
- Increase in Town Clerk Conveyance Tax fees
- Less than expected energy costs

***High School/Center School Project Fund***

The fund balance of the Town's High School/Center School Project increased by \$271,568 due to unanticipated state reimbursements.

**Proprietary Funds**

Unrestricted net assets of the Sewer Authority, the Hockanum River and the Crystal Lake Sewers funds at the end of the year totaled \$851,719, \$2,280,303 and \$733,567, respectively. The total increase in net assets for these funds was \$15,979, \$367,568, and \$149,544, 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 \$405,116. Significant components of this increase are as follows:

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

**GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

- Increase in the Police account of \$20,719 due to Resident State Troopers Overtime
- Increase in Center Fire Department account of \$29,258 due to heating fuel, and motor vehicle repairs
- Increases in Public Works spending of \$136,466 resulting from snow removal materials and general road maintenance material
- Increases in Public Works spending of \$45,997 resulting from Overtime and tree removal
- Increase in Engineering account of \$81,295 due to building activity in the Town of Ellington
- Increase in Public Works Grounds Maintenance-BOE/Parks due to maintenance and construction of athletic fields
- Increase in Town Hall account of \$30,782 for computer repairs, energy costs, and building equipment

**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, 2006 totaled \$72,549,452 (net of accumulated depreciation). This investment in capital assets includes an art collection, land, construction in progress, buildings and improvements, equipment, vehicles, and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was \$1,174,660, a 2.3% increase for governmental activities and a 2.1% decrease for business-type activities.

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

- Outlays for purchase of Crystal Lake Fire Engine Pumper for \$335,000
- Outlays of \$379,615 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:

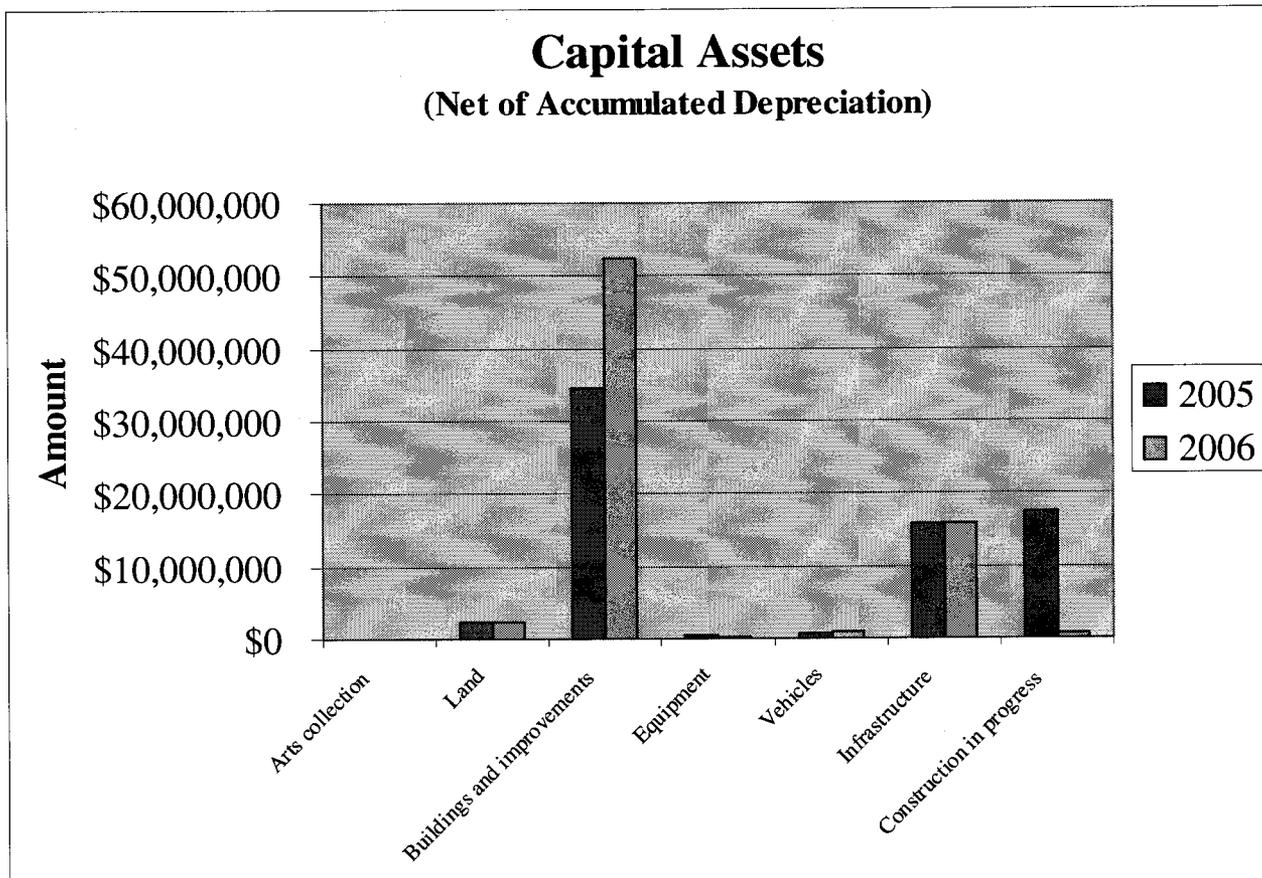
**Town of Ellington  
Capital Assets  
June 30, 2006**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Arts collection	\$ 35,598	\$ 35,598	\$ -	\$ -	\$ 35,598	\$ 35,598
Land	2,349,864	2,349,864	-	-	2,349,864	2,349,864
Buildings and improvements	52,425,536	34,594,622	-	-	52,425,536	34,594,622
Equipment	256,943	399,727	4,596	362	261,539	400,089
Vehicles	961,622	744,102	-	-	961,622	744,102
Infrastructure	5,487,186	5,239,870	10,269,393	10,497,575	15,756,579	15,737,445
Construction in progress	470,049	17,224,832	288,665	288,240	758,714	17,513,072
<b>Totals</b>	<b>\$ 61,986,798</b>	<b>\$ 60,588,615</b>	<b>\$ 10,562,654</b>	<b>\$ 10,786,177</b>	<b>\$ 72,549,452</b>	<b>\$ 71,374,792</b>

**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 42 and 43 of this report.

**Long-term Debt**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$21,999,500. This entire amount is comprised of debt backed by the full faith and credit of the Town.

The Town's total bonded debt decreased by \$2,039,900 or 8.5% during the current fiscal year due to scheduled repayments. The fire rescue truck bond was 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 \$184,187,122, which is significantly in excess of the Town's outstanding general obligation debt.

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

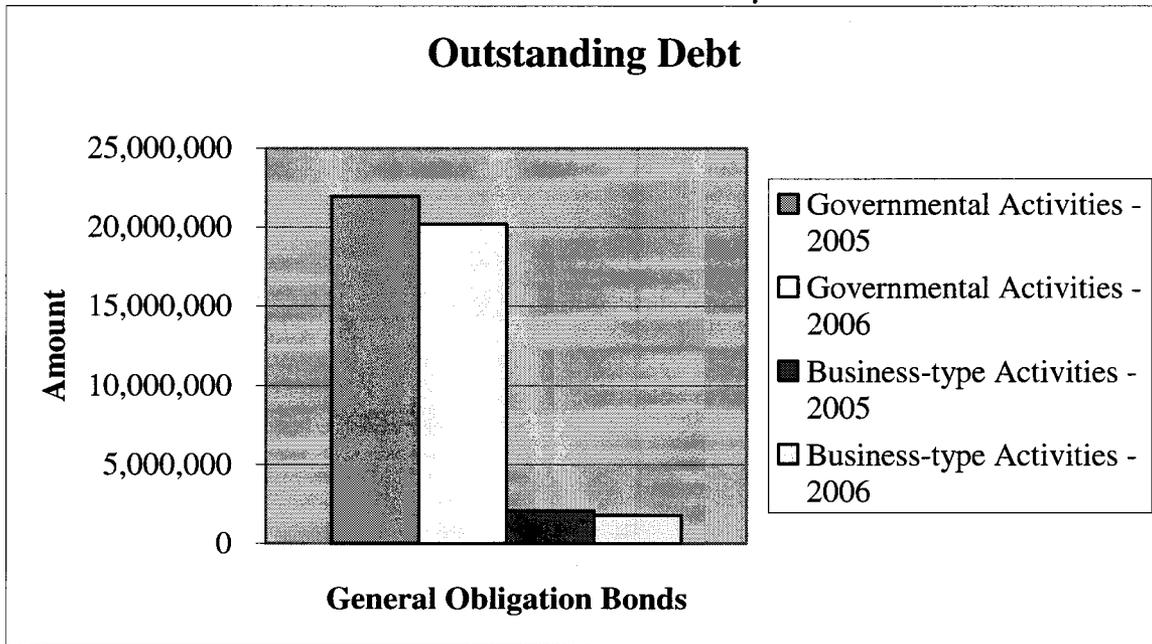
**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**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, 2006**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$20,215,000	\$ 21,972,500	\$ 1,784,500	\$2,066,900	\$21,999,500	\$24,039,400



Additional information on the Town's long-term debt can be found in Note 7 on pages 45-48 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, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2007 and thereafter.
- The unemployment rate for the Town is currently 3.4%, which is an decrease from a rate of 4.3% in the prior year. This compares favorably to the state's average unemployment rate of 4.4% and the national unemployment rate of 4.8%.
- Inflationary trends in the region approximate the national indices.

During the current fiscal year, unreserved and undesignated fund balance of the general fund increased to \$1,192,344. The Town has appropriated \$307,712 of this amount for spending in the 2007 fiscal year budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2007.

**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, 2006**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 311,472	\$ 1,697	\$ 313,169
Investments	4,991,187	3,820,719	8,811,906
Receivables:			
Property taxes receivable, net of allowance for uncollectibles of \$185,700	671,013	-	671,013
Sewer usage charges receivable, net of allowances for uncollectibles of \$17,400	-	132,673	132,673
Assessments and user charges receivable	-	77,123	77,123
Grants and contracts receivable, current portion	666,425	-	666,425
Interest, net of allowance for uncollectibles of \$239,000	242,834	-	242,834
Other	176,622	-	176,622
Internal balances	(714,814)	714,814	-
Inventories	10,103	-	10,103
Prepaid expenses	-	28,806	28,806
Deferred assessments	-	587,497	587,497
Grants and contracts receivable, long-term portion	669,159	-	669,159
Deferred bond issuance costs, net	85,440	-	85,440
Capital assets:			
Non-depreciable	2,855,511	288,665	3,144,176
Depreciable, net	59,131,287	10,273,989	69,405,276
Total assets	<u>69,096,239</u>	<u>15,925,983</u>	<u>85,022,222</u>
<b>LIABILITIES</b>			
Accounts payable	936,677	-	936,677
Accrued liabilities:			
Retainage payable	256,373	-	256,373
Accrued interest	70,541	138,381	208,922
Other accrued liabilities	43,916	-	43,916
Due to funding source	12,208	-	12,208
Deferred revenue	57,792	1,156,656	1,214,448
Noncurrent liabilities:			
Due within one year:			
Bonds payable	1,687,650	282,400	1,970,050
Capital leases	119,048	-	119,048
Compensated absences	110,000	-	110,000
Due in more than one year:			
Bonds payable	18,528,660	1,502,100	20,030,760
Capital leases	205,980	-	205,980
Compensated absences	1,034,592	-	1,034,592
Total liabilities	<u>23,063,437</u>	<u>3,079,537</u>	<u>26,142,974</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,445,460	9,062,655	50,508,115
Restricted for endowments:			
Expendable	615,018	-	615,018
Nonexpendable	52,497	-	52,497
Unrestricted	3,919,827	3,783,791	7,703,618
Total net assets	<u>\$ 46,032,802</u>	<u>\$ 12,846,446</u>	<u>\$ 58,879,248</u>

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

**TOWN OF ELLINGTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 2,122,268	\$ 567,499	\$ -	\$ 134,889	\$ (1,419,880)	\$ -	\$ (1,419,880)
Boards and agencies	214,020	220,403	12,721	-	19,104	-	19,104
Public safety	2,129,079	249,861	9,963	-	(1,869,255)	-	(1,869,255)
Public works	3,917,806	808,689	61,331	303,573	(2,744,213)	-	(2,744,213)
Recreation	371,902	153,495	-	-	(218,407)	-	(218,407)
Library	707,553	-	-	-	(707,553)	-	(707,553)
Social services	422,231	11,573	14,000	-	(396,658)	-	(396,658)
Town properties	307,641	-	-	-	(307,641)	-	(307,641)
Education	28,628,297	589,359	11,180,649	646,790	(16,211,499)	-	(16,211,499)
Interest on long-term debt	906,969	-	-	-	(906,969)	-	(906,969)
Total governmental activities	39,727,766	2,600,879	11,278,664	1,085,252	(24,762,971)	-	(24,762,971)
<b>Business-type activities:</b>							
Sewer	1,786,407	2,139,463	-	-	-	353,056	353,056
Total business-type activities	1,786,407	2,139,463	-	-	-	353,056	353,056
Total primary government	\$ 41,514,173	\$ 4,740,342	\$ 11,278,664	\$ 1,085,252	(24,762,971)	353,056	(24,409,915)
<b>General revenues:</b>							
Property taxes, levied for general purposes					25,849,018	-	25,849,018
Grants and contributions not restricted to specific programs					409,783	-	409,783
Unrestricted investment earnings					311,471	47,564	359,035
Miscellaneous					220,164	69,016	289,180
Transfers					(81,375)	81,375	-
Total general revenues					26,709,061	197,955	26,907,016
Change in net assets					1,946,090	551,011	2,497,101
Net assets - beginning, as originally reported					41,889,211	12,295,435	54,184,646
Adjustment					2,197,501	-	2,197,501
Net assets - beginning, as adjusted					44,086,712	12,295,435	56,382,147
Net assets - ending					\$ 46,032,802	\$ 12,846,446	\$ 58,879,248

