

**TOWN OF DURHAM, CONNECTICUT  
FINANCIAL REPORT  
JUNE 30, 2012**

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**TOWN OF DURHAM, CONNECTICUT  
FINANCIAL REPORT**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of  
the Board of Finance  
Town of Durham, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Town of Durham, Connecticut as of and for the year ended June 30, 2012, 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 U.S. generally accepted auditing standards 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012 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 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, supplemental schedules and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Seward and Monde*

North Haven, Connecticut  
October 19, 2012

**TOWN OF DURHAM, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

This discussion and analysis of the Town of Durham, Connecticut's (the "Town") financial performance is provided by management as an overview of the Town's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Town's financial performance.

**Financial Highlights**

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$44,617,230. Of this amount, \$3,738,084 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- On a government-wide basis, the Town's total net assets decreased by \$158,132 or .35%.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,620,314, an increase of \$200,006 in comparison with the prior year. Approximately 46.7% of this amount (\$1,690,243) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, assigned fund balance for the General Fund was \$213,246 which was for carryover to the subsequent budget year. Unassigned fund balance for the General Fund was \$1,708,298, or approximately 6.3% of total general fund expenditures.

**Overview of the Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the Town of Durham's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information intended to furnish additional details to support 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 financial information on all of the Town's assets and liabilities, with the difference 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the statement of net assets and the statement of activities, the Town reports its activities:

- *Governmental activities* - Most of the Town's basic services are reported here, including general government, highway, public safety, health and welfare, library, recreation, environmental services and education. Property taxes, charges for services and state and federal grants finance most of these activities.
- *Business-type activities* - In 2003, the Town purchased a water company. The Town charges fees to customers which are expected to cover all of the costs associated with the services that the Town provides to the respective customers. The Town's water company is reported here.

The government-wide financial statements can be found on pages 10-11 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 fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter or State law. However, the Board of Finance and/or the Treasurer have established other funds to help the Town control and manage financial activities for particular purposes or to show that the Town is meeting legal responsibilities for using certain grants and other money. The Town's fund is divided into three categories; governmental, proprietary and fiduciary.

**Governmental funds** - Most of the Town's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accrual method called modified accrual accounting which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

The Town maintains fourteen 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 Reserve Fund for Capital and Nonrecurring Expenditures which are considered to be major funds. Data from twelve other 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 fund statements on pages 54-57.

The Town adopts an annual appropriated budget for its General Fund. The schedule of revenues and other financing sources and the schedule of expenditures and other financing uses have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

**Proprietary funds** – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. The Town's enterprise fund (the component of proprietary funds) is the same as the business-type fund reported in the government wide financial statements but provide more detail and additional information, such as cash flows for proprietary funds.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Fiduciary funds** - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use the assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

**Notes to the Financial Statements** - The notes provide additional information that are 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 21-45 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 52-53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 54-61 of this report.

**Government-wide Financial Analysis**

The table below provides a summary of the Town's net assets for 2011 and 2012.

<b>Statement of Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>						
Current and other assets	\$ 4,229,380	\$ 4,030,094	\$ 25,424	\$ 30,057	\$ 4,254,804	\$ 4,060,151
Capital assets	39,470,112	39,895,528	1,456,100	1,474,347	40,926,212	41,369,875
Total assets	<u>43,699,492</u>	<u>43,925,622</u>	<u>1,481,524</u>	<u>1,504,404</u>	<u>45,181,016</u>	<u>45,430,026</u>
<b>Liabilities</b>						
Long-term liabilities	282,279	297,159	-	-	282,279	297,159
Other Liabilities	269,465	334,929	12,042	22,576	281,507	357,505
Total liabilities	<u>551,744</u>	<u>632,088</u>	<u>12,042</u>	<u>22,576</u>	<u>563,786</u>	<u>654,664</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	39,391,518	39,792,696	1,456,100	1,474,347	40,847,618	41,267,043
Restricted	31,528	21,678	-	-	31,528	21,678
Unrestricted	3,724,702	3,479,160	13,382	7,481	3,738,084	3,486,641
Total net assets	<u>\$ 43,147,748</u>	<u>\$ 43,293,534</u>	<u>\$ 1,469,482</u>	<u>\$ 1,481,828</u>	<u>\$ 44,617,230</u>	<u>\$ 44,775,362</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, the Town's assets exceeded liabilities by \$44,617,230. At year-end, net assets were \$43,147,748 and \$1,469,482 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the Town's net assets. At year-end, capital assets represented 91.5% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure.

The table below shows the change in net assets between fiscal 2011 and 2012.

<b>Statement of Activities</b>						
	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 704,707	\$ 484,798	\$ 219,909	\$ 52,199	\$ 50,939	\$ 1,260
Operating grants and contributions	4,463,081	3,730,601	732,480	-	-	-
Capital grants and contributions	85,194	552,758	( 467,564)	-	-	-
General revenues:						
Property taxes	22,271,464	20,993,857	1,277,607	-	-	-
Grants and contributions not restricted to specific purposes	171,995	245,367	( 73,372)	-	-	-
Unrestricted investment earnings	8,400	32,240	( 23,840)	13	16	( 3)
Total revenues	<u>27,704,841</u>	<u>26,039,621</u>	<u>1,665,220</u>	<u>52,212</u>	<u>50,955</u>	<u>1,257</u>
Program expenses:						
General government	2,309,633	2,467,633	( 158,000)	-	-	-
Public safety	589,550	573,629	15,921	-	-	-
Public works	1,784,154	2,058,162	( 274,008)	-	-	-
Health and welfare	130,113	199,683	( 69,570)	-	-	-
Recreation	193,111	201,767	( 8,656)	-	-	-
Education	21,710,114	20,423,249	1,286,865	-	-	-
Library	563,035	548,530	14,505	-	-	-
Environmental services	317,156	358,300	( 41,144)	-	-	-
Capital outlay	253,761	62,762	190,999	-	-	-
Water services and operations	-	-	-	64,558	59,203	5,355
Total program expenses	<u>27,850,627</u>	<u>26,893,715</u>	<u>956,912</u>	<u>64,558</u>	<u>59,203</u>	<u>5,355</u>
Decrease in net assets	<u>(\$ 145,786)</u>	<u>(\$ 854,094)</u>	<u>\$ 708,308</u>	<u>(\$ 12,346)</u>	<u>(\$ 8,248)</u>	<u>(\$ 4,098)</u>

### Governmental Activities

Governmental activities decreased in 2012. The main reason for the decrease in net assets of the Town is the recording of depreciation expense for the year ended 2012.

The table below presents the cost of each of the Town's five largest programs - education, public works, general government, public safety and library - as well as each program's net cost (total cost less revenues generated by the activities). Net cost shows the burden that was placed on the Town's taxpayers by each of the functions.

	<b>Year Ended June 30, 2012</b>		<b>Year Ended June 30, 2011</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Education	\$ 21,710,114	\$ 17,755,302	\$ 20,423,249	\$ 17,038,819
Public works	1,784,154	987,938	2,058,162	1,354,093
General government	2,309,633	2,052,573	2,467,243	2,075,280
Public safety	589,550	499,704	573,629	531,743
Library	563,035	515,511	548,530	498,732
All others	894,141	786,617	822,512	636,724
	<u>\$ 27,850,627</u>	<u>\$ 22,597,645</u>	<u>\$ 26,893,325</u>	<u>\$ 22,135,391</u>

## **Business-type Activities**

In June, 2003, the Town acquired a water company at a cost of \$554,605, including related fees. During the year ended June 30, 2012, the water company reported program revenues of \$52,199, interest income of \$13, and expenses of \$64,558. This program ended fiscal 2012 with an operating loss of \$12,359. The water company repaid one half of the amount due to the Town on the balance of an outstanding loan.