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

**TOWN OF ELLINGTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General Fund	High School/ Center School Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 45,394	\$ -	\$ 266,078	\$ 311,472
Investments	3,408,768	-	1,582,419	4,991,187
Receivables:				
Property taxes receivable, net of allowance for uncollectibles of \$185,700	671,013	-	-	671,013
Grants and contracts receivable	412,624	-	182,566	595,190
Other	106,222	-	68,892	175,114
Due from other funds	2,472,720	-	83,304	2,556,024
Inventories	-	-	10,103	10,103
Total assets	<u>\$ 7,116,741</u>	<u>\$ -</u>	<u>\$ 2,193,362</u>	<u>\$ 9,310,103</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
Liabilities:				
Accounts payable	\$ 897,508	\$ -	\$ 38,022	\$ 935,530
Accrued liabilities:				
Retainage payable	-	256,373	-	256,373
Other accrued liabilities	43,916	-	-	43,916
Due to other funds	933,035	1,935,403	402,039	3,270,477
Deferred revenue	657,332	-	18,748	676,080
Due to funding source	-	-	12,208	12,208
Total liabilities	<u>2,531,791</u>	<u>2,191,776</u>	<u>471,017</u>	<u>5,194,584</u>
Fund balances (deficit):				
Reserved for:				
Inventories	-	-	10,103	10,103
Sanitation	-	-	43,755	43,755
Document preservation	-	-	18,815	18,815
Land preservation	-	-	8,285	8,285
Endowments	-	-	52,497	52,497
Encumbrances	144,646	-	-	144,646
Unreserved	1,192,344	(2,191,776)	-	(999,432)
Unreserved, designated for post employment benefits	283,774	-	-	283,774
Unreserved, designated for capital projects	2,067,608	-	-	2,067,608
Unreserved, designated for capital and nonrecurring	896,578	-	-	896,578
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	843,941	843,941
Capital project funds	-	-	129,931	129,931
Permanent funds	-	-	615,018	615,018
Total fund balances (deficit)	<u>4,584,950</u>	<u>(2,191,776)</u>	<u>1,722,345</u>	<u>4,115,519</u>
Total liabilities and fund balances (deficit)	<u>\$ 7,116,741</u>	<u>\$ -</u>	<u>\$ 2,193,362</u>	<u>\$ 9,310,103</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, 2006**

Total fund balances for governmental funds \$ 4,115,519

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	\$	2,349,864	
Arts collection		35,598	
Construction in progress		470,049	
Buildings and improvements		67,026,763	
Machinery and equipment		999,844	
Vehicles		6,190,964	
Infrastructure		6,736,830	
Less: accumulated depreciation and amortization		<u>(21,823,114)</u>	
Total capital assets, net			61,986,798

School construction grants receivable from the State of Connecticut are not susceptible to accrual and are, therefore, not reported in the funds. 740,394

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		100,620	
Less: accumulated amortization		<u>(15,180)</u>	
Total bond issuance costs, net			85,440

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. 618,288

Accrued interest on property taxes are not susceptible to accrual and therefore are not reported in the funds. 242,834

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		(20,215,000)	
Unamortized premiums		(1,310)	
Obligations under capital lease		(325,028)	
Accrued interest payable		(70,541)	
Other long-term liabilities:			
Compensated absences		<u>(1,144,592)</u>	
Total long-term liabilities			<u>(21,756,471)</u>

Net assets of governmental activities \$ 46,032,802

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

**TOWN OF ELLINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	High School/ Center School Project	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 25,912,105	\$ -	\$ -	\$ 25,912,105
Licenses, permits and fees	249,952	-	-	249,952
Intergovernmental	11,311,136	442,884	895,096	12,649,116
Charges for services	1,317,374	-	457,320	1,774,694
Food sales	-	-	570,168	570,168
Interest and dividends	273,714	-	37,757	311,471
Other income	381,725	-	127,680	509,405
Total revenues	<u>39,446,006</u>	<u>442,884</u>	<u>2,088,021</u>	<u>41,976,911</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,229,051	-	-	1,229,051
Boards and agencies	108,396	-	-	108,396
Public safety	1,722,278	-	-	1,722,278
Public works	2,786,666	-	-	2,786,666
Recreation	284,054	-	-	284,054
Library	415,074	-	-	415,074
Social services	407,330	-	-	407,330
Town properties	307,641	-	-	307,641
Education	25,724,476	-	-	25,724,476
Miscellaneous	1,982,998	-	6,802	1,989,800
Program expenditures	-	-	1,674,048	1,674,048
Debt service:				
Principal payments	1,875,764	-	-	1,875,764
Interest and fiscal charges	914,066	-	-	914,066
Capital outlays	995,198	171,316	71,507	1,238,021
Total expenditures	<u>38,752,992</u>	<u>171,316</u>	<u>1,752,357</u>	<u>40,676,665</u>
Excess of revenues over expenditures	693,014	271,568	335,664	1,300,246
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease	335,000	-	-	335,000
Transfers in	179,293	-	10,700	189,993
Transfers out	(81,375)	-	(189,993)	(271,368)
Total other financing sources (uses)	<u>432,918</u>	<u>-</u>	<u>(179,293)</u>	<u>253,625</u>
Net change in fund balances	1,125,932	271,568	156,371	1,553,871
Fund balances (deficit) - beginning	<u>3,459,018</u>	<u>(2,463,344)</u>	<u>1,565,974</u>	<u>2,561,648</u>
Fund balances (deficit) - ending	<u>\$ 4,584,950</u>	<u>\$ (2,191,776)</u>	<u>\$ 1,722,345</u>	<u>\$ 4,115,519</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, 2006**

Net change in fund balances for governmental funds \$ 1,553,871

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 capital outlays exceeded depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$ 1,554,438	
Depreciation and amortization expense	<u>(2,353,756)</u>	
Net adjustment		(799,318)

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. (158,593)

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:		
Obligations under capital lease	(335,000)	
Amortization of bond issuance costs	(5,031)	
Principal repayments:		
Bonds	1,757,500	
Obligations under capital lease	<u>118,264</u>	
Net adjustment		1,535,733

*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, 2006**

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	\$	(129,613)	
Accrued interest		6,936	
Amortization of bond premium		161	
	\$		(122,516)

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. (11,923)

Interest on property taxes receivable are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year reduced revenues recognized in the funds. (51,164)

Change in net assets of governmental activities \$ 1,946,090

*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, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property taxation	\$ 25,700,699	\$ 25,700,699	\$ 26,162,057	\$ 461,358
Intergovernmental - education	8,490,012	8,490,012	8,528,424	38,412
Intergovernmental - other	829,273	829,273	946,333	117,060
Charges for goods and services	1,100,999	1,100,999	1,317,374	216,375
Interest and dividends	125,000	125,000	273,714	148,714
Other revenues	482,768	482,768	702,401	219,633
Total revenues	<u>36,728,751</u>	<u>36,728,751</u>	<u>37,930,303</u>	<u>1,201,552</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,256,075	1,245,580	1,229,050	(16,530)
Boards and agencies	187,061	187,061	157,397	(29,664)
Public safety	1,633,648	1,733,874	1,722,278	(11,596)
Public works	2,557,052	2,892,157	2,881,666	(10,491)
Recreation	302,107	307,107	284,701	(22,406)
Library	401,305	415,075	415,074	(1)
Human services	404,907	419,070	407,330	(11,740)
Town properties	277,958	308,740	307,641	(1,099)
Debt service	3,191,111	3,191,111	3,153,606	(37,505)
Miscellaneous	2,107,552	2,018,123	1,982,996	(35,127)
Education	23,888,655	23,888,655	23,888,102	(553)
Capital outlays	1,033,322	1,039,316	1,039,315	(1)
Total expenditures	<u>37,240,753</u>	<u>37,645,869</u>	<u>37,469,156</u>	<u>(176,713)</u>
Excess (deficiency) of revenues over expenditures	(512,002)	(917,118)	461,147	1,378,265
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of fund balance	332,002	737,118	-	(737,118)
Operating transfers in	180,000	180,000	179,293	(707)
Total other financing sources (uses)	<u>512,002</u>	<u>917,118</u>	<u>179,293</u>	<u>(737,825)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	640,440	<u>\$ 640,440</u>
Fund balance - beginning			<u>3,420,747</u>	
Fund balance - ending			<u>\$ 4,061,187</u>	

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

**TOWN OF ELLINGTON**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Sewer Authority</b>	<b>Hockanum River</b>	<b>Crystal Lake Sewers</b>	<b>Other Enterprise Funds</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,697	\$ -	\$ -	\$ -	\$ 1,697
Investments	1,281,795	2,197,066	341,858	-	3,820,719
Receivables:					
Sewer usage charges receivable, net of allowances for uncollectibles of \$17,400	74,524	-	34,528	23,621	132,673
Assessments, interest and liens receivable	-	51,084	26,039	-	77,123
Due from other funds	289,749	377,197	688,885	28,350	1,384,181
Deferred assessments	-	308,922	225,811	52,764	587,497
Prepaid expenses	5,709	-	23,097	-	28,806
Total current assets	<u>1,653,474</u>	<u>2,934,269</u>	<u>1,340,218</u>	<u>104,735</u>	<u>6,032,696</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable	288,665	-	-	-	288,665
Depreciable, net	5,487,197	-	4,786,792	-	10,273,989
Total noncurrent assets	<u>5,775,862</u>	<u>-</u>	<u>4,786,792</u>	<u>-</u>	<u>10,562,654</u>
Total assets	<u>7,429,336</u>	<u>2,934,269</u>	<u>6,127,010</u>	<u>104,735</u>	<u>16,595,350</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accrued interest	130,583	6,302	1,496	-	138,381
Deferred revenue	189,816	308,922	605,154	52,764	1,156,656
Due to other funds	481,356	54,242	-	133,769	669,367
Bonds and notes payable - current	-	94,900	187,500	-	282,400
Total current liabilities	<u>801,755</u>	<u>464,366</u>	<u>794,150</u>	<u>186,533</u>	<u>2,246,804</u>
Noncurrent liabilities:					
Bonds and notes payable	-	189,600	1,312,500	-	1,502,100
Total liabilities	<u>801,755</u>	<u>653,966</u>	<u>2,106,650</u>	<u>186,533</u>	<u>3,748,904</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	5,775,862	-	3,286,793	-	9,062,655
Unrestricted (deficit)	851,719	2,280,303	733,567	(81,798)	3,783,791
Total net assets	<u>\$ 6,627,581</u>	<u>\$ 2,280,303</u>	<u>\$ 4,020,360</u>	<u>\$ (81,798)</u>	<u>\$ 12,846,446</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 (DEFICIT)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Sewer Authority</b>	<b>Hockanum River</b>	<b>Crystal Lake Sewers</b>	<b>Other Enterprise Funds</b>	
<b>OPERATING REVENUES</b>					
Assessments	\$ -	\$ 315,420	\$ 203,816	\$ -	\$ 519,236
User charges, interest and lien fees	1,001,996	-	150,884	-	1,152,880
Permits and fees	19,800	-	-	-	19,800
Solid waste fees	-	-	-	414,209	414,209
Miscellaneous	28,113	-	5,225	-	33,338
Total operating revenues	<u>1,049,909</u>	<u>315,420</u>	<u>359,925</u>	<u>414,209</u>	<u>2,139,463</u>
<b>OPERATING EXPENSES</b>					
Town of Vernon	762,074	-	-	-	762,074
Town of Stafford	-	-	23,439	-	23,439
Depreciation and amortization	193,401	-	133,766	-	327,167
Utilities	23,468	-	12,034	-	35,502
General maintenance and repairs	49,576	-	24,153	-	73,729
Public works and administrative expenses	48,198	-	15,516	396,174	459,888
Legal	804	-	-	-	804
Advertising	2,536	-	-	-	2,536
Other	1,437	-	1,473	115	3,025
Total operating expenses	<u>1,081,494</u>	<u>-</u>	<u>210,381</u>	<u>396,289</u>	<u>1,688,164</u>
Operating income (loss)	(31,585)	315,420	149,544	17,920	451,299
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment income	47,564	-	-	-	47,564
Other income	-	69,016	-	-	69,016
Debt service-interest	-	(16,868)	(81,375)	-	(98,243)
Total non-operating revenues (expenses)	<u>47,564</u>	<u>52,148</u>	<u>(81,375)</u>	<u>-</u>	<u>18,337</u>
Income before transfers in	15,979	367,568	68,169	17,920	469,636
Transfers in	-	-	81,375	-	81,375
Change in net assets	15,979	367,568	149,544	17,920	551,011
Net assets (deficit) - beginning	<u>6,611,602</u>	<u>1,912,735</u>	<u>3,870,816</u>	<u>(99,718)</u>	<u>12,295,435</u>
Net assets (deficit) - ending	<u>\$ 6,627,581</u>	<u>\$ 2,280,303</u>	<u>\$ 4,020,360</u>	<u>\$ (81,798)</u>	<u>\$ 12,846,446</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, 2006**