## **Financial Analysis of Governmental Funds**

**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, unassigned fund balance may serve as a useful measure of the Town's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Durham Town Meeting.

As June 30, 2012, the Town's governmental funds reported combined fund balances of \$3,620,314, an increase of \$200,006 in comparison with the prior year. The most significant reasons for the increase were better than expected revenue increases and unanticipated savings in various expense areas. Of this total amount, \$34,028 is nonspendable, \$230,446 is restricted by governmental grants or other legal restrictions, \$1,423,712 is committed to various capital projects, \$241,885 is assigned and \$1,690,243 is unassigned.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was \$1,924,044. Approximately 88.8% of this amount (\$1,708,298) constitutes unassigned fund balance, which is available for spending at the town's discretion. The remainder of the fund balance is either nonspendable or assigned to indicate that it is 1) not in a spendable form (\$2,500), or 2) assigned for a particular purpose (\$213,246).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,708,298, while total fund balance decreased to \$1,924,044. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 6.3% of total general fund expenditures, while total fund balance represents approximately 7.2% of that same amount.

The fund balance of the Town's general fund decreased by \$148,243 during the current fiscal year. The decrease was primarily due to funding of the new salt shed.

The reserve fund for capital and nonrecurring expenditures, a major fund, had a \$103,124 increase in fund balance during the current fiscal year. This was due to the transfer from the General Fund for future projects being in excess of current year projects.

## **Proprietary Funds**

Net assets of the proprietary fund, the Town's enterprise fund, reflected a decrease of \$12,346 attributable to depreciation. The Town's proprietary fund is the Water Company.

## General Fund budgetary highlights

### Original budget compared to final budget

Additional appropriations approved during the year totaled \$933,380, including \$403,910 for the construction of a new salt shed, \$232,916 for expenditures incurred for Tropical Storm Irene and Winter Storm Alfred (offset by FEMA reimbursements), and \$55,873 carryover from the prior fiscal year budget. There was a need to make an amendment to reallocate appropriations among departments. Generally, the movement of the appropriations was not significant.

### Final budget compared to actual results

General property taxes - property tax revenue was \$38,499 higher than budgeted due primarily to higher than anticipated overall tax collections. Intergovernmental revenues were \$141,648 higher than budgeted primarily due to reimbursements received from FEMA for storm related expenditures. There was an offsetting increase in the town's expenditure budget.

Most of the Town's departments maintained spending within the budgetary limits. Overall, expenditures were \$327,933 under budget. Public works expenditures were under budget by \$129,147 and public safety expenditures were under budget by \$57,828. At a Town Meeting in September 2012 it was voted to re-appropriate \$213,246 for fiscal year 2012-2013.

The Town's General Fund fund balance of 1,924,044 reported on page 12 differed from the General Fund's budgetary fund balance. The nature of the difference is primarily attributable to accrued payroll that is not recognized for budgetary purposes and the use of fund balance to subsidize the operating budget is not recognized for GAAP purposes.

### Capital Asset and Debt Administration

**Capital Assets** - At June 30, 2012, the Town had a net balance of \$40,926,212 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, roads, bridges, and a water system. This represents a net decrease (including additions and deductions) of \$443,663 or approximately 1.0% from the prior year. The decrease includes the removal of a number of assets that had been disposed of in the current year. It also includes additional depreciation of assets. During the current fiscal year, the Town began construction of a new salt shed, purchased a new pickup with plow for snow removal and relocated EOC to Town hall.

#### Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,123,185	\$ 5,114,241	\$ -	\$ -	\$ 5,123,185	\$ 5,114,241
Construction in progress	532,000	-	-	-	532,000	-
Buildings and improvements	2,861,868	2,972,822	-	-	2,861,868	2,972,822
Machinery, equipment and vehicles	1,216,551	1,435,341	-	-	1,216,551	1,435,341
Infrastructure	29,736,508	30,373,124	-	-	29,736,508	30,373,124
Water system	-	-	1,456,100	1,474,347	1,456,100	1,474,347
	<u>\$ 39,470,112</u>	<u>\$ 39,895,528</u>	<u>\$ 1,456,100</u>	<u>\$ 1,474,347</u>	<u>\$ 40,926,212</u>	<u>\$ 41,369,875</u>

## Long-term debt

The Town had the following long-term obligations outstanding at June 30, 2012.

### Governmental Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Capital leases	\$ 78,594	\$ 102,832
Compensated absences	166,011	162,920
Accrued pension obligations	12,325	12,431
Other post-employment benefits	<u>25,349</u>	<u>18,976</u>
	<u>\$ 282,279</u>	<u>\$ 297,159</u>

The capital lease is for a new public works dump truck.

### Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials consider many factors when establishing the annual budget and setting the mil rate. One of those factors is the state and local economy. Other factors include anticipated tax collections as well as uncertainty regarding the level of state funding to be received.

These factors were taken into account when adopting the General Fund budget.

The fiscal year 2013 budget of \$28,478,444 has an increase of 10.42% on the Town side and a 3.98% increase for Regional School District No. 13. The mill rate was increased to 32.19 from 30.46.

### Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Maryjane Malavasi, Finance Director at the Town of Durham, 30 Town House Road, P.O. Box 428, Durham, Connecticut. Telephone (860) 349-9366.

**TOWN OF DURHAM, CONNECTICUT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,435,900	\$ 20,066	\$ 3,455,966
Investments	125,085	-	125,085
Property taxes receivable, net	399,904	-	399,904
Other receivables	222,751	5,358	228,109
Due from other funds	11,712	-	11,712
Prepaid expenses	2,500	-	2,500
Permanently restricted cash	31,528	-	31,528
Capital assets:			
Capital assets, not being depreciated	5,655,185	-	5,655,185
Capital assets	49,875,009	1,620,324	51,495,333
Less: Accumulated depreciation	( 16,060,082)	( 164,224)	( 16,224,306)
Total capital assets	39,470,112	1,456,100	40,926,212
Total assets	43,699,492	1,481,524	45,181,016
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	176,521	330	176,851
Unearned revenues	92,944	-	92,944
Due to other funds	-	11,712	11,712
Long-term liabilities:			
Due within one year:			
Capital lease	25,193	-	25,193
Due in more than one year:			
Capital lease	53,401	-	53,401
Net pension obligation	12,325	-	12,325
Other post-employment benefits	25,349	-	25,349
Compensated absences	166,011	-	166,011
Total liabilities	551,744	12,042	563,786
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,391,518	1,456,100	40,847,618
Restricted for:			
Animal welfare:			
Nonspendable	31,528	-	31,528
Unrestricted	3,724,702	13,382	3,738,084
Total net assets	\$ 43,147,748	\$ 1,469,482	\$ 44,617,230