	Business-type Activities - Enterprise Funds				Total
	Sewer Authority	Hockanum River	Crystal Lake Sewers	Other Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,051,125	\$ 50,619	\$ 367,690	\$ 410,453	\$ 1,879,887
Receipts from (payments for) interfund services provided	(230,683)	(52,148)	(99,390)	(14,164)	(396,385)
Payments to suppliers	(839,895)	-	(61,099)	(396,289)	(1,297,283)
Payments to employees	(48,198)	-	(15,516)	-	(63,714)
Net cash provided by (used in) operating activities	<u>(67,651)</u>	<u>(1,529)</u>	<u>191,685</u>	<u>-</u>	<u>122,505</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(101,645)	-	(1,999)	-	(103,644)
Principal paid on capital debt	-	(94,900)	(187,500)	-	(282,400)
Interest paid on capital debt	-	(16,868)	(81,375)	-	(98,243)
Transfers in	-	-	81,375	-	81,375
Net cash used in capital and related financing activities	<u>(101,645)</u>	<u>(111,768)</u>	<u>(189,499)</u>	<u>-</u>	<u>(402,912)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of investments	-	-	(2,186)	-	(2,186)
Proceeds from sales and maturities of investments	105,925	44,281	-	-	150,206
Interest and dividends	47,564	69,016	-	-	116,580
Net cash provided by (used in) investing activities	<u>153,489</u>	<u>113,297</u>	<u>(2,186)</u>	<u>-</u>	<u>264,600</u>
Net decrease in cash and cash equivalents	(15,807)	-	-	-	(15,807)
Cash and cash equivalents, beginning of year	17,504	-	-	-	17,504
Cash and cash equivalents, end of year	<u>\$ 1,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,697</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ (31,585)	\$ 315,420	\$ 149,544	\$ 17,920	\$ 451,299
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization expense	193,401	-	133,766	-	327,167
(Increase) decrease in assets:					
Sewer usage receivable, net	1,216	-	(7,971)	(3,756)	(10,511)
Assessment, interest and liens receivable	-	287	15,736	-	16,023
Due from other funds	(289,749)	(315,132)	(104,843)	(14,164)	(723,888)
Deferred assessments	-	13,215	81,646	-	94,861
Other assets	(198)	-	3,269	-	3,071
Increase (decrease) in liabilities:					
Accrued liabilities	130,583	(2,104)	(2)	-	128,477
Deferred revenue	(8,291)	(13,215)	(79,460)	-	(100,966)
Due to other funds	(63,028)	-	-	-	(63,028)
Net cash provided by (used in) operating activities	<u>\$ (67,651)</u>	<u>\$ (1,529)</u>	<u>\$ 191,685</u>	<u>\$ -</u>	<u>\$ 122,505</u>

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

**TOWN OF ELLINGTON**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

	<b>Private- Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 78,030	\$ 241,121
Investments	487,847	385,777
Accounts receivable	47	-
Due from other funds	1,148	-
Total assets	567,072	\$ 626,898
 <b>LIABILITIES</b>		
Due to other funds	1,509	-
Due to others	-	626,898
Total liabilities	1,509	\$ 626,898
 <b>NET ASSETS</b>		
Held in trust for other purposes	\$ 565,563	

*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, 2006**

	<u>Private- Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Private donations	\$ 78,784
Other income	135,065
Total contributions	<u>213,849</u>
Investment earnings:	
Interest	12,983
Net increase in the fair value of investments	2,554
Total investment earnings	<u>15,537</u>
Total additions	<u>229,386</u>
 <b>DEDUCTIONS</b>	
Program expenditures	<u>211,161</u>
Change in net assets	18,225
Net assets - beginning	<u>547,338</u>
Net assets - ending	<u><u>\$ 565,563</u></u>

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

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

---

**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. The Town did not receive any proceeds from the Housing Authority for the year ended June 30, 2006.

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 \$47,716 for the year ended June 30, 2006.

**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.

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, 2006**

---

**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, 2006**

---

**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, except for agency funds which have no measurement focus, 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.

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**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 \$163,212 as of June 30, 2006.

**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 \$615,018 as of June 30, 2006 and is included in restricted 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. Based on historical collection experience and other factors, the Town has established an allowance for doubtful accounts of \$185,700 as of June 30, 2006.

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, 2006**

---

**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 an arts collection, land, construction in progress, buildings and improvements, equipment, vehicles, 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, 2006**

---

**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, 2006**

---

**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, 2006**

---

**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 \$405,116.
- 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.

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**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, 2006:

	<b>Fund Balance</b>
Budgetary basis	\$ 4,061,187
June 30, 2006 Encumbrances	144,646
Changes in Capital and Nonrecurring Reserve	254,117
Changes in Capital Reserve	125,000
	\$ 4,584,950

**DEFICIT FUND EQUITY**

The following funds have deficit fund balances as of June 30, 2006, none of which constitutes a violation of statutory provisions:

Fund	Amount
High School / Center School Project	\$ 2,191,776
HUD Small Cities Rehab 2005	10
Windermere School Addition	111,949
Watermains, Tripp and Middle Roads	133,769

The deficit in the High School / Center School Project and Windermere School Addition will be funded through the issuance of bonds. The deficit in the HUD Small Cities Rehab 2005 program will be funded through proceeds from the program in future years, 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, 2006**

---

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS – CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$2,276,670 of the Town's bank balance of \$2,576,670 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,049,003
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	227,667
	\$ 2,276,670

All of the Town's 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 Town's cash and cash equivalents as of June 30, 2006 consisted of cash deposits of \$632,320 and various certificates of deposit with original maturity in excess of 3 months totaling \$1,329,139. Since these certificates of deposit have maturities greater than 3 months, they are classified as investments in the accompanying financial statements, although they are considered to be cash deposits for purposes of disclosure under GASB No. 40.

A reconciliation of the Town's cash deposits as of June 30, 2006 is as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 313,169
Add: certificates of deposits classified as investments	1,329,139
	1,642,308
Statement of fiduciary net assets:	
Private purpose trust funds	78,030
Agency funds	241,121
	319,151
	\$ 1,961,459

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS**

As of June 30, 2006, the Town's investments consisted of the following:

Investment type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities:</b>					
Short Term Investment Fund (STIF)	\$ 2,153,873	\$ 2,153,873	\$ -	\$ -	\$ -
Cooperative Liquid Asset Security Sytem (CLASS)	5,419,541	5,419,541	-	-	-
U.S. Treasuries	118,346	19,508	33,625	65,213	-
Corporate bonds	142,818	25,269	70,633	46,916	-
Money market funds	33,818	33,818	-	-	-
	<u>7,868,396</u>	<u>\$ 7,652,009</u>	<u>\$ 104,258</u>	<u>\$ 112,129</u>	<u>\$ -</u>
<b>Other investments:</b>					
Equity securities	487,995				
<b>Total</b>	<u>\$ 8,356,391</u>				

Because the STIF and CLASS have weighted average maturities of 35 days and 39 days, respectively, they were presented as investments with maturities of less than one year.

A reconciliation of the Town's investments as of June 30, 2006 is as follows:

Government-wide statement of net assets:

Investments	\$ 8,811,906
Less: certificates of deposits considered cash deposits under GASB Statement No. 40	<u>(1,329,139)</u>
	<u>7,482,767</u>

Statement of fiduciary net assets:

Private purpose trust funds	487,847
Agency funds	<u>385,777</u>
	<u>873,624</u>
	<u>\$ 8,356,391</u>

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

**Interest Rate Risk**

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit 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 pension trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

The Town's investments in debt securities were rated by Standard & Poor's and Fitch Ratings as follows at June 30, 2006:

<u>Debt Securities</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Short Term Investment Fund (STIF)	\$ 2,153,873	\$ 2,153,873	\$ -	\$ -	\$ -
Cooperative Liquid Asset Security Sytem (CLASS)	5,419,541	5,419,541	-	-	-
U.S. Treasuries	118,346	118,346	-	-	-
Corporate bonds	142,818	46,827	25,269	70,722	-
Money market funds	33,818	-	-	-	33,818
	<u>\$ 7,868,396</u>	<u>\$ 7,738,587</u>	<u>\$ 25,269</u>	<u>\$ 70,722</u>	<u>\$ 33,818</u>

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. In accordance with GASB No. 40, the Town's investments in debt securities do not require custodial credit risk disclosures because they are not evidenced by securities that exist in physical or book entry form.

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. No other issuer other than the CLASS and STIF accounts constitute an investment in excess of 5% of the Town's total investments.

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 consisted of the following:

	Beginning Balance As Adjusted	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Arts collection	\$ 35,598	\$ -	\$ -	\$ 35,598
Land	2,349,864	-	-	2,349,864
Construction in progress	19,422,333	242,823	(19,195,107)	470,049
Total capital assets, not being depreciated	<u>21,807,795</u>	<u>242,823</u>	<u>(19,195,107)</u>	<u>2,855,511</u>
Capital assets, being depreciated:				
Buildings and improvements	47,397,794	19,628,969	-	67,026,763
Equipment	999,844	-	-	999,844
Vehicles	5,692,826	498,138	-	6,190,964
Infrastructure	6,357,215	379,615	-	6,736,830
Total capital assets, being depreciated	<u>60,447,679</u>	<u>20,506,722</u>	<u>-</u>	<u>80,954,401</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	12,803,172	1,798,055	-	14,601,227
Equipment	600,117	142,784	-	742,901
Vehicles	4,948,724	280,618	-	5,229,342
Infrastructure	1,117,345	132,299	-	1,249,644
Total accumulated depreciation and amortization	<u>19,469,358</u>	<u>2,353,756</u>	<u>-</u>	<u>21,823,114</u>
Total capital assets, being depreciated, net	<u>40,978,321</u>	<u>18,152,966</u>	<u>-</u>	<u>59,131,287</u>
Governmental activities capital assets, net	<u>\$ 62,786,116</u>	<u>\$ 18,395,789</u>	<u>\$ (19,195,107)</u>	<u>\$ 61,986,798</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Construction in progress - Sewer Authority	\$ 288,240	\$ 425	\$ -	\$ 288,665
Total capital assets, not being depreciated	<u>288,240</u>	<u>425</u>	<u>-</u>	<u>288,665</u>
Capital assets, being depreciated:				
Equipment - Sewer Authority	61,443	3,000	-	64,443
Infrastructure - Sewer Authority	9,052,254	98,220	-	9,150,474
Equipment - Crystal Lake	9,492	1,999	-	11,491
Infrastructure - Crystal Lake	6,673,516	-	-	6,673,516
Total capital assets, being depreciated	<u>15,796,705</u>	<u>103,219</u>	<u>-</u>	<u>15,899,924</u>
Less accumulated depreciation and amortization for:				
Equipment - Sewer Authority	61,081	469	-	61,550
Infrastructure - Sewer Authority	3,473,189	192,932	-	3,666,121
Equipment - Crystal Lake	9,492	296	-	9,788
Infrastructure - Crystal Lake	1,755,006	133,470	-	1,888,476
Total accumulated depreciation and amortization	<u>5,298,768</u>	<u>327,167</u>	<u>-</u>	<u>5,625,935</u>
Total capital assets, being depreciated, net	<u>10,497,937</u>	<u>(223,948)</u>	<u>-</u>	<u>10,273,989</u>
Business-type activities capital assets, net	<u>\$ 10,786,177</u>	<u>\$ (223,523)</u>	<u>\$ -</u>	<u>\$ 10,562,654</u>

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**NOTE 4 - CAPITAL ASSETS (Continued)**

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

Governmental Activities:

Education	\$ 1,475,471
Public works	317,614
Public safety	318,953
General government	154,218
Library	<u>87,500</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 2,353,756</u></u>

Business-type Activities:

Sewer	<u><u>\$ 327,167</u></u>
-------	--------------------------

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2006 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	High School/Center School Project	\$ 1,935,403
	Other Governmental Funds	402,039
	Other Enterprise Funds	133,769
	Private Purpose Trust Funds	1,509
		<u>2,472,720</u>
Other Governmental Funds	General Fund	83,304
		<u>2,556,024</u>
<b>Enterprise Funds</b>		
Sewer Authority	General Fund	289,749
Hockanum River	General Fund	377,197
Crystal Lake Sewers	Sewer Authority	481,356
	General Fund	153,287
	Hockanum River	54,242
		<u>688,885</u>
Other Enterprise Funds	General Fund	28,350
		<u>1,384,181</u>
<b>Fidiciary Funds</b>		
Private Purpose Trust Funds	General Fund	1,148
Total due from/to other funds		<u>\$ 3,941,353</u>

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

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2006 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Crystal Lake Sewers	\$ 81,375
Other Governmental Funds	General Fund	179,293
		<u>\$ 260,668</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.

**NOTE 7 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 21,972,500	\$ -	\$ (1,757,500)	\$ 20,215,000	\$ 1,687,500
Unamortized amounts:					
Premium	1,471	-	(161)	1,310	150
Total bonds payable	<u>21,973,971</u>	<u>-</u>	<u>(1,757,661)</u>	<u>20,216,310</u>	<u>1,687,650</u>
Other liabilities:					
Capital leases	108,292	335,000	(118,264)	325,028	119,048
Compensated absences	1,014,979	238,004	(108,391)	1,144,592	110,000
	<u>\$ 23,097,242</u>	<u>\$ 573,004</u>	<u>\$ (1,984,316)</u>	<u>\$ 21,685,930</u>	<u>\$ 1,916,698</u>
<b>Business-type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 2,066,900	\$ -	\$ (282,400)	\$ 1,784,500	\$ 282,400
Total bonds payable	<u>\$ 2,066,900</u>	<u>\$ -</u>	<u>\$ (282,400)</u>	<u>\$ 1,784,500</u>	<u>\$ 282,400</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, 2006**

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS**

A summary of general obligation bonds outstanding at June 30, 2006 is as follows:

Description of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
<b>Governmental Activities</b>			
School bonds issued 1994, original amount \$3,810,000	2014	4.60%	\$ 1,245,000
School bonds issued 1999, original amount \$5,390,000	2019	4.35%	3,500,000
Public improvement bonds issued 1990, original amount of \$3,360,000	2011	6.75%	750,000
Public improvement bonds issued 1999, original amount of \$1,650,000	2019	4.35%	1,055,000
School bonds issued 2003, original amount \$9,650,000	2022	3.00%	7,775,000
School bonds issued 2003, original amount \$6,640,000	2023	3.45%	5,890,000
			<u>\$ 20,215,000</u>
<b>Business-type Activities</b>			
Sewer bonds issued 1981, original amount \$2,642,000	2008	5.00%	\$ 284,500
Sewer bonds issued 1994, original amount \$3,375,000	2014	4.60%	1,500,000
			<u>\$ 1,784,500</u>

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS (Continued)**

Annual debt service requirements to maturity at June 30, 2006 are as follows:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2007	\$ 1,687,500	\$ 811,547	\$ 2,499,047
2008	1,612,500	747,782	2,360,282
2009	1,427,500	689,126	2,116,626
2010	1,417,500	633,594	2,051,094
2011	1,417,500	574,894	1,992,394
2012-2016	6,012,500	2,092,587	8,105,087
2017-2021	4,815,000	907,072	5,722,072
2022-2024	1,825,000	102,437	1,927,437
	<u>\$ 20,215,000</u>	<u>\$ 6,559,039</u>	<u>\$ 26,774,039</u>

Year ending June 30:	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2007	\$ 282,400	\$ 90,870	\$ 373,270
2008	282,400	77,311	359,711
2009	282,200	67,245	349,445
2010	187,500	45,936	233,436
2011	187,500	36,750	224,250
2012-2014	562,500	55,172	617,672
	<u>\$ 1,784,500</u>	<u>\$ 373,284</u>	<u>\$ 2,157,784</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, 2006 was \$158,593. Additional reimbursements of principal aggregating approximately \$740,394 are expected to be received through the applicable bonds' maturity dates.

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**CAPITAL LEASES**

A summary of assets acquired through capital leases is as follows as of June 30, 2006:

	<b>Governmental</b>
	<b>Activites</b>
Vehicles	\$ 686,034
Less: accumulated amortization	(332,708)
	\$ 353,326

Amortization expense relative to leased property under capital leases totaled \$86,963 for the year ended June 30, 2006 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, 2006 is as follows:

	<b>Governmental</b>
Year Ending June 30:	<b>Activites</b>
2007	\$ 132,840
2008	74,211
2009	74,211
2010	74,211
Total minimum lease payments	355,473
Less: amount representing interest	30,445
Present value of minimum lease payments	325,028
Less: current portion	119,048
	\$ 205,980

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**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, 2006 are as follows:

Reserve for Inventory	\$ 10,103
Reserve for Sanitation	43,755
Reserve for Document Preservation	18,815
Reserve for Land Preservation	8,285
Reserve for Endowments	52,497
Reserve for Encumbrances	<u>144,646</u>
Total Fund Balance – Reserved	<u>\$ 278,101</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, 2006 are as follows:

Designated for Capital Reserves	\$ 2,067,608
Designated for Capital and Nonrecurring	896,578
Designated for Post Employment Benefits	<u>283,774</u>
Total Designated Fund Balance – Unreserved	<u>3,247,960</u>

The amount designated for Capital Reserves totaling \$2,067,608 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 \$126,142 for the year ended June 30, 2006. 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, 2006**

---

**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 \$162,073 for the year ended June 30, 2006. Plan enrollment totaled 54 people at June 30, 2006. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Accordingly, the assets of the trust are not included in the Town's basic financial statements.

**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

**Description of the Plan**

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

**Terms of the Plan**

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases of between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. Effective January 1, 2002, all other retired members receive a 2.5% annual adjustment until age 65, at which point they will receive the same COLA as those currently age 65. For those retiring after December 31, 2001, annual cost of living increases will be between 2.5% and 6%. All benefits vest after 5 years of continuous service or 15 years of active aggregated 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 year 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, plus 2% of the average of earnings for the three highest paid years of service in excess of the year's breakpoint. The year's breakpoint for 2005 is \$40,900.

**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, 2006**

**NOTE 9 - PENSION PLANS (Continued)**

**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)**

**Annual Pension Cost**

For the year ended June 30, 2006 the Town's annual pension cost of \$124,722 was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation 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.
- Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 4% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001, increases of 2.6% are assumed, regardless of age.

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, 2004	\$ 126,413	100.0%	-
June 30, 2005	116,044	100.0%	-
June 30, 2006	124,722	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, 2003	\$ 1,418	\$ 1,379	103%	\$ (39)	\$ 326	(12)
July 1, 2004	1,434	1,393	103	(41)	323	(12)
July 1, 2005	1,512	1,398	108	(114)	352	(13)

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**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 7.25% 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, 2006, Town teachers contributed \$921,997 to the plan and covered payroll for the period was \$12,717,200.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$1,612,541 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 - OTHER POST-EMPLOYMENT BENEFITS**

Employees covered under various union contracts are eligible to receive post-retirement benefits. Employees are only eligible to receive these benefits after having been employed with the Town for twenty-five years and after having attained a combined number of years employed by the Town and age of seventy-five years.

As of June 30, 2006, there were two employees who had retired and were receiving benefits. There are currently four employees that are eligible for these benefits. The Town finances the plan on a pay-as-you-go basis. For the year ended June 30, 2006, the Town had expenditures of \$5,608 for these benefits.

**NOTE 11 - 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 12 - CONTINGENT LIABILITIES**

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.

**NOTE 13 - ADJUSTMENT**

Net assets as of June 30, 2005 were adjusted by \$2,197,501 to reflect construction in progress costs for the High School and renovation project that were previously omitted.

**TOWN OF ELLINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2006**

---

**NOTE 14 - PRONOUNCEMENT ISSUED BUT NOT YET EFFECTIVE**

The Town has not completed the process of implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Town is therefore unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statement is adopted. GASB Statement No. 45 is effective for fiscal periods beginning after December 15, 2007.

**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, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		OVER (UNDER)
<b>PROPERTY TAXATION</b>				
Revenues from Property Taxes	\$ 25,545,699	\$ 25,545,699	\$ 25,912,105	\$ 366,406
Interest and Lien Fees	155,000	155,000	249,952	94,952
Total Property Taxation	<u>25,700,699</u>	<u>25,700,699</u>	<u>26,162,057</u>	<u>461,358</u>
<b>INTERGOVERNMENTAL - EDUCATION</b>				
Education Cost Sharing Grant	8,001,644	8,001,644	8,019,544	17,900
Transportation	318,199	318,199	314,972	(3,227)
Adult Education and Vocational Agriculture	12,232	12,232	12,915	683
Blind Grant	-	-	22,400	22,400
Building Grant	157,937	157,937	158,593	656
Total Intergovernmental - Education	<u>8,490,012</u>	<u>8,490,012</u>	<u>8,528,424</u>	<u>38,412</u>
<b>INTERGOVERNMENTAL - OTHER</b>				
Town Aid Road	151,044	151,044	152,272	1,228
Elderly Circuit Breaker Reimbursement	73,922	73,922	70,985	(2,937)
Manufacturers Machinery/Equipment Grant	136,413	136,413	161,881	25,468
Disability Reimbursement	922	922	1,478	556
State Property Forest	8,497	8,497	8,498	1
Mashantucket Pequot Fund	80,865	80,865	84,277	3,412
Circuit Court Fines	145	145	64	(81)
Housing Authority	8,889	8,889	-	(8,889)
In Lieu of Taxes - Boats	-	-	3,849	3,849
Dog Damage	100	100	-	(100)
Telephone Tax/SNET	74,901	74,901	56,109	(18,792)
Additional Income Veterans	15,070	15,070	15,706	636
Local Capital Improvement Program	99,695	99,695	104,615	4,920
DWI	-	-	9,963	9,963
Erase Grant	-	-	3,105	3,105
CRRA Transfer Station Use Fee	5,600	5,600	8,382	2,782
FEMA Disaster #3176	-	-	61,331	61,331
North Central Area Agency on Aging	3,000	3,000	4,522	1,522
Emergency Management	4,460	4,460	2,958	(1,502)
Pupil Tuition	20,000	20,000	18,588	(1,412)
OPM-Supplement Education Needs	-	-	25,000	25,000
BOE-CLS Wells	145,750	145,750	145,750	-
Historical Preserve Award	-	-	7,000	7,000
Total Intergovernmental - Other	<u>829,273</u>	<u>829,273</u>	<u>946,333</u>	<u>117,060</u>
<b>CHARGES FOR GOODS AND SERVICES</b>				
Building Department	360,000	360,000	587,319	227,319
Planning and Zoning	100,000	100,000	42,174	(57,826)
Fire Marshal	750	750	1,083	333
Parks and Recreation	17,900	17,900	8,673	(9,227)
Recreation Program Receipts	157,479	157,479	152,059	(5,420)
Recreation Intra Agency After School	7,500	7,500	-	(7,500)
Cultural Arts	5,000	5,000	1,436	(3,564)
Town Clerk Conveyance Tax	200,000	200,000	261,143	61,143
Town Clerk Recording Fees and Licenses	200,000	200,000	180,421	(19,579)
Aircraft Registration	2,770	2,770	4,180	1,410
Board of Education	1,000	1,000	603	(397)
Special Duty	10,000	10,000	38,575	28,575
Animal Control Officer Fees and Licenses	23,000	23,000	23,758	758
Animal Control Donations	100	100	361	261
Police DARE Donations	1,500	1,500	1,431	(69)
Youth Service Donations	1,000	1,000	-	(1,000)
Youth Service Activities	8,000	8,000	5,558	(2,442)
Senior Center Donations	-	-	233	233
Senior Center EMATS	-	-	65	65
Human Service Counseling Services	1,000	1,000	670	(330)
Human Services Municipal Agent	-	-	525	525
Human Service Donations	1,000	1,000	4,935	3,935
Human Services Food Pantry Donations	1,000	1,000	972	(28)
Human Services Rope Donations	2,000	2,000	1,200	(800)
Total Charges for Goods and Services	<u>1,100,999</u>	<u>1,100,999</u>	<u>1,317,374</u>	<u>216,375</u>

**TOWN OF ELLINGTON**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL - (Continued)**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u>
				<u>(UNDER)</u>
<b>INTEREST AND DIVIDENDS</b>				
Interest and Dividends	\$ 125,000	\$ 125,000	\$ 273,714	\$ 148,714
<b>OTHER REVENUES</b>				
WPCA	195,870	195,870	301,370	105,500
Closeout-Prior Year Capital Projects	135,000	135,000	134,889	(111)
Insurance Claims and Refunds	5,000	5,000	32,941	27,941
Cingular Wireless Cell Tower Lease	-	-	23,667	23,667
WPCA Reimbursement	25,000	25,000	27,905	2,905
WPCA Reimbursement Maintenance Budget	98,113	98,113	109,016	10,903
Building Demolition	3,000	3,000	-	(3,000)
Sundry Refunds and Receipts	4,000	4,000	44,007	40,007
Rental Income of Town Property	16,785	16,785	13,531	(3,254)
Sale of Property	-	-	15,075	15,075
Total Other Revenues	<u>482,768</u>	<u>482,768</u>	<u>702,401</u>	<u>219,633</u>
<b>TOTAL BUDGETARY REVENUES</b>	<b>\$ <u>36,728,751</u></b>	<b>\$ <u>36,728,751</u></b>	<b>\$ <u>37,930,303</u></b>	<b>\$ <u>1,201,552</u></b>