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,309,633	\$ 227,803	\$ 29,257	\$ -	(\$ 2,052,573)	\$ -	(\$ 2,052,573)
Public safety	589,550	29,102	58,772	1,972	( 499,704)	-	( 499,704)
Public works	1,784,154	346,090	366,904	83,222	( 987,938)	-	( 987,938)
Health and welfare	130,113	17,140	-	-	( 112,973)	-	( 112,973)
Culture and recreation	193,111	69,284	21,100	-	( 102,727)	-	( 102,727)
Education	21,710,114	-	3,954,812	-	( 17,755,302)	-	( 17,755,302)
Library	563,035	15,288	32,236	-	( 515,511)	-	( 515,511)
Environmental services	317,156	-	-	-	( 317,156)	-	( 317,156)
Capital outlay	253,761	-	-	-	( 253,761)	-	( 253,761)
Total Governmental Activities	<u>27,850,627</u>	<u>704,707</u>	<u>4,463,081</u>	<u>85,194</u>	<u>( 22,597,645)</u>	<u>-</u>	<u>( 22,597,645)</u>
Business-Type Activities							
Water	64,558	52,199	-	-	-	( 12,359)	( 12,359)
Total Business-Type Activities	<u>64,558</u>	<u>52,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 12,359)</u>	<u>( 12,359)</u>
Total Primary Government	<u>\$ 27,915,185</u>	<u>\$ 756,906</u>	<u>\$ 4,463,081</u>	<u>\$ 85,194</u>	<u>( 22,597,645)</u>	<u>( 12,359)</u>	<u>( 22,610,004)</u>
<b>General revenues:</b>							
Property taxes, levied for general purposes					22,271,464	-	22,271,464
Grants and contributions not restricted to specific programs					171,995	-	171,995
Unrestricted investment earnings					8,400	13	8,413
Total general revenues					<u>22,451,859</u>	<u>13</u>	<u>22,451,872</u>
Change in net assets					( 145,786)	( 12,346)	( 158,132)
Net assets, beginning					<u>43,293,534</u>	<u>1,481,828</u>	<u>44,775,362</u>
Net assets, ending					<u>\$ 43,147,748</u>	<u>\$ 1,469,482</u>	<u>\$ 44,617,230</u>

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,098,982	\$ 1,206,572	\$ 161,874	\$ 3,467,428
Investments	-	-	125,085	125,085
Property taxes receivable, net of allowance for doubtful accounts of \$10,000	399,904	-	-	399,904
Due from other funds	29,214	-	242,673	271,887
Other receivables	222,751	-	-	222,751
Prepaid expenses	2,500	-	-	2,500
Total assets	<u>\$ 2,753,351</u>	<u>\$ 1,206,572</u>	<u>\$ 529,632</u>	<u>\$ 4,489,555</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 118,130	\$ -	\$ 22,432	\$ 140,562
Due to other funds	242,673	-	17,502	260,175
Deferred revenue	432,545	-	-	432,545
Other accrued expenses	34,436	-	-	34,436
Other payables	1,523	-	-	1,523
Total liabilities	829,307	-	39,934	869,241
Fund Balances (Deficits):				
Nonspendable	2,500	-	31,528	34,028
Restricted	-	-	230,446	230,446
Committed	-	1,205,660	218,052	1,423,712
Assigned	213,246	912	27,727	241,885
Unassigned	1,708,298	-	( 18,055)	1,690,243
Total fund balances (deficits)	1,924,044	1,206,572	489,698	3,620,314
Total liabilities and fund balances	<u>\$ 2,753,351</u>	<u>\$ 1,206,572</u>	<u>\$ 529,632</u>	<u>\$ 4,489,555</u>

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

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Total fund balance - governmental funds	\$	3,620,314
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement.		39,470,112
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement.		
Property taxes receivable greater than 60 days		339,601
Some liabilities are not due and payable in the current period and therefore are not included in the fund financial statement.		
Capital lease	(	78,594)
Net pension obligation	(	12,325)
Other post-employment benefit liability	(	25,349)
Compensated absences	(	<u>166,011)</u>
Net assets of governmental activities	\$	<u><u>43,147,748</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Property taxes	\$ 22,206,720	\$ -	\$ -	\$ 22,206,720
Fees and fines	377,625	-	3,806	381,431
Licenses and permits	-	-	2,754	2,754
Intergovernmental	4,672,489	-	51,297	4,723,786
Investment earnings	6,649	1,659	92	8,400
Miscellaneous	-	300	390,749	391,049
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>27,263,483</u>	<u>1,959</u>	<u>448,698</u>	<u>27,714,140</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,235,192	-	978	2,236,170
Public safety	449,535	-	-	449,535
Public works	1,103,806	-	5,430	1,109,236
Health and welfare	122,459	-	2,699	125,158
Culture and recreation	187,030	-	1,500	188,530
Education	21,677,624	-	32,490	21,710,114
Library	465,220	-	30,466	495,686
Environmental services	317,156	-	-	317,156
Capital Outlay	348,629	-	533,920	882,549
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>26,906,651</u>	<u>-</u>	<u>607,483</u>	<u>27,514,134</u>
Excess (deficiency) of revenues over expenditures	<u>356,832</u>	<u>1,959</u>	<u>( 158,785)</u>	<u>200,006</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	225,110	326,275	403,910	955,295
Transfers out	<u>( 730,185)</u>	<u>( 225,110)</u>	<u>-</u>	<u>( 955,295)</u>
Total other financing sources (uses)	<u>( 505,075)</u>	<u>101,165</u>	<u>403,910</u>	<u>-</u>
Net change in fund balances	<u>( 148,243)</u>	<u>103,124</u>	<u>245,125</u>	<u>200,006</u>
Fund balances, beginning	<u>2,072,287</u>	<u>1,103,448</u>	<u>244,573</u>	<u>3,420,308</u>
Fund balances, ending	<u>\$ 1,924,044</u>	<u>\$ 1,206,572</u>	<u>\$ 489,698</u>	<u>\$ 3,620,314</u>

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
RECONCILIATION OF GOVERNMENT FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

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Net change in fund balances - total governmental funds: \$ 200,006

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.

Capital outlay	712,760
Depreciation expense	( 1,045,891)
Gain/(loss) on disposals	( 92,285)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax receivable-accrual basis change	64,744
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Principal payments on capital lease obligations	24,238
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension obligation	106
Change in other postemployment benefits	( 6,373)
Change in compensated absences	( 3,091)

Change in net assets of governmental activities	<u>(\$ 145,786)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012**

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		<u>Enterprise Fund</u>
		<u>Water Company</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	20,066
Accounts receivable, net		5,358
Total current assets		<u>25,424</u>
Capital assets:		
Utility system		1,620,324
Less: Accumulated depreciation	(	164,224)
Total capital assets, net		<u>1,456,100</u>
Total assets	\$	<u><u>1,481,524</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$	330
Due to other funds		11,712
Total current liabilities		<u>12,042</u>
<b>NET ASSETS</b>		
Investment in capital assets		1,456,100
Unrestricted		13,382
Total net assets		<u>1,469,482</u>
Total liabilities and net assets	\$	<u><u>1,481,524</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	<u>Enterprise Fund</u>
	<u>Water Company</u>
<b>REVENUES</b>	
Charges for services	\$ 52,199
Total operating revenues	52,199
<b>OPERATING EXPENSES</b>	
Utilities	7,528
Repairs and maintenance	8,117
Other supplies and expenses	30,666
Depreciation	18,247
Total operating expenses	64,558
Operating loss	( 12,359)
<b>NON-OPERATING REVENUES</b>	
Interest and investment revenue	13
Total non-operating revenue	13
Change in net assets	( 12,346)
Total net assets, beginning	1,481,828
Total net assets, ending	\$ 1,469,482

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

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	Business-Type Activities <u>Water Company</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 52,883
Payments to suppliers	( 46,845)
Payments to other funds	<u>( 10,000)</u>
Net cash used by operating activities	<u>( 3,962)</u>
<b>Cash Flows from Investing Activities</b>	
Investment income	<u>13</u>
Net change in cash and cash equivalents	( 3,949)
Cash and cash equivalents, beginning	<u>24,015</u>
Cash and cash equivalents, ending	<u><u>\$ 20,066</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(\$ 12,359)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	18,247
Decrease in accounts receivable	684
Decrease in accounts payable	( 534)
Decrease in due to other funds	<u>( 10,000)</u>
Total adjustments	<u>8,397</u>
Net cash used by operating activities	<u><u>(\$ 3,962)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

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	<u>Employee Benefit Plan</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 94,591	\$ 220,059
Accrued interest receivable	2,674	-
Investments	<u>1,605,379</u>	<u>-</u>
Total assets	<u>1,702,644</u>	<u>220,059</u>
<b>LIABILITIES</b>		
Amounts held for others	<u>-</u>	<u>\$ 220,059</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 1,702,644</u>	

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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	Employee Benefit Plan
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 139,097
Plan members	56,277
Total contributions	195,374
Net investment earnings	( 32,598)
Total additions	162,776
<b>DEDUCTIONS</b>	
Benefits	172,495
Administrative expenses	150
Total deductions	172,645
Change in net assets	( 9,869)
Net assets held in trust for pension benefits, beginning	1,712,513
Net assets held in trust for pension benefits, ending	\$ 1,702,644

The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**1 - Summary of Significant Accounting Policies**

The financial statements of the Town of Durham, Connecticut (the "Town") have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

The Town also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The Town has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to apply these FASB Statements and Interpretations.

The significant accounting policies are described below:

**A. Reporting Entity**

The Town of Durham, Connecticut was named in 1708. The Town of Durham, Connecticut operates under a Board of Selectmen/Board of Finance form of government. The Town provides the following services: emergency response, water and sewer system, parks and recreation, street construction and maintenance, planning and zoning, and general administrative functions.

The Town operates under the provisions of its charter and the General Statutes of the State of Connecticut. The legislative powers of the Town are vested in the Town meeting. The executive body is made up of a Board of Selectmen, consisting of a First Selectman, who is the chief executive officer, and two other board members. A six-member Board of Finance is responsible for presenting fiscal operating budgets to the Annual Town Meeting.

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the funds and account groups of the Town of Durham (the primary government) as no other component units exist based on operational or financial relationships with the Town.

Regional School District No. 13, which provides educational services and facilities for the Towns of Durham and Middlefield, is not a component unit of the Town. The District is a separate and distinct organization operating under State legislation. The District's board, which is elected on a proportional basis by residents of the participating towns, controls the operation of the District.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**. . . Continued . . .**

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**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. As a general rule, the effect of interfund balances and activity has been eliminated in preparation of these statements. Exceptions to this rule are services provided by one fund used by another fund. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned. Governmental activities, which are normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**Fund Financial Statements**

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Proprietary and Fiduciary funds are reported by type.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. 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 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.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**. . . Continued . . .**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, intergovernmental revenue, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

Expenditures, including capital outlays, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The following are the Town's major governmental funds:

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

The Reserve Fund for Capital and Nonrecurring Expenditures Fund is a capital projects fund and accounts for financial resources to be used for the acquisition of capital and/or nonrecurring items (other than those financed by proprietary funds or trust funds).

Additionally, the Town reports the following governmental fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets.

The Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs. Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

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. Unrestricted resources are used in the following order: committed, assigned then unassigned.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**. . . Continued . . .**

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### **Proprietary Funds**

Like the government-wide statements, all proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Town's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the Town's major enterprise fund:

Water Company - This fund accounts for the activities of the water company service to the residents and commercial users located within the Town.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Pension Trust Fund accounts for the activities of the Town's pension plan, which accumulates resources for pension benefit payments to qualified Town employees.

The Agency Fund accounts for funds held by the Town on behalf of outside groups or individuals such as performance bonds.

### **D. Budgetary Data**

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**. . . Continued . . .**

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At the annual Town meeting, the Board of Finance presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special Town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Board of Finance is empowered to transfer funds from other budget line items up to \$20,000 to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

At year end, appropriation balances lapse, except for certain unexpended capital items which will be honored during the subsequent year.

**E. Cash and Cash Equivalents and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investment, and government repurchase agreements. At June 30, 2012, the Town's cash equivalents represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut. The pool is rated AAAM by Standard & Poor's.

State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as more fully described in Note 2.

Investments for the Town are reported at fair value, which is determined using quoted market prices at June 30.

**F. Property Taxes and Other Receivables**

The Town's property tax is levied and payable each July 1 on the assessed value listed as of the prior October 1 for all real and personal property located in the Town. These taxes are billed and due in two installments, July 1 and the subsequent January 1. Liens are effective on the assessment date and are continued by filing prior to the following levy date. Assessed values are established at 70 percent of estimated market value to conform to State statutes.

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes, which are deemed to be uncollectible. Accordingly, an allowance for uncollectible property taxes has been established. As of June 30, 2012, the allowance for uncollectible property taxes is \$10,000.

State statutes require that a revaluation be done every four years. The last revaluation completed and enacted was for the list of October 1, 2010.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**. . . Continued . . .**

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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).

**G. Prepaid Expenses**

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**. . . Continued . . .**

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and improvements	40 years	40 years
Land improvements	15 years	15 years
Equipment and vehicles	5-10 years	5-10 years
Infrastructure	60 years	60 years

**I. Compensated Absences**

Compensated absences of the Town consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Town and the employee.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, 2012 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

**J. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
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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.

**K. Fund Equity**

Government-wide Statements

Equity in the government-wide financial statements is defined as "net assets" and is classified in the following categories:

- a. Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

- a. Nonspendable Fund Balance - represents amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- b. Restricted Fund Balance - represents amounts that are constrained for a specific purpose by either (a) external parties, such as grantors, creditors, contributors, or laws and regulation of their governments or (b) imposed by law through constitutional provisions or enabling legislation.

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**NOTES TO FINANCIAL STATEMENTS**  
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- c. Committed Fund Balance - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Durham Town Meeting).
- d. Assigned Fund Balance - for all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, includes amounts constrained for the intent to be used for a specific purpose by the Board of Finance.
- e. Unassigned Fund Balance - represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

**L. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

**M. Subsequent Events**

Management has evaluated subsequent events through October 19, 2012, the date the financial statements were available to be issued.

**2 - Cash, Cash Equivalents and Investments**

**A. Cash and Cash Equivalents**

The deposit of public funds is controlled by Connecticut General Statutes. Cash equivalents are defined as those liquid investments having original maturities of three months or less. The carrying amount of the Town's deposits with financial institutions at June 30, 2012 was \$3,753,843.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

Deposits and cash on hand	\$ 2,569,301
Cash equivalents:	
State Short-Term Investment Fund (STIF)	1,206,572
ISA Bank of America	29,646
BIF Money Fund	38,204
Bank of America Government Reserves	26,516
Total cash and cash equivalents	\$ 3,870,239
 Book balances	
Governmental funds	\$ 3,467,428
Enterprise funds	20,066
Pension trust fund	94,591
Agency fund	220,059
Total cash and cash equivalents	\$ 3,802,144

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Of the June 30, 2012 bank balance, 100% was covered by Federal Depository Insurance. All of the Town's deposits are 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. Additionally, the Town has an agreement with its primary financial institution whereby one hundred percent of the Town deposits which exceed the FDIC limits are collateralized with assets segregated from the financial institutions assets at the Federal Reserve Bank and identified as being pledged to the Town. The Town does not have a deposit policy for custodial risk.