**TOWN OF ELLINGTON**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>GENERAL GOVERNMENT</b>				
Board of Selectmen	\$ 171,138	\$ 171,138	\$ 167,671	\$ 3,467
Board of Finance	7,250	8,030	8,029	1
Auditors	28,500	28,500	28,500	-
Auditors - Special Project	100	15,100	15,000	100
Finance Officer	211,034	211,034	202,677	8,357
Tax Assessor	196,678	178,678	178,259	419
Tax Collector	136,651	146,002	146,002	-
Board of Tax Review	500	566	565	1
Insurance Advisory Board	100	100	-	100
Town Clerk	205,396	213,819	213,818	1
Town Counsel	86,500	91,385	91,384	1
Probate Court	7,372	7,372	3,672	3,700
Town Planner	204,856	173,856	173,473	383
Total General Government	<u>1,256,075</u>	<u>1,245,580</u>	<u>1,229,050</u>	<u>16,530</u>
<b>BOARDS AND AGENCIES</b>				
Registrars and Electors	44,428	44,428	36,733	7,695
Economic Development Commission	8,000	8,000	4,242	3,758
Planning and Zoning	107,156	107,156	104,013	3,143
Design Board	1,000	1,000	-	1,000
Zoning Board of Appeals	7,176	7,176	4,346	2,830
Permanent Building Commission	1,850	1,850	472	1,378
Inland Wetland Agency	9,700	9,700	6,288	3,412
Conservation Commission	7,750	7,750	1,303	6,447
WPCA	1	1	-	1
Total Boards and Agencies	<u>187,061</u>	<u>187,061</u>	<u>157,397</u>	<u>29,664</u>
<b>PUBLIC SAFETY</b>				
Center Fire Department	138,019	167,277	167,276	1
Crystal Lake Fire Department	52,837	54,673	54,673	-
Fire Protection Hydrants	235,525	239,648	239,647	1
Emergency 911	38,052	38,059	38,059	-
Police	649,370	670,089	670,089	-
Police Special Duty	10,000	28,476	28,476	-
Police Drug Abuse Resistance Education	1,500	1,500	1,431	69
Animal Control Officer	72,683	72,683	62,956	9,727
Emergency Management	16,434	16,434	14,197	2,237
Building Department	110,444	113,390	113,930	(540)
Volunteer Ambulance	152,162	161,836	161,836	-
Emergency Service Incentive Program	89,375	102,397	102,396	1
Public Safety Commission	100	100	-	100
Fire Marshal	67,147	67,312	67,312	-
Total Public Safety	<u>1,633,648</u>	<u>1,733,874</u>	<u>1,722,278</u>	<u>11,596</u>
<b>PUBLIC WORKS</b>				
General Town Roads	1,163,320	1,209,317	1,209,317	-
New Equipment	7,600	7,600	4,807	2,793
Equipment Maintenance	144,967	169,802	169,801	1
Town Garage	44,325	62,736	62,736	-
Street Signs	10,000	10,307	10,306	1
Grounds Maintenance - BOE/Parks	12,658	64,430	64,430	-
Town Aid Road - Winter	79,725	121,465	121,464	1
Town Aid Road - Materials	196,215	290,941	290,940	1
Sanitary Landfill	454,320	391,320	390,370	950
Sanitary Recycling	226,054	244,283	244,282	1
Household Hazardous Waste	20,000	20,685	20,685	-
WPCA Maintenance	60,000	80,108	77,261	2,847
Street Lighting	67,868	67,868	63,972	3,896
Engineer and Inspections	70,000	151,295	151,295	-
Total Public Works	<u>2,557,052</u>	<u>2,892,157</u>	<u>2,881,666</u>	<u>10,491</u>

**TOWN OF ELLINGTON**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS			VARIANCE UNDER (OVER)
	ORIGINAL	FINAL	ACTUAL	
<b>RECREATION</b>				
Parks and Recreation	\$ 292,007	\$ 292,007	\$ 283,234	\$ 8,773
Cultural Arts	100	5,100	1,423	3,677
Inter-Agency After School Program	10,000	10,000	44	9,956
Total Recreation	<u>302,107</u>	<u>307,107</u>	<u>284,701</u>	<u>22,406</u>
<b>LIBRARY</b>				
Hall Memorial Library	401,305	415,075	415,074	1
Total Library	<u>401,305</u>	<u>415,075</u>	<u>415,074</u>	<u>1</u>
<b>HUMAN SERVICES</b>				
Public Health Nursing	7,225	7,225	5,777	1,448
Potter's House	500	500	500	-
Hockanum Industries Inc.	500	500	500	-
Tri-Town Emergency Shelter	4,000	4,000	4,000	-
Connecticut Legal Services	1,200	1,200	1,200	-
Women's Center Northeast Connecticut	1,100	1,100	1,100	-
Regional Mental Health Board	904	904	904	-
Kidsafe CT	3,000	3,000	3,000	-
Hockanum Valley Community Council	18,500	18,500	18,500	-
Food Pantry	500	1,015	1,015	-
Rope	12,000	12,000	9,424	2,576
Youth Activity Programs	21,845	26,394	26,394	-
Hartford Interval House	1,500	1,500	1,484	16
Human Services	155,461	155,461	148,457	7,004
North Central Health District	47,716	47,716	47,716	-
Welfare	10,000	15,000	14,305	695
Municipal Agent	1,500	1,858	1,858	-
Senior Center	117,456	121,197	121,196	1
Total Social Services	<u>404,907</u>	<u>419,070</u>	<u>407,330</u>	<u>11,740</u>
<b>TOWN PROPERTIES</b>				
Town Hall	262,658	293,440	293,439	1
Center Cemetary	500	500	500	-
Arbor Commons	14,800	14,800	13,702	1,098
Total Town Properties	<u>277,958</u>	<u>308,740</u>	<u>307,641</u>	<u>1,099</u>
<b>DEBT SERVICE</b>				
Debt Redemption - Principal	2,158,167	2,158,167	2,158,165	2
Debt Redemption - Interest	1,032,944	1,032,944	995,441	37,503
Total Debt Service	<u>3,191,111</u>	<u>3,191,111</u>	<u>3,153,606</u>	<u>37,505</u>
<b>MISCELLANEOUS</b>				
Social Security	274,279	274,279	264,684	9,595
Insurance	1,403,807	1,313,807	1,313,192	615
Insurance Reimbursement and Claims	7,500	29,181	29,180	1
Insurance Prior Year	5,000	5,000	-	5,000
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	5,267	233
CADAC-Recreation	2,400	2,400	930	1,470
Memorial Day Committee	1,500	1,614	1,614	-
Charter Revision Commission	-	2,500	1,713	787
Miscellaneous	100	100	60	40
Referendum	10,000	13,431	13,430	1
Building Demolition/Eviction	5,000	5,000	1,068	3,932
Salary Adjustment	129,066	101,911	101,001	910
Town Communications	10,000	10,000	9,857	143
Town Web Site	7,300	7,300	-	7,300
Grant Applications	5,000	5,000	-	5,000
GIS	60,000	60,000	60,000	-
Total Miscellaneous	<u>2,107,552</u>	<u>2,018,123</u>	<u>1,982,996</u>	<u>35,127</u>

**TOWN OF ELLINGTON**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE UNDER (OVER)
	ORIGINAL	FINAL		
<b>CAPITAL OUTLAYS</b>				
Unimproved Road Improvement	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Local Capital Improvement Program	101,760	104,615	104,615	-
Road Overlay	200,000	200,000	200,000	-
Town Hall Office Renovations	25,000	25,000	25,000	-
Revaluations	62,700	62,700	62,700	-
EVAC-Replacement Ambulance	160,000	163,139	163,138	1
Crystal Lake Renovation Wells	265,000	265,000	265,000	-
BOE - HS Athletic Field/ADA Comp	143,862	143,862	143,862	-
Total Capital Outlays	<u>1,033,322</u>	<u>1,039,316</u>	<u>1,039,315</u>	<u>1</u>
<b>EDUCATION</b>				
<b>Salaries</b>				
Administrative	1,000,303	1,030,585	1,030,584	1
Faculty	11,632,624	11,598,882	11,598,882	-
Secretarial	645,612	632,418	632,417	1
Custodial	768,490	762,058	762,058	-
Health Aides	219,639	213,124	213,124	-
Instructor Aides	595,423	536,724	536,724	-
General Aides	22,816	15,538	15,538	-
Media Personnel	54,542	54,511	54,511	-
Severance	49,360	104,394	104,394	-
Alpha and Omega Faculty	3,802	277	277	-
Secretarial Substitutes	29,000	16,696	16,695	1
Custodial Substitutes	23,750	33,498	33,497	1
Substitute Teachers	180,912	207,311	207,310	1
Coaches and Advisors	181,605	153,796	153,795	1
Custodial Overtime	83,685	59,955	59,954	1
Total Salaries	<u>15,491,563</u>	<u>15,419,767</u>	<u>15,419,760</u>	<u>7</u>
<b>Employee Benefits</b>				
Health Benefits	3,127,230	3,012,206	3,012,206	-
Social Security	362,705	350,396	350,395	1
Unemployment	15,000	7,092	7,092	-
Retirement - MERS	218,958	220,938	220,938	-
Course Tuition	1,000	1,345	1,345	-
Total Employee Benefits	<u>3,724,893</u>	<u>3,591,977</u>	<u>3,591,976</u>	<u>1</u>
<b>Contracted Services</b>				
Program Improvement	71,134	57,887	57,887	-
Pupil Services	71,046	137,691	137,691	-
Management Services	15,295	11,541	11,541	-
Professional/Tech Serv	291,773	425,797	425,797	-
Public Utilities-Electricity	322,593	386,863	386,862	1
Other Property Services	161,716	148,878	148,877	1
Property Insurance	175,306	217,039	217,039	-
Rentals	117,572	109,386	109,386	-
Repairs Instrument Equipment	41,994	31,502	31,501	1
Propane	22,967	43,056	43,055	1
Water	37,495	32,059	32,059	-
Repairs/Maintenance	125,354	116,656	116,656	-
Regional Pupil Transportation	1,073,184	1,110,725	1,110,725	-
Conference/Travel/Admin.	20,050	18,757	18,756	1
Conference/Travel/Teachers	10,000	6,324	6,324	-
Special Ed Transp.	278,743	269,136	269,136	-
Athletic Transportation	6,696	32,625	32,625	-
Cheney Vo-Ag Transportation	55,125	54,856	54,856	-
Conference/Travel Support Staff	3,100	3,031	3,031	-
Other Transportation Service	8,000	6,900	6,899	1
Communications/Telephone	56,572	33,026	33,026	-
Printing /Advertising	35,680	30,681	30,681	-
Outside Tuition	562,439	444,657	444,656	1
Total Contracted Services	<u>3,563,834</u>	<u>3,729,073</u>	<u>3,729,066</u>	<u>7</u>

**TOWN OF ELLINGTON**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE UNDER (OVER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>Capital Outlays</b>				
Replacement Equipment	\$ 34,345	\$ 44,077	\$ 44,077	\$ -
Total Capital Outlays	<u>34,345</u>	<u>44,077</u>	<u>44,077</u>	<u>-</u>
<b>Supplies and Materials</b>				
Administrative Supplies	45,284	33,945	33,945	-
Program Supplies	249,410	223,403	223,402	1
Special Education	30,660	19,429	19,429	-
Basic	90,286	80,614	80,614	-
Custodial/Maintenance Gasoline	16,756	7,019	7,019	-
Custodial Supplies	61,055	60,921	60,920	1
Heating Fuel and Gasoline	250,619	272,733	272,733	-
Textbooks	33,322	60,115	60,114	1
Library/Media	64,640	42,174	42,174	-
Total Supplies and Materials	<u>842,032</u>	<u>800,353</u>	<u>800,350</u>	<u>3</u>
<b>Miscellaneous</b>				
Dues and Memberships	29,077	27,674	27,674	-
Transfer account	-	534	-	534
Food Service	162,411	170,808	170,808	-
Townwide Maintenance Program	40,500	104,392	104,391	1
Total Miscellaneous	<u>231,988</u>	<u>303,408</u>	<u>302,873</u>	<u>535</u>
<b>TOTAL BOARD OF EDUCATION</b>	<u>23,888,655</u>	<u>23,888,655</u>	<u>23,888,102</u>	<u>553</u>
<b>TOTAL BUDGETARY EXPENDITURES</b>	<u>\$ 37,240,753</u>	<u>\$ 37,645,869</u>	<u>\$ 37,469,156</u>	<u>\$ 176,713</u>

**TOWN OF ELLINGTON**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2006**

GRAND LIST YEAR	BALANCE UNCOLLECTED JUNE 30, 2005	CURRENT LEVY	LAWFUL CORRECTIONS		TRANSFERS TO (FROM) SUSPENSE	BALANCE TO BE COLLECTED	COLLECTIONS			LIEN FEES	TOTAL	REFUNDS AND ADJUSTMENTS	BALANCE UNCOLLECTED JUNE 30, 2006
			ADDITIONS	DEDUCTIONS			TAXES	INTEREST	FEEES				
2004	\$ -	\$ 25,925,987	\$ 55,413	\$ 91,996	\$ -	\$ 25,889,404	\$ 25,643,070	\$ 82,496	\$ 2,794	\$ 25,734,360	\$ 38,863	\$ 219,197	
2003	283,713	-	1,684	8,496	-	276,901	129,012	33,710	1,818	164,540	8,774	156,663	
2002	188,700	-	415	1,656	(16,221)	171,238	78,204	28,153	672	107,029	276	93,310	
2001	108,824	-	-	1,336	2,067	109,555	37,435	17,748	456	55,639	61	72,181	
2000	83,677	-	-	1,214	210	82,673	20,934	12,917	288	34,139	-	61,739	
1999	68,011	-	-	1,399	154	66,766	21,065	17,150	240	38,455	-	45,701	
1998	51,047	-	-	1,344	142	49,845	18,647	19,526	216	38,389	-	31,198	
1997	41,442	-	-	1,217	156	40,381	16,516	20,059	144	36,719	-	23,865	
1996	32,338	-	-	1,148	414	31,604	10,442	9,216	168	19,826	-	21,162	
1995	21,177	-	-	1,148	75	20,104	3,453	4,529	72	8,054	-	16,651	
1994	14,636	-	-	1,148	75	13,563	1,380	598	48	2,026	-	12,183	
1993	13,753	-	-	1,148	20	12,625	-	72	-	72	-	12,625	
1992	12,164	-	-	1,093	100	11,171	-	222	-	222	-	11,171	
1991	10,396	-	-	1,042	-	9,354	-	300	-	300	-	9,354	
1990	6,595	-	-	1,024	-	5,571	975	225	-	1,200	-	4,596	
1989	4,235	-	-	455	178	3,968	-	491	-	491	-	3,968	
1988	3,328	-	-	-	-	3,328	-	-	-	-	-	3,328	
	\$ 944,036	\$ 25,925,987	\$ 57,522	\$ 116,864	\$ (12,630)	\$ 26,798,051	\$ 25,987,133	\$ 247,412	\$ 6,916	\$ 26,241,461	\$ 47,974	\$ 858,892	

**TOWN OF ELLINGTON**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)**  
**JUNE 30, 2006**

Total cash collections for the  
year ended June 30, 2006

Taxes	\$ 25,987,133
Interest and lien fees	254,328
Total	<u>26,241,461</u>

Reimbursed for  
Tax relief for elderly

	70,985
Base	<u>\$ 26,312,446</u>

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
Debt limitation:					
2-1/4 times base	\$ 59,203,004	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	118,406,007	-	-	-
3-3/4 times base	-	-	98,671,673	-	-
3-1/4 times base	-	-	-	85,515,450	-
3 times base	-	-	-	-	78,937,338
Total debt limitation	<u>59,203,004</u>	<u>118,406,007</u>	<u>98,671,673</u>	<u>85,515,450</u>	<u>78,937,338</u>

Indebtedness:

Bonds and notes payable  
Less: sewer assessments and usage charges receivable  
Less: amounts to be provided by the State

	1,805,000	18,410,000	1,784,500	-	-
	-	-	209,796	-	-
	-	740,394	-	-	-
Total indebtedness	<u>1,805,000</u>	<u>17,669,606</u>	<u>1,574,704</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of  
Outstanding and authorized debt

	\$ 57,398,004	\$ 100,736,401	\$ 97,096,969	\$ 85,515,450	\$ 78,937,338
--	---------------	----------------	---------------	---------------	---------------

Total capacity of borrowing (7 times base)

\$ 184,187,122

Total present indebtedness

21,049,310

Margin for additional borrowing

\$ 163,137,812

# *Combining Statements*

**TOWN OF ELLINGTON**  
**COMBINING BALANCE SHEET - BY FUND TYPE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 266,078	\$ -	\$ -	\$ 266,078
Investments	785,823	130,187	666,409	1,582,419
Receivables:				
Grants and contracts receivable	32,020	150,546	-	182,566
Other	68,892	-	-	68,892
Due from other funds	15,665	65,762	1,877	83,304
Inventories	10,103	-	-	10,103
Total assets	<u>\$ 1,178,581</u>	<u>\$ 346,495</u>	<u>\$ 668,286</u>	<u>\$ 2,193,362</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 37,251	\$ -	\$ 771	\$ 38,022
Due to other funds	185,475	216,564	-	402,039
Deferred revenue	18,748	-	-	18,748
Due to funding source	12,208	-	-	12,208
Total liabilities	<u>253,682</u>	<u>216,564</u>	<u>771</u>	<u>471,017</u>
Fund Balances:				
Reserved for:				
Inventories	10,103	-	-	10,103
Sanitation	43,755	-	-	43,755
Document preservation	18,815	-	-	18,815
Land preservation	8,285	-	-	8,285
Endowments	-	-	52,497	52,497
Unreserved	843,941	129,931	615,018	1,588,890
Total fund balances	<u>924,899</u>	<u>129,931</u>	<u>667,515</u>	<u>1,722,345</u>
Total liabilities and fund balances	<u>\$ 1,178,581</u>	<u>\$ 346,495</u>	<u>\$ 668,286</u>	<u>\$ 2,193,362</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, 2006**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Intergovernmental	\$ 855,410	\$ 39,686	\$ -	\$ 895,096
Charges for services	457,320	-	-	457,320
Food sales	570,168	-	-	570,168
Interest and dividends	27,202	4,645	5,910	37,757
Other income	95,548	7,000	25,132	127,680
Total revenues	<u>2,005,648</u>	<u>51,331</u>	<u>31,042</u>	<u>2,088,021</u>
<b>EXPENDITURES</b>				
Current:				
Miscellaneous	-	-	6,802	6,802
Program expenditures	1,668,382	-	5,666	1,674,048
Capital outlays	-	71,507	-	71,507
Total expenditures	<u>1,668,382</u>	<u>71,507</u>	<u>12,468</u>	<u>1,752,357</u>
Excess of revenues over expenditures	337,266	(20,176)	18,574	335,664
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	10,700	-	10,700
Transfers out	(179,293)	(10,700)	-	(189,993)
Total other financing sources (uses)	<u>(179,293)</u>	<u>-</u>	<u>-</u>	<u>(179,293)</u>
Net change in fund balances	157,973	(20,176)	18,574	156,371
Fund balances - beginning	<u>766,926</u>	<u>150,107</u>	<u>648,941</u>	<u>1,565,974</u>
Fund balances - ending	<u>\$ 924,899</u>	<u>\$ 129,931</u>	<u>\$ 667,515</u>	<u>\$ 1,722,345</u>

*Special Revenue  
Funds*

**TOWN OF ELLINGTON  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2006**

	CRRASanitation Control	Dog Fund	Education Grants	School Lunch	Ambulance Fee Program	Youth Service Bureau	HUD	
							Small Cities	Small Cities Rehab Program
\$	-	-	\$ 40,041	\$ 218,619	\$ 7,418	\$ -	\$ -	\$ -
43,755					532,933			
			2,168	17,131				
		12,105			68,892	3,337		
				10,103				
\$ 43,755	\$ 12,105	\$ 42,209	\$ 245,853	\$ 609,243	\$ 3,337	\$ 59,128	\$ -	\$ -

**ASSETS**

Cash and cash equivalents  
Investments  
Receivables:  
Grants and contracts receivable  
Other  
Due from other funds  
Inventories  
Total assets

**LIABILITIES AND FUND BALANCES (DEFICIT)**

**Liabilities:**

Accounts payable  
Due to other funds  
Deferred revenue  
Due to funding source  
Total liabilities

**Fund Balances (deficit):**

Reserved for:  
Inventories  
Sanitation  
Document preservation  
Land preservation  
Unreserved  
Total fund balances  
Total liabilities and fund balances

\$	-	\$	\$ 23,358	\$ 1,687	\$ 1,486	\$ -	\$ -	\$ -
					182,169			
		18,748						
	12,105	103						
	12,105	42,209	1,687	183,655				
			10,103					
			234,063	425,588	3,337	59,128		
43,755			244,166	425,588	3,337	59,128		
\$ 43,755	\$ 12,105	\$ 42,209	\$ 245,853	\$ 609,243	\$ 3,337	\$ 59,128	\$ -	\$ -

**TOWN OF ELLINGTON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS (Continued)**  
**JUNE 30, 2006**

	Historic Document Preservation	Small Cities Program Income	Small Cities Snipsic Village 2004	HUD Small Cities Rehab 2005	Town Land Preservation	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	-	\$ 266,078
Investments	18,701	123,130	-	-	8,176	785,823
Receivables:						
Grants and contracts receivable	-	-	-	12,721	-	32,020
Other	-	-	-	-	-	68,892
Due from other funds	114	-	-	-	109	15,665
Inventories	-	-	-	-	-	10,103
Total assets	\$ 18,815	\$ 123,130	\$ -	\$ 12,721	\$ 8,285	\$ 1,178,581

<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 10,720	\$ -	\$ 37,251
Due to other funds	-	1,295	2,011	-	185,475
Deferred revenue	-	-	-	-	18,748
Due to funding source	-	-	-	-	12,208
Total liabilities	-	1,295	12,731	-	253,682

Fund Balances (deficit):					
Reserved for:					
Inventories	-	-	-	-	10,103
Sanitation	-	-	-	-	43,755
Document preservation	18,815	-	-	-	18,815
Land preservation	-	-	-	8,285	8,285
Unreserved	-	121,835	(10)	-	843,941
Total fund balances (deficit)	18,815	121,835	(10)	8,285	924,899
Total liabilities and fund balances	\$ 18,815	\$ 123,130	\$ 12,721	\$ 8,285	\$ 1,178,581

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUNDS BALANCES (DEFICIT)**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	CRRASanitation Control	Dog Fund	Education Grants	School Lunch	Ambulance Fee Program	Youth Service Bureau	HUD Small Cities Housing Rehab Program	HUD Small Cities Rehab 2002
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ 718,123	\$ 110,566	\$ -	\$ 14,000	\$ -	\$ -
Charges for services	-	62,956	-	-	221,701	-	-	-
Food sales	-	-	-	570,168	-	-	-	-
Interest and dividends	1,607	-	-	3,702	15,701	-	1,411	-
Other income	-	-	-	-	-	-	-	-
Total revenues	1,607	62,956	718,123	684,436	237,402	14,000	1,411	-
<b>EXPENDITURES</b>								
Current:								
Program expenditures	-	62,956	718,123	641,596	44,229	14,901	-	216
Total expenditures	-	62,956	718,123	641,596	44,229	14,901	-	216
Excess (deficiency) of revenues over expenditures	1,607	-	-	42,840	193,173	(901)	1,411	(216)
<b>OTHER FINANCING USES</b>								
Transfers out	-	-	-	-	(179,293)	-	-	-
Net change in fund balances	1,607	-	-	42,840	13,880	(901)	1,411	(216)
Fund balances (deficit) - beginning	42,148	-	-	201,326	411,708	4,238	57,717	216
Fund balances (deficit) - ending	\$ 43,755	\$ -	\$ -	\$ 244,166	\$ 425,588	\$ 3,337	\$ 59,128	\$ -

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUNDS BALANCES (DEFICIT) (Continued)**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Historic Document Preservation	Small Cities Program Income	Small Cities Snipsic Village 2004	HUD Small Cities Rehab 2005	Town Land Preservation	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 12,721	\$ -	\$ 855,410
Charges for services	-	172,663	-	-	-	457,320
Food sales	-	-	-	-	-	570,168
Interest and dividends	528	4,155	-	-	98	27,202
Other income	14,138	-	-	-	81,410	95,548
Total revenues	14,666	176,818	-	12,721	81,508	2,005,648
<b>EXPENDITURES</b>						
Current:						
Program expenditures	7,730	92,612	75	12,721	73,223	1,668,382
Total expenditures	7,730	92,612	75	12,721	73,223	1,668,382
Excess (deficiency) of revenues over expenditures	6,936	84,206	(75)	-	8,285	337,266
<b>OTHER FINANCING USES</b>						
Transfers out	-	-	-	-	-	(179,293)
Net changes in fund balances	6,936	84,206	(75)	-	8,285	157,973
Fund balances (deficit) - beginning	11,879	37,629	75	(10)	-	766,926
Fund balances (deficit) - ending	\$ 18,815	\$ 121,835	\$ -	\$ (10)	\$ 8,285	\$ 924,899