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**B. Investments**

As of June 30, 2012, the Town's investments consisted of the following:

Mary J. Camp Fund	
Equity mutual funds	\$ 82,255
Fixed income mutual funds	42,830
Total	\$ 125,085
Pension Trust Fund	
U.S. Treasury notes	\$ 193,051
U.S. Agency obligations	134,504
Corporate bonds	316,352
Common stocks	961,472
	\$ 1,605,379

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury notes	\$ 193,051	\$ -	\$ 193,051	\$ -	\$ -
U.S. Agency obligations	134,504	-	134,504	-	-
Corporate Bonds	316,352	-	247,427	68,925	-
	643,907	\$ -	\$ 574,982	\$ 68,925	\$ -
Common Stocks **	961,472				
Mutual Funds **	125,085				
	\$ 1,730,464				

\*\* Equity securities and mutual funds do not mature.

*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 increases in interest rates.

*Credit risk* - The Town has no formal investment policy that would limit its investment choices due to credit risk other than State Statutes. The provisions of State statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan. The Town has no investment policy that would further limit its investment choices beyond those limited by state statute.

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*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2012, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

*Concentrations of Credit Risk* - The Town has no policy limiting the amount the Town may invest in any one issuer.

**3 - Interfund Transactions**

**A. Interfund Balances**

Interfund balances consisted of the following at June 30, 2012, as reported in the fund financial statements:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 29,214	\$ 242,673
Major Proprietary Funds:		
Water Company	-	11,712
Nonmajor Governmental Funds:		
State and Federal Grants		6,214
Salt Shed Construction	238,477	
Town Trust	4,196	-
Mary Weber	-	11,288
	\$ 271,887	\$ 271,887

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not yet received. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Internal balances between governmental funds are eliminated on the government-wide financial statements; therefore, only one interfund balance is reported on the government-wide financial statements.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported in the fund financial statements:

	Transfers In	Transfers Out
General Fund	\$ 225,110	\$ 730,185
Reserve Fund for Capital and Nonrecurring Expenditures	326,275	225,110
Salt Shed Construction	403,910	-
Total	\$ 955,295	\$ 955,295

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**4 - Property Taxes**

Real estate and personal property taxes are levied and based upon values assessed on October 1<sup>st</sup> of every year. Assessed values are established by the Assessor for 70% of the estimated fair market value. Tax assessments levied in the current year were recorded as receivables at the time the levy was made. The receivables collected during the year and within 60 days following the year-end have been recorded as revenues. Receivables estimated to be collected subsequent to the 60 day period are considered to be deferred tax revenues. Prior year tax levies were recorded using the same principle. The following summarizes the 2010 tax assessment:

Valuation:	
Real and personal property, including supplemental	\$ 731,950,013
Assessment:	
Valuation x Rate - \$731,950,013 x .03046	\$ 22,295,197
Tax collections	\$ 21,854,134

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Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes receivable at June 30, 2012 are stated net of an allowance for uncollectible amounts of \$10,000.

If a payment is late, there is a late charge (3%, minimum \$2) which is assessed based on the amount outstanding. This interest charge has been set by state law. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consists of the following:

Real estate and personal property taxes

2010	\$ 266,799
2009	79,070
Prior	64,035
Reserve for Bad Debt	<u>( 10,000)</u>
	<u><u>\$ 399,904</u></u>

**5 - Other Receivables**

Receivables as of year-end for the Town's individual major and nonmajor, and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Grants receivable	\$ 212,822
Other receivables	<u>9,929</u>
Net total receivables	<u><u>\$ 222,751</u></u>

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
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**6 - Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 5,114,241	\$ 8,944	\$ -	\$ 5,123,185
Construction in progress	-	532,000	-	532,000
Total capital assets not being depreciated	<u>5,114,241</u>	<u>540,944</u>	<u>-</u>	<u>\$ 5,655,185</u>
Capital assets, being depreciated:				
Buildings and improvements	4,538,099	26,210	47,107	4,517,202
Machinery, equipment and vehicles	4,372,027	88,820	782,077	3,678,770
Land improvements	48,740	-	-	48,740
Infrastructure	41,573,511	56,786	-	41,630,297
Total capital assets, being depreciated	<u>50,532,377</u>	<u>171,816</u>	<u>829,184</u>	<u>49,875,009</u>
Total accumulated depreciation	<u>15,751,090</u>	<u>1,045,891</u>	<u>736,899</u>	<u>16,060,082</u>
Total capital assets, being depreciated, net	<u>34,781,287</u>	<u>( 874,075)</u>	<u>92,285</u>	<u>33,814,927</u>
Total Government-Wide Capital Assets, net	<u>\$ 39,895,528</u>	<u>(\$ 333,131)</u>	<u>\$ 92,285</u>	<u>\$ 39,470,112</u>
	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Water system	\$ 1,620,324	\$ -	\$ -	\$ 1,620,324
Total capital assets, being depreciated	<u>1,620,324</u>	<u>-</u>	<u>-</u>	<u>1,620,324</u>
Total accumulated depreciation	<u>145,977</u>	<u>18,247</u>	<u>-</u>	<u>164,224</u>
Total capital assets, being depreciated, net	<u>1,474,347</u>	<u>( 18,247)</u>	<u>-</u>	<u>1,456,100</u>
Business-Type activities capital assets, net	<u>\$ 1,474,347</u>	<u>(\$ 18,247)</u>	<u>\$ -</u>	<u>\$ 1,456,100</u>

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to governmental activities - functions/programs as follows:

	Total
General government	\$ 64,105
Highway	764,886
Health and welfare	4,955
Library	67,349
Recreation	4,581
Public safety	140,015
Totals	\$ 1,045,891

**7 - Long-Term Obligations**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities:

Governmental Activities	Total Balance July 1, 2011	Additions	Reductions	Total Balance June 30, 2012	Current Portion
Capital lease obligations	\$ 102,832	\$ -	\$ 24,238	\$ 78,594	\$ 25,193
Accrued pension obligation	12,431	-	106	12,325	
Other post-employment benefits	18,976	6,373	-	25,349	-
Compensated absences	162,920	3,091	-	166,011	-
Total Governmental	\$ 297,159	\$ 9,464	\$ 24,344	\$ 282,279	\$ 25,193

The capital lease consists of equipment that has been capitalized in the amount of \$143,500. This amount represents the present value of the minimum lease payments at the time of acquisition plus a cash deposit. Accumulated depreciation as of June 30, 2012 was \$22,721, leaving a current book value of \$120,779. A corresponding liability is recorded in the government-wide financial statements. Principal payments are made by the general fund.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 are as follows:

Fiscal Year Ended June 30,		
2013	\$	28,290
2014		28,290
2015		28,290
Total minimum lease payments		84,870
Less, amount representing interest	(	6,276)
Present value of minimum lease payments	\$	78,594

There are no authorized, unissued bonds at June 30, 2012.

Durham is a member of Regional School District No. 13, which provides education facilities for grades K through twelve for the towns of Durham and Middlefield. As of June 30, 2012, the outstanding bonded indebtedness of the District was \$14,710,000 (\$13,946,243 after anticipated State reimbursements) with Durham's share being 65.67% or \$9,158,498. These are general obligations of Regional School District No. 13 and its member towns.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
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**8 - Fund Balance**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Non-major Governmental Funds	Total
Fund balances:				
Nonspendable	\$ 2,500	\$ -	\$ 31,528	\$ 34,028
Restricted for:				
General government	-	-	7,933	7,933
Public safety	-	-	30,009	30,009
Health and welfare	-	-	1,231	1,231
Education	-	-	125,085	125,085
Library	-	-	66,188	66,188
Committed to:				
Capital projects	-	1,205,660	218,052	1,423,712
Assigned to:				
General government	2,000	-	-	2,000
Public safety	33,123	-	-	33,123
Public works	109,016	-	-	109,016
Library	-	-	27,727	27,727
Capital projects	69,107	912	-	70,019
Unassigned	1,708,298	-	( 18,055)	1,690,243
Total fund balances	<u>\$ 1,924,044</u>	<u>\$ 1,206,572</u>	<u>\$ 489,698</u>	<u>\$ 3,620,314</u>

A fund balance deficit of \$8,221 exists in the State and Federal Grants Fund resulting from expenditure of funds without accruing intergovernmental revenues for reimbursement. The Town accrues intergovernmental revenues only when all eligibility requirements have been met.