***Capital Projects  
Funds***

**TOWN OF ELLINGTON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2006**

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
ASSETS						
Investments	\$ 23,287	\$ -	\$ 34,300	\$ -	\$ 16,623	\$ 55,977
Grants and contract receivables	-	104,615	-	45,931	-	-
Due from other funds	-	-	-	65,762	-	-
Total assets	\$ 23,287	\$ 104,615	\$ 34,300	\$ 111,693	\$ 16,623	\$ 55,977

**LIABILITIES AND FUND BALANCES (DEFICIT)**

Liabilities:						
Due to other funds	\$ -	\$ 104,615	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	104,615	-	-	-	-
Fund Balances (deficit):						
Unreserved	23,287	-	34,300	111,693	16,623	55,977
Total fund balances	23,287	-	34,300	111,693	16,623	55,977
Total liabilities and fund balances	\$ 23,287	\$ 104,615	\$ 34,300	\$ 111,693	\$ 16,623	\$ 55,977

**TOWN OF ELLINGTON**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2006**

ASSETS	Windermere School Addition	Windermere Relocation Bridge	Total Nonmajor Capital Projects Funds
Investments	\$ -	\$ -	\$ 130,187
Grants and contract receivables	-	-	150,546
Due from other funds	-	-	65,762
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,495</u>

**LIABILITIES AND FUND BALANCES (DEFICIT)**

Liabilities:			
Due to other funds	\$ 111,949	\$ -	\$ 216,564
Total liabilities	<u>111,949</u>	<u>-</u>	<u>216,564</u>
Fund Balances (deficit):			
Unreserved	(111,949)	-	129,931
Total fund balances (deficit)	<u>(111,949)</u>	<u>-</u>	<u>129,931</u>
Total liabilities and fund balances (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,495</u>

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (DEFICIT)**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Windsorville Road Improvement	Local Capital Improvement Program	Town Sidewalk Fund	Longview Middle School	Windermere Road Improvements	Dept of Public Works Maintenance
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 39,686	-	\$ -	\$ -	\$ -
Interest and dividends	856	-	1,122	-	611	2,056
Other income	-	-	7,000	-	-	-
Total revenues	856	39,686	8,122	-	611	2,056
<b>EXPENDITURES</b>						
Capital outlays	-	28,986	-	-	-	-
Total expenditures	-	28,986	-	-	-	-
Excess (deficiency) of revenues over expenditures	856	10,700	8,122	-	611	2,056
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	10,700	-	-	-	-	-
Transfers out	-	(10,700)	-	-	-	-
Total other financing sources (uses)	10,700	(10,700)	-	-	-	-
Net change in fund balances	11,556	-	8,122	-	611	2,056
Fund balances (deficit) - beginning	11,731	-	26,178	111,693	16,012	53,921
Fund balances (deficit) - ending	\$ 23,287	\$ -	\$ 34,300	\$ 111,693	\$ 16,623	\$ 55,977

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (DEFICIT) (Continued)**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Windermere School Addition	Windermere Relocation Bridge	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ 39,686
Interest and dividends	-	-	4,645
Other income	-	-	7,000
Total revenues	-	-	51,331
<b>EXPENDITURES</b>			
Capital outlays	13,760	28,761	71,507
Total expenditures	13,760	28,761	71,507
Excess (deficiency) of revenues over expenditures	(13,760)	(28,761)	(20,176)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	10,700
Transfers out	-	-	(10,700)
Total other financing sources (uses)	-	-	-
Net change in fund balances	(13,760)	(28,761)	(20,176)
Fund balances (deficit) - beginning	(98,189)	28,761	150,107
Fund balances (deficit) - ending	\$ (111,949)	\$ -	\$ 129,931

*Permanent  
Funds*

**TOWN OF ELLINGTON  
COMBINING BALANCE SHEET  
NONMAJOR PERMANENT FUNDS  
JUNE 30, 2006**

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
<b>ASSETS</b>						
Investments	\$ 372,023	\$ 70,030	\$ 14,049	\$ 143	\$ 286	\$ 714
Due from other funds	1,026	206	41	-	-	-
Total assets	<u>\$ 373,049</u>	<u>\$ 70,236</u>	<u>\$ 14,090</u>	<u>\$ 143</u>	<u>\$ 286</u>	<u>\$ 714</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 43	\$ 86	\$ 214
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>86</u>	<u>214</u>

Fund Balances:						
Reserved for endowments	29,697	5,000	1,000	100	200	500
Unreserved	343,352	65,236	13,090	-	-	-
Total fund balances	<u>373,049</u>	<u>70,236</u>	<u>14,090</u>	<u>100</u>	<u>200</u>	<u>500</u>
Total liabilities and fund balances	<u>\$ 373,049</u>	<u>\$ 70,236</u>	<u>\$ 14,090</u>	<u>\$ 143</u>	<u>\$ 286</u>	<u>\$ 714</u>

**TOWN OF ELLINGTON**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR PERMANENT FUNDS**  
**JUNE 30, 2006**

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
<b>ASSETS</b>				
Investments	\$ 61,009	\$ 146,727	\$ 1,428	\$ 666,409
Due from other funds	173	431	-	1,877
Total assets	<u>\$ 61,182</u>	<u>\$ 147,158</u>	<u>\$ 1,428</u>	<u>\$ 668,286</u>

**LIABILITIES AND FUND BALANCES**

Liabilities				
Accounts payable	\$ -	\$ -	\$ 428	771
Total liabilities	<u>-</u>	<u>-</u>	<u>428</u>	<u>771</u>

**Fund Balances:**

Reserved for endowments	5,000	10,000	1,000	52,497
Unreserved	56,182	137,158	-	615,018
Total fund balances	<u>61,182</u>	<u>147,158</u>	<u>1,000</u>	<u>667,515</u>
Total liabilities and fund balances	<u>\$ 61,182</u>	<u>\$ 147,158</u>	<u>\$ 1,428</u>	<u>\$ 668,286</u>

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Marshall E. Charter	Kimball Memorial	John T. McKnight Maintenance	Eugene K. Mosley	Arthur Hyde	Sarah H. McKinney
<b>REVENUES</b>						
Interest and dividends	\$ 796	\$ -	\$ 177	\$ 5	\$ 11	\$ 26
Other income	16,418	3,259	477	-	-	-
Total revenues	<u>17,214</u>	<u>3,259</u>	<u>654</u>	<u>5</u>	<u>11</u>	<u>26</u>
<b>EXPENDITURES</b>						
Current:						
Program expenditures	-	834	-	5	11	26
Miscellaneous	4,182	-	167	-	-	-
Total expenditures	<u>4,182</u>	<u>834</u>	<u>167</u>	<u>5</u>	<u>11</u>	<u>26</u>
Excess (deficiency) of revenues over expenditures	13,032	2,425	487	-	-	-
Fund balances - beginning	<u>360,017</u>	<u>67,811</u>	<u>13,603</u>	<u>100</u>	<u>200</u>	<u>500</u>
Fund balances - ending	<u>\$ 373,049</u>	<u>\$ 70,236</u>	<u>\$ 14,090</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, 2006**

	Mary Wadsworth Gardner	Hall Memorial Library Fund	Wiley Fund	Total Nonmajor Permanent Funds
<b>REVENUES</b>				
Interest and dividends	\$ 2,993	\$ 1,850	\$ 52	\$ 5,910
Other income	-	4,978	-	25,132
Total revenues	<u>2,993</u>	<u>6,828</u>	<u>52</u>	<u>31,042</u>
<b>EXPENDITURES</b>				
Current:				
Program expenditures	4,738	-	52	5,666
Miscellaneous	704	1,749	-	6,802
Total expenditures	<u>5,442</u>	<u>1,749</u>	<u>52</u>	<u>12,468</u>
Excess (deficiency) of revenues over expenditures	(2,449)	5,079	-	18,574
Fund balances - beginning	63,631	142,079	1,000	648,941
Fund balances - ending	<u>\$ 61,182</u>	<u>\$ 147,158</u>	<u>\$ 1,000</u>	<u>\$ 667,515</u>

***Proprietary  
Funds***

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF NET ASSETS (DEFICIT)**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2006**

	<u>Solid Waste Collection</u>	<u>Watermains, Tripp and Middle Roads</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
Sewer usage charges receivable, net of allowance for uncollectibles of \$3,300	\$ 23,621	\$ -	\$ 23,621
Deferred assessments	-	52,764	52,764
Due from other funds	28,350	-	28,350
Total assets	<u>51,971</u>	<u>52,764</u>	<u>104,735</u>
<b>LIABILITIES</b>			
Deferred revenue	-	52,764	52,764
Due to other funds	-	133,769	133,769
Total liabilities	<u>-</u>	<u>186,533</u>	<u>186,533</u>
<b>NET ASSETS (DEFICIT)</b>			
Unrestricted	<u>51,971</u>	<u>(133,769)</u>	<u>(81,798)</u>
Total net assets (deficit)	<u>\$ 51,971</u>	<u>\$ (133,769)</u>	<u>\$ (81,798)</u>

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS (DEFICIT)**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Solid Waste Collection</u>	<u>Watermains, Tripp and Middle Roads</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
Solid waste fees	\$ 414,209	\$ -	\$ 414,209
<b>OPERATING EXPENSES</b>			
Public works and administrative expenses	396,174	-	396,174
Other	115	-	115
Total operating expenses	<u>396,289</u>	<u>-</u>	<u>396,289</u>
Change in net assets	17,920	-	17,920
Net assets (deficit) - beginning	<u>34,051</u>	<u>(133,769)</u>	<u>(99,718)</u>
Net assets (deficit) - ending	<u>\$ 51,971</u>	<u>\$ (133,769)</u>	<u>\$ (81,798)</u>

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Solid Waste Collection</u>	<u>Watermains, Tripp and Middle Roads</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 410,453	\$ -	\$ 410,453
Payments for interfund services provided	(14,164)	-	(14,164)
Payments to suppliers	(396,289)	-	(396,289)
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>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>			
Operating income	\$ 17,920	\$ -	\$ 17,920
(Increase) decrease in assets:			
Sewer usage receivable, net	(3,756)	-	(3,756)
Due from other funds	(14,164)	-	(14,164)
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, 2006**

GRAND LIST YEAR	UNCOLLECTED USER CHARGES JUNE 30, 2005 & CURRENT LEVY		LAWFUL CORRECTIONS	USER CHARGES COLLECTIBLE	ACTUAL CASH COLLECTIONS					TOTAL	REFUNDS	UNCOLLECTED USER CHARGES JUNE 30, 2006
	2005	2006			USER CHARGES	INTEREST	LIEN FEES	2005	2006			
2005	1,080,107		54,193	1,134,300	1,072,041	5,070	-	-	1,077,111	416	62,675	
2004	55,072		(955)	54,117	33,046	4,314	744	38,104	21,077			
2003	20,940		(474)	20,466	7,768	2,349	592	10,709	12,698			
2002	17,171		(356)	16,815	6,199	3,148	384	9,731	10,616			
2001	8,997		-	8,997	2,123	1,329	218	3,670	6,874			
2000	5,432		-	5,432	1,231	742	133	2,106	4,201			
1999	2,682		-	2,682	467	840	87	1,394	2,215			
1998	1,954		-	1,954	440	561	48	1,049	1,514			
1997	1,340		-	1,340	-	-	-	-	1,340			
1996	1,071		-	1,071	-	-	-	-	1,071			
1995	690		-	690	-	-	-	-	690			
1994	688		-	688	-	-	-	-	688			
1993	696		-	696	-	-	-	-	696			
1992	740		-	740	-	-	-	-	740			
1991	700		-	700	-	-	-	-	700			
1990	537		-	537	-	-	-	-	537			
	<u>1,198,817</u>		<u>52,408</u>	<u>1,251,225</u>	<u>1,123,315</u>	<u>18,353</u>	<u>2,206</u>	<u>1,143,874</u>	<u>422</u>	<u>128,332</u>		

*Fiduciary  
Funds*

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2006**

	Municipal Land Trust Fund	Public Health Nursing	John T. McKnight	Hall Memorial Library	D.A.R.E.	Senior Center Donation
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 60,821	\$ -	\$ -
Investments	16,356	2,053	23,134	-	6,086	24,805
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>16,356</u>	<u>2,053</u>	<u>23,134</u>	<u>60,821</u>	<u>6,086</u>	<u>24,805</u>
<b>LIABILITIES</b>						
Due to other funds	-	-	-	-	-	-
<b>NET ASSETS</b>						
Held in trust for other purposes	<u>\$ 16,356</u>	<u>\$ 2,053</u>	<u>\$ 23,134</u>	<u>\$ 60,821</u>	<u>\$ 6,086</u>	<u>\$ 24,805</u>

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS (Continued)**  
**PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2006**

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Memorial Myrtle Eddy	Hall Memorial Moriarty	Open Space	Total Private Purpose Trust Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 194	\$ 17,015	\$ -	\$ -	\$ -	\$ -	\$ 78,030
Investments	8,868	-	139,979	5,306	10,552	250,708	487,847
Accounts receivable	-	-	-	16	31	-	47
Due from other funds	-	-	412	-	-	736	1,148
Total assets	<u>9,062</u>	<u>17,015</u>	<u>140,391</u>	<u>5,322</u>	<u>10,583</u>	<u>251,444</u>	<u>567,072</u>
<b>LIABILITIES</b>							
Due to other funds	1,509	-	-	-	-	-	1,509
<b>NET ASSETS</b>							
Held in trust for other purposes	<u>\$ 7,553</u>	<u>\$ 17,015</u>	<u>\$ 140,391</u>	<u>\$ 5,322</u>	<u>\$ 10,583</u>	<u>\$ 251,444</u>	<u>\$ 565,563</u>

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Municipal Land Trust Fund	Public Health Nursing	John T. McKnight	Hall Memorial Library	D.A.R.E.	Senior Center Donation
<b>ADDITIONS</b>						
Private donations	\$ -	\$ -	\$ -	\$ 55,166	\$ -	\$ 10,231
Other income	-	-	-	17,869	-	-
Total contributions	-	-	-	73,035	-	10,231
Investment earnings:						
Interest	601	75	850	239	271	709
Net increase in the fair value of investments	-	-	-	-	-	-
Total investment earnings	601	75	850	239	271	709
Total additions	601	75	850	73,274	271	10,940
<b>DEDUCTIONS</b>						
Program expenditures	-	-	-	75,176	1,431	-
Total deductions	-	-	-	75,176	1,431	-
Change in net assets	601	75	850	(1,902)	(1,160)	10,940
Net Assets Held in Trust for Others:						
Beginning	15,755	1,978	22,284	62,723	7,246	13,865
Ending	\$ 16,356	\$ 2,053	\$ 23,134	\$ 60,821	\$ 6,086	\$ 24,805

**TOWN OF ELLINGTON**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (Continued)**  
**PRIVATE PURPOSE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Graduation Fund	Senior Citizen Activity	Hall Memorial Endowment	Hall Myrtle Eddy	Hall Moriarty	Open Space	Total Private Purpose Trust Funds
<b>ADDITIONS</b>							
Private donations	\$ 13,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,784
Other income	-	69,585	4,225	68	134	43,184	135,065
Total contributions	13,387	69,585	4,225	68	134	43,184	213,849
Investment earnings:							
Interest	541	-	-	-	-	9,697	12,983
Net increase in the fair value of investments	-	-	2,288	89	177	-	2,554
Total investment earnings	541	-	2,288	89	177	9,697	15,537
Total additions	13,928	69,585	6,513	157	311	52,881	229,386
<b>DEDUCTIONS</b>							
Program expenditures	17,693	71,722	1,666	64	127	43,282	211,161
Total deductions	17,693	71,722	1,666	64	127	43,282	211,161
Change in net assets	(3,765)	(2,137)	4,847	93	184	9,599	18,225
Net Assets Held in Trust for Others:							
Beginning	11,318	19,152	135,544	5,229	10,399	241,845	547,338
Ending	\$ 7,553	\$ 17,015	\$ 140,391	\$ 5,322	\$ 10,583	\$ 251,444	\$ 565,563

**TOWN OF ELLINGTON  
COMBINING STATEMENT OF CHANGES IN  
FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Balance, July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2006</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Ellington Center School	\$ 9,981	\$ 19,328	\$ 22,490	\$ 6,819
Ellington High School	69,999	427,744	412,488	85,255
Ellington School Use Activity	22,360	5,847	5,235	22,972
Crystal Lake School	1,353	7,902	6,697	2,558
Windermere School	30,154	45,825	46,901	29,078
Special Education Preschool Department	30,976	34,487	21,113	44,350
Board of Education Educational Services	11,881	10,348	12,909	9,320
Special Education Petty Cash Reimbursement	516	4,883	4,883	516
Ellington Middle School	34,739	102,732	98,590	38,881
Special Education Account	30,541	49,848	80,088	301
Petty Cash - High School	538	355	-	893
Petty Cash - BOE	105	1,566	1,493	178
<b>INVESTMENTS</b>				
Construction Performance Bonds	371,417	27,504	13,144	385,777
Total Assets	<u>\$ 614,560</u>	<u>\$ 738,369</u>	<u>\$ 726,031</u>	<u>\$ 626,898</u>
<b>DUE TO OTHERS</b>				
Ellington Center School	\$ 9,981	\$ 19,328	\$ 22,490	\$ 6,819
Ellington High School	69,999	427,744	412,488	85,255
Ellington School Use Activity	22,360	5,847	5,235	22,972
Crystal Lake School	1,353	7,902	6,697	2,558
Windermere School	30,154	45,825	46,901	29,078
Special Education Preschool Department	30,976	34,487	21,113	44,350
Board of Education Educational Services	11,881	10,348	12,909	9,320
Special Education Petty Cash Reimbursement	516	4,883	4,883	516
Ellington Middle School	34,739	102,732	98,590	38,881
Special Education Account	30,541	49,848	80,088	301
Petty Cash - BOE	538	355	-	893
Petty Cash - High School	105	1,566	1,493	178
Due to Contractors	371,417	27,504	13,144	385,777
Total Liabilities	<u>\$ 614,560</u>	<u>\$ 738,369</u>	<u>\$ 726,031</u>	<u>\$ 626,898</u>

**SINGLE AUDIT  
SECTION**

# **Federal Single Audit Section**

***Federal Internal  
Control and  
Compliance  
Reports***



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

124 Hebron Avenue | Glastonbury, CT 06033 | 860.781.6700 | 860.633.0712 fax | www.ccrgroup.com

## **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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Ellington, Connecticut (the "Town") as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 18, 2006. 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 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.

*Carlin, Chanson & Rosen, LLP*

Glastonbury, Connecticut  
December 18, 2006



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

124 Hebron Avenue | Glastonbury, CT 06033 | 860.781.6700 | 860.633.0712 fax | www.ccrgroup.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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, 2006. The Town's major federal program is identified in the summary of audit 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, 2006.

## INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the 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.

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.

*Carlton, Charon & Rosen, LLP*

Glastonbury, Connecticut  
December 18, 2006

*Schedule of  
Expenditures  
of Federal  
Awards*

**TOWN OF ELLINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<u>FEDERAL GRANTOR; PROGRAM TITLE; DESCRIPTION</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through State of Connecticut			
Department of Economic and Community Development:			
Small Cities - Rehab - 2005	20050480010520201A	14.219	\$ 12,721
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through State of Connecticut			
Department of Education:			
IDEA - Part B, Section 611	2005-20977	84.027	224,902
IDEA - Part B, Section 611	2006-20977	84.027	241,111
IDEA - Part B, Section 619	2005-20983	84.173	7,310
IDEA - Part B, Section 619	2006-20983	84.173	7,323
			<u>480,646</u>
Title IV Safe and Drug Free Schools	2005-20873	84.186	2,862
Title IV Safe and Drug Free Schools	2006-20873	84.186	5,278
			<u>8,140</u>
Title I Improving Basic Programs	2005-20679	84.010	2,684
Title I Improving Basic Programs	2006-20679	84.010	115,526
			<u>118,210</u>
Title VI Innovative Education Strategies	2005-20909	84.298	17
Title VI Innovative Education Strategies	2006-20909	84.298	6,860
			<u>6,877</u>
Title II Part D Technology	2005-20826	84.367	2,976
Title II Part A Teachers	2005-20858	84.367	15,236
Title II Part A Teachers	2006-20858	84.367	56,038
			<u>74,250</u>
<b>Total Department of Education</b>			<u>688,123</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through State of Connecticut			
Department of Education:			
National School Lunch Program	-	10.555	77,866
National School Milk	-	10.555	2,860
			<u>80,726</u>
USDA Commodities	-	10.550	20,664
<b>Total Department of Agriculture</b>			<u>101,390</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, 2006**

<u>FEDERAL GRANTOR; PROGRAM TITLE; DESCRIPTION</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through State of Connecticut			
Department of Transportation:			
State and Community Highway Safety	-	20.600	\$ 9,963
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through the State of Connecticut Office of			
Emergency Management:			
FEMA Snow Assistance	-	97.036	34,029
FEMA Emergency Mgmt 04-01-06-6-30-06	-	97.052	27,302
<b>Total Department of Homeland Security</b>			<u>61,331</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ 873,528</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, 2006**

**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 \$20,664 for the year ended June 30, 2006 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, 2006**

**SECTION 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

**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
84.027 / 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?   ✓   Yes        No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings are reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs are reported.

**SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS**

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

**State Single  
Audit Section**

***State Internal  
Control and  
Compliance  
Reports***



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

124 Hebron Avenue | Glastonbury, CT 06033 | 860.781.6700 | 860.633.0712 fax | www.ccrgroup.com

**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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Ellington, Connecticut (the "Town") as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 18, 2006. 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 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.

*Carlton, Channon & Rosen, LLP*

Glastonbury, Connecticut  
December 18, 2006



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

124 Hebron Avenue | Glastonbury, CT 06033 | 860.781.6700 | 860.633.0712 fax | www.ccrgroup.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT**

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* to the State Single Audit Act that are applicable to each of its major state programs for the year ended June 30, 2006. The major state programs are identified in the summary of audit 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, 2006.

## INTERNAL CONTROL OVER COMPLIANCE

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the 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.

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

*Carlin, Channon & Rosen, LLP*

Glastonbury, Connecticut  
December 18, 2006

*Schedule of  
Expenditures of  
State Financial  
Assistance*

**TOWN OF ELLINGTON**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>STATE GRANTOR; PASS-THROUGH GRANTOR; PROGRAM TITLE</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
<b>NON-EXEMPT PROGRAMS:</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	\$ 161,881
Property Tax Relief for Totally Disabled	11000-OPM20600-17018	1,478
Mashantucket Pequot Fund Grant	11000-OPM20100-18010	84,277
Contingency Needs	11000-OPM20100-12336	25,000
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	8,498
Property Tax Relief for Elderly Homeowner - Freeze Program	11000-OPM20600-17021	70,985
Property Tax Relief for Veterans	11000-OPM20600-17024	15,706
Local Capital Improvement Program	12050-OPM20600-40254	39,686
<b>Total Office of Policy and Management</b>		<u>407,511</u>
<b>DEPARTMENT OF TRANSPORTATION</b>		
<b>Direct:</b>		
Town Aid Road Grant	12001-DOT57000-17036	<u>152,272</u>
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
State Match	11000-SDE64370-16072	9,176
Youth Service Bureau	11000-SDE64370-17052	14,000
Adult Education	11000-SDE64000-17030	12,915
Open Choice Program	11000-SDE64370-17053	30,000
<b>Total Department of Education</b>		<u>66,091</u>
<b>BOARD OF EDUCATION AND SERVICES FOR THE BLIND</b>		
<b>Direct:</b>		
Tuition and Services - Public School Children	11000-ESB65020-12060	<u>22,400</u>
<b>CONNECTICUT STATE LIBRARY</b>		
<b>Direct:</b>		
Connecticard	11000-CSL66051-17010	1,598
State Grants to Free Public Libraries	11000-CSL66051-17003	1,903
Hall Memorial Library - Library Services and Technology Act	11000-CSL66051-21031	10,000
Historical Documents Preservation	12060-CSL66094-35150	7,000
<b>Total Connecticut State Library</b>		<u>20,501</u>
<b>STATE COMPTROLLER</b>		
<b>Direct:</b>		
Boat Grant	12027-OSC15910-40211	<u>3,849</u>
<b>Total Non-exempt programs</b>		<u>672,624</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, 2006**

<u>STATE GRANTOR; PASS-THROUGH GRANTOR; PROGRAM TITLE</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
<b>EXEMPT PROGRAMS:</b>		
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Education Cost Sharing	11000-SDE64370-17041	\$ 8,019,544
Public School Transportation	11000-SDE64370-17027	314,972
Excess Cost - Student Based	11000-SDE64370-17047	223,838
School Building Project	13010-SDE44370-40901	882,478
		<u>9,440,832</u>
 <b>TOTAL STATE FINANCIAL ASSISTANCE</b>		 <u><u>\$ 10,113,456</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, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**BASIS OF ACCOUNTING**

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

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

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

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

*Schedule of  
State Findings  
and Questioned  
Costs*

**TOWN OF ELLINGTON  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**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
<b>Office of Policy and Management</b>		
Property Tax Relief for Manufacturing and Equipment	11000-OPM20600-17031	\$161,881
Mashantucket Pequot Fund Grant	11000-OPM20100-18010	84,277
<b>Department of Transportation</b>		
Town Aid Road Grant	12001-DOT57000-17036	152,272

**TOWN OF ELLINGTON**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (*Continued*)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

- We issued a report dated December 18, 2006 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.