**9 - Retirement Plan for the Employees of the Town of Durham**

**Plan Description**

The Town is the administrator of a single-employer retirement system (PERS) established and administered by the Town to provide pension benefits for its employees.

The Plan covers substantially all union employees; and on a voluntary basis, officials appointed by the Board of Selectman working 20 hours or more per week; non-union employees working at least twenty hours or more per week; and certain full-time elected officials, specifically the First Selectman, the Tax Collector and the Town Clerk. Participation in the Plan is available to all eligible employees who have attained the age of 21 years and who have completed one year of service. The Plan is considered to be part of the Town's financial reporting entity and is included as a pension trust fund of the Town.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Summary of Significant Accounting Policies**

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value.

**Plan Membership**

Membership in the Plan consisted of the following at July 1, 2011, the date of the most recent actuarial valuation:

Active plan participants	13
Terminated vested participants	7
Participants in payment status	<u>21</u>
	<u>41</u>

**Benefit Provisions**

A participant is eligible for normal retirement upon reaching the age of 65 and completing 5 years of service. A participant can retire early after age 55 with 10 years of service and receive a benefit that is reduced 5% for each year the early retirement precedes age 65.

The annual accrued benefit of a member shall be equal to average monthly compensation multiplied by the sum 1.75% times years of service prior to July 1, 2009 and 2.00% times years of service after July 1, 2009. The annual benefit will not exceed 70% of average monthly compensation.

The benefit provisions and all other requirements are established by union contract and the Town's personnel policies.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Participants in the Plan are fully vested after ten years according to the following schedule:

Vesting Service	Vested Interest
Less than 4 years	0%
At least 4 years	40%
At least 5 years	50%
At least 6 years	60%
At least 7 years	70%
At least 8 years	80%
At least 9 years	90%
10 years or more	100%

**Funding Policy**

Active plan members are required to contribute 5.0% of their regular earnings to the Plan. If an employee leaves covered employment or dies before meeting the vesting requirement accumulated employee contributions and 4.0% interest thereon are refunded. The Town is required to contribute the remaining amounts necessary to finance the benefits for its employees as are actuarially determined.

**Annual Pension Cost and Net Pension Obligation**

The annual pension cost and net pension obligation to the Retirement Plan for the Employees of the Town of Durham as of June 30, 2012 were as follows:

Annual required contribution	\$ 139,097
Interest in net pension obligation	932
Adjustment to annual required contribution	<u>( 1,038)</u>
Annual pension cost	138,991
Contributions made	<u>139,097</u>
Decrease in net pension obligation	( 106)
Net pension obligation, beginning of year	<u>12,431</u>
Net pension obligation, end of year	<u><u>\$ 12,325</u></u>

**TOWN OF DURHAM, CONNECTICUT  
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**Three-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 134,686	\$ 134,793	100.1 %	\$ 12,537
6/30/2011	136,923	137,029	100.1	12,431
6/30/2012	138,991	139,097	100.1	12,325

**Funding Status and Funding Progress**

The funding status of the plan as of their most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As a Percentage of Covered Payroll</u>
7/1/2011	\$ 1,755,122	\$ 2,721,345	\$ 966,223	64.5 %	\$ 1,113,931	86.7 %

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation. The actuarial assumptions included:

A. Investment rate of return	7.50%
B. Projected salary increase (per year)	4.50%
C. Inflation rate	2.50%
D. Cost of living adjustment	None
E. Actuarial cost method	Entry Age Normal
F. Amortization method	Level dollar closed
G. Remaining amortization period	24 Years

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**10 - Other Post-Employment Benefits (OPEB)**

**Plan Description**

The Town provides post-employment medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit healthcare OPEB plan. A tri-annual actuarial valuation is made to determine whether the contributions are sufficient to meet plan obligations. The latest valuation was made July 1, 2011. The OPEB plan does not issue a separate, stand-alone, financial report.

**Benefit Provisions**

Employees of the Town are eligible for medical coverage based upon the following criteria:

- Normal retirement at age 60 and 10 years of service or
- Early retirement at age 55 and 15 years of service
- Benefits are continued until the retiree or spouse turn 65

Spousal medical benefits are provided to the spouse of a retiree eligible for medical benefits and are subject to the same duration of coverage as indicated above.

**Plan Membership**

Membership in the Plan consisted of the following at July 1, 2011, the date of the most recent actuarial valuation:

Active plan participants	26
Terminated vested participants	5
Participants in payment status	<u>0</u>
	<u><u>31</u></u>

**Funding Policy**

The contribution requirement of plan members and the Town are established and may be amended by the Town. The Town currently contributes enough money to the Plan to satisfy the current obligations on a pay-as-you go basis.

Eligible retirees age 55 with 25 years of service pay 90% of the premium; all others pay 100%. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Selectmen. For the year ended June 30, 2012, the Town of Durham contributed \$0 to the Plan.

**TOWN OF DURHAM, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
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**Annual OPEB Cost and Net OPEB Obligation**

The annual OPEB cost and net OPEB obligation to the plan as of June 30, 2012 were as follows:

Annual required contribution (ARC)	\$ 6,600
Interest on net OPEB obligation	949
Adjustment to ARC	<u>( 1,176)</u>
Annual OPEB cost (AOC)	6,373
Contributions made	<u>-</u>
Change in net OPEB obligation	6,373
Net OPEB obligation, beginning of year	<u>18,976</u>
Net OPEB obligation, end of year	<u><u>\$ 25,349</u></u>

**Three-Year Trend Information**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation three year trend information is presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 6,326	\$ -	0.0 %	\$ 12,526
6/30/2011	6,450	-	0.0	18,976
6/30/2012	6,373	-	0.0	25,349

**Funding Status and Funding Progress**

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As a Percentage of Covered Payroll</u>
7/1/2011	\$ -	\$ 50,000	\$ 50,000	0.0 %	\$ 1,285,500	3.9 %

**TOWN OF DURHAM, CONNECTICUT**  
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Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

The schedules of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A. Investment rate of return	5.00%
B. Projected salary increase (per year)	4.50%
C. Inflation rate	2.50%
D. Cost of living adjustment	None
E. Actuarial cost method	Projected unit credit
F. Amortization method	Level dollar open
G. Remaining amortization period	30 Years

**11 - Commitments and Contingencies**

There are various suits and claims pending against the Town, none of which, individually, or in the aggregate, is believed by legal counsel to be likely to result in a judgment or judgments, which would materially affect the Town's financial position.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowances, if any, will not be material.

**TOWN OF DURHAM, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
. . . Continued . . .**

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**12 - Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. During the year ended June 30, 2012, deductibles paid by the Town were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
Property Taxes	\$ 22,168,221	\$ 22,168,221	\$ 22,206,720	\$ 38,499
Local Revenues:				
Copy fees	500	500	907	407
Board of Selectmen	10,000	22,310	18,083	( 4,227)
Regional Water Authority	732	732	689	( 43)
Town clerk fees and receipts	56,000	56,000	60,658	4,658
Conveyance tax	70,000	70,000	52,926	( 17,074)
LOCIP town clerk	3,500	3,500	4,731	1,231
CIRMA dividend	6,085	6,085	-	( 6,085)
Trust funds	4,500	4,500	4,768	268
Interest on investments	10,000	10,000	1,881	( 8,119)
Passport execution fee	12,000	12,000	11,935	( 65)
Building and sanitation	101,980	101,980	80,854	( 21,126)
Inland wetlands and watercourse	2,000	2,000	1,536	( 464)
Zoning board of appeals	600	600	-	( 600)
Planning and zoning	1,500	1,500	860	( 640)
Conservation commission	4,800	4,800	6,493	1,693
Insurance reimbursements	23,598	23,598	20,338	( 3,260)
Insurance claim payments	-	-	1,350	1,350
Highway department	500	500	257	( 243)
State trooper reimbursement - Regional School District #13	10,000	10,000	4,301	( 5,699)
Trooper private duty reimbursement	-	-	665	665
Animal control officers - fines	1,500	1,500	265	( 1,235)
ENS Regional School District #13 reimbursement	2,450	2,450	2,450	-
Durham volunteer fire department	1,000	1,000	-	( 1,000)
Valley shore tower reimbursement	2,800	2,800	2,700	( 100)
Animal control officer - licenses	8,000	8,000	15,151	7,151
Fire Marshal	500	500	420	( 80)
Library	6,000	6,000	11,482	5,482
Recreation	60,000	60,000	59,733	( 267)
Recreation - summer	6,500	6,500	6,560	60
EDC expo	-	-	25	25
Farmer's market vendor fee	1,100	1,100	1,300	200
Durham cemetery co. receipts	-	-	3,375	3,375
Transfer in from Reserve Fund	-	210,408	225,110	14,702
DEP fees	1,800	1,800	1,440	( 360)
State trooper - pistol permits	1,800	1,800	3,150	1,350
Senior board activity fee	1,075	1,075	640	( 435)
Durham/Middlefield senior/disabled van	6,936	6,936	2,351	( 4,585)
<b>Total Local Revenues</b>	<b>419,756</b>	<b>642,474</b>	<b>609,384</b>	<b>( 33,090)</b>

. . . Continued . . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
Intergovernmental Revenues:				
Town aid roads	\$ 111,582	\$ 111,582	\$ 112,451	\$ 869
Telecommunications personal property	40,478	40,478	24,625	( 15,853)
Payment in lieu of taxes - state property	18,491	18,491	18,498	7
Local capital improvement program	56,478	56,478	56,478	-
Elderly and disabled tax relief	670	670	853	183
Educational cost sharing	3,954,812	3,954,812	3,954,812	-
State of Connecticut receipts	10,000	10,000	1,968	( 8,032)
Mashantucket Pequot grant	22,986	22,986	22,611	( 375)
Pilot manufacturing grant	122,637	122,637	122,134	( 503)
Town clerk - records restoration	3,500	3,500	3,500	-
FEMA grant	-	63,276	249,770	186,494
Youth service bureau grant	19,000	19,000	19,000	-
Judicial Branch receipts	2,500	2,500	4,950	2,450
Homeowners tax relief	64,000	64,000	43,806	( 20,194)
Veterans tax relief	13,000	13,000	13,211	211
Trooper DUI grant	19,275	19,275	19,917	642
Public safety grant	7,456	7,456	3,905	( 3,551)
Boating safety grant	700	700	-	( 700)
	<u>4,467,565</u>	<u>4,530,841</u>	<u>4,672,489</u>	<u>141,648</u>
Total Intergovernmental Revenues				
Budgeted Use of Fund Balance	<u>-</u>	<u>647,386</u>	<u>172,396</u>	<u>( 474,990)</u>
Total Revenues	<u>\$ 27,055,542</u>	<u>\$ 27,988,922</u>	<u>\$ 27,660,989</u>	<u>(\$ 327,933)</u>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
<b>Elected Officials and Boards</b>				
Board of Finance	\$ 16,248	\$ 19,555	\$ 19,555	\$ -
Board of Selectmen	35,566	35,566	30,050	5,516
First Selectman's salary	77,796	77,796	77,198	598
Selectmen's salary	7,463	7,463	7,370	93
Office of the First Selectmen	57,134	57,134	55,909	1,225
Board of Assessment Appeals	165	165	135	30
Office of the Tax Collector	12,226	12,226	11,041	1,185
Tax Collector's salary	57,396	57,396	56,954	442
Tax Collector's office staff salaries	23,317	23,625	23,625	-
Office of the Town Clerk	28,565	28,565	26,974	1,591
Town Clerk's salary	58,476	58,476	58,026	450
Town Clerk's office salaries	50,741	50,741	50,373	368
Town Treasurer's salary	9,595	9,595	9,521	74
<b>Total Elected Officials and Board</b>	<b>434,688</b>	<b>438,303</b>	<b>426,731</b>	<b>11,572</b>
<b>Professional Services</b>				
Assessor	10,720	11,129	11,129	-
Assessor's office salaries	62,678	62,678	62,584	94
Midstate Regional Planning Agency	4,930	4,930	4,930	-
Middlesex soil and water	1,698	1,698	1,698	-
Probate court	8,046	8,046	8,034	12
Town Counsel	35,000	22,615	22,615	-
Town engineering	35,000	102,743	102,743	-
Building and health department	7,320	9,169	6,997	2,172
Building and health department salaries	209,806	210,068	210,068	-
Finance department	9,375	12,041	12,041	-
Finance department salaries	107,552	107,552	107,212	340
Planning and zoning legal council	7,500	8,055	8,055	-
Information technology	46,741	47,216	47,216	-
Computer equipment	7,900	7,900	7,617	283
<b>Total Professional Services</b>	<b>554,266</b>	<b>615,840</b>	<b>612,939</b>	<b>2,901</b>
<b>Other Town Commissions</b>				
Inland wetlands	900	1,470	1,470	-
Zoning board of appeals	800	1,060	1,060	-
Planning and Zoning	68,500	70,053	70,053	-
Economic development	2,300	2,300	638	1,662
Conservation	11,240	9,207	8,862	345
Historic District Commission	740	901	901	-
Ethics Commission	1,300	1,300	-	1,300
<b>Total Other Town Commissions</b>	<b>85,780</b>	<b>86,291</b>	<b>82,984</b>	<b>3,307</b>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
General Expenses				
Elections	\$ 32,000	\$ 32,000	\$ 24,150	\$ 7,850
Social Security	134,628	135,447	125,293	10,154
Unemployment compensation	10,310	12,567	12,567	-
Employee retirement plan	151,770	151,770	149,970	1,800
Insurance	91,780	94,206	94,206	-
Employee health benefits	496,099	469,390	469,390	-
Tree warden	20,075	20,075	19,512	563
Drug and alcohol test	1,600	1,600	1,455	145
Town hall expenses	39,750	39,750	38,567	1,183
Municipal heating fuel	37,500	37,500	35,780	1,720
Municipal custodial services	47,522	47,522	46,645	877
Facilities management	46,393	65,706	65,706	-
<b>Total General Expenses</b>	<b>1,109,427</b>	<b>1,107,533</b>	<b>1,083,241</b>	<b>24,292</b>
Public Works				
Street lights	47,000	47,916	47,916	-
Capital equipment	28,290	81,261	28,289	52,972
Highway department wages	436,008	423,613	400,498	23,115
Highway department seasonal wages	17,500	36,497	36,497	-
Highway department vehicle maintenance	54,500	67,400	67,400	-
Town garage maintenance	10,700	10,700	10,565	135
Public works department	60,250	60,250	57,902	2,348
Snow removal	132,000	50,174	50,174	-
Catch basin cleaning/repair	25,283	27,644	27,644	-
Vehicle fuel	52,000	70,883	70,883	-
Chip sealing	219,000	219,000	217,653	1,347
Highway sweeping	25,300	25,300	25,207	93
Highway projects	80,000	126,085	76,948	49,137
<b>Total Public Works</b>	<b>1,187,831</b>	<b>1,246,723</b>	<b>1,117,576</b>	<b>129,147</b>
Public Safety				
Emergency management	1,915	2,011	2,011	-
Emergency operations center	3,800	4,588	4,588	-
Animal control salaries	16,590	16,590	16,067	523
Animal control expenses	13,550	13,550	12,255	1,295
Public safety vehicle maintenance	15,000	15,000	15,000	-
Volunteer fire company	59,175	59,175	56,981	2,194
Fire company trustees	7,750	8,270	8,270	-
Volunteer ambulance company	36,555	36,555	26,819	9,736
Public safety data system	14,915	14,915	9,727	5,188
Town wide radio communications	21,800	21,800	17,063	4,737
Fire Marshal department	2,290	2,290	1,841	449
Fire Marshal wages	21,047	21,047	21,047	-
Valley Shore communications	72,363	72,363	72,363	-
Fire pond fund	5,000	5,000	4,417	583
Resident State Trooper department	44,620	50,036	50,036	-
Resident State Trooper contract	110,682	112,303	112,303	-
Resident State Trooper/Fair House	2,400	2,400	2,400	-
Burning permits	1,000	1,000	1,000	-
Emergency services facility	-	48,470	15,347	33,123
<b>Total Public Safety</b>	<b>450,452</b>	<b>507,363</b>	<b>449,535</b>	<b>57,828</b>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Over (Under) Budget
	Original	Final		
Health and Welfare				
Human services salary	\$ 23,951	\$ 23,951	\$ 23,330	\$ 621
Department of Human Services	17,019	17,019	16,873	146
Social services	300	694	694	-
Transportation	31,231	31,231	23,814	7,417
Youth services	41,730	41,730	41,730	-
Durham senior citizens board	19,785	19,785	16,018	3,767
Total Health and Welfare	<u>134,016</u>	<u>134,410</u>	<u>122,459</u>	<u>11,951</u>
Library				
Library	480,089	483,452	471,345	12,107
Recreation				
Recreation	171,711	186,693	185,809	884
Miscellaneous				
Tax refunds	-	34,211	34,211	-
Contingency	109,874	-	-	-
Farmers market	1,100	1,100	565	535
Total Miscellaneous	<u>110,974</u>	<u>35,311</u>	<u>34,776</u>	<u>535</u>
Reserve Funds				
Transfer to Reserve Fund	324,863	326,275	326,275	-
Transfer to Sand and Salt Shed	-	403,910	403,910	-
Total Reserve Funds	<u>324,863</u>	<u>730,185</u>	<u>730,185</u>	<u>-</u>
Capital Projects				
Capital improvements	17,300	417,038	344,162	72,876
Town Clerk LoCIP fund	5,000	5,000	4,467	533
Total Capital Projects	<u>22,300</u>	<u>422,038</u>	<u>348,629</u>	<u>73,409</u>
Environmental Services				
DMIAAB	302,721	302,721	302,721	-
Landfill water systems	3,500	4,550	4,550	-
Household hazardous waste	5,300	9,885	9,885	-
Total Environmental Services	<u>311,521</u>	<u>317,156</u>	<u>317,156</u>	<u>-</u>
Education	21,677,624	21,677,624	21,677,624	-
Total Expenditures	<u>\$ 27,055,542</u>	<u>\$ 27,988,922</u>	<u>\$ 27,660,989</u>	<u>327,933</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF DURHAM, CONNECTICUT**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2012**

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Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 27,488,593	\$ 27,636,836
Appropriation of prior year fund balance is not recognized as revenues for GAAP purposes	172,396	-
Accrued payroll is not budgeted. This amount represents the change in accrued payroll.	-	24,153
Budgetary Basis	<u>\$ 27,660,989</u>	<u>\$ 27,660,989</u>

**TOWN OF DURHAM, CONNECTICUT  
REQUIRED SUPPLEMENTARY INFORMATION  
RETIREMENT PLAN FOR THE EMPLOYEES OF THE TOWN OF DURHAM  
JUNE 30, 2012**

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**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b - a)/ c)
July 1, 2006	\$ 320,391	\$ 577,614	\$ 257,223	55.47 %	\$ 845,579	30.42 %
July 1, 2007	356,866	538,002	181,136	66.33	943,016	19.21
July 1, 2008	396,202	689,840	293,638	57.43	1,133,455	25.91
July 1, 2009 *	1,459,369	2,408,106	948,737	60.60	1,148,859	82.58
July 1, 2010	1,683,903	2,651,388	967,485	63.51	1,167,831	82.84
July 1, 2011	1,755,122	2,721,345	966,223	64.49	1,113,931	86.74

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Employer Contributions	Annual Required Contributions	Percentage Contributed
2007	\$ 51,994	\$ 39,143	132.83 %
2008	46,256	29,811	155.16
2009	33,877	59,835	56.62
2010	134,793	134,793	100.00
2011	137,029	137,029	100.00
2012	139,097	139,097	100.00

\* Effective July 1, 2009, the plan was restated and merged with a Money Accumulation Pension Plan.

**TOWN OF DURHAM, CONNECTICUT  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS  
JUNE 30, 2012**

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**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b - a)/ c)
July 1, 2008	\$ -	\$ 43,000	\$ 43,000	0.00 %	\$ 1,190,400	3.61 %
July 1, 2011	-	50,000	50,000	0.00	1,285,500	3.89

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Employer Contributions	Annual Required Contributions	Percentage Contributed
2009	\$ -	\$ 6,200	0.00 %
2010	-	6,400	0.00
2011	-	6,600	0.00
2012	-	7,300	0.00

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	Special Revenue							Total Special Revenue	
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation	State and Federal Grants		Gemma
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,231	\$ 63,235	\$ 16,318	\$ 1,383	\$ -	\$ 2,354	\$ -	\$ 30,009	\$ 114,530
Due from other funds	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	125,085	-	-	-	125,085
Total assets	<u>\$ 1,231</u>	<u>\$ 63,235</u>	<u>\$ 16,318</u>	<u>\$ 1,383</u>	<u>\$ 125,085</u>	<u>\$ 2,354</u>	<u>\$ -</u>	<u>\$ 30,009</u>	<u>\$ 239,615</u>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,007	\$ -	\$ 2,007
Due to other funds	-	-	-	-	-	-	6,214	-	6,214
Total liabilities	-	-	-	-	-	-	8,221	-	8,221
Fund Balance									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	1,231	35,508	16,318	1,383	125,085	2,354	-	30,009	211,888
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	27,727	-	-	-	-	-	-	27,727
Unassigned	-	-	-	-	-	-	( 8,221)	-	( 8,221)
Total fund balance	<u>1,231</u>	<u>63,235</u>	<u>16,318</u>	<u>1,383</u>	<u>125,085</u>	<u>2,354</u>	<u>( 8,221)</u>	<u>30,009</u>	<u>231,394</u>
Total liabilities and fund balance	<u>\$ 1,231</u>	<u>\$ 63,235</u>	<u>\$ 16,318</u>	<u>\$ 1,383</u>	<u>\$ 125,085</u>	<u>\$ 2,354</u>	<u>\$ -</u>	<u>\$ 30,009</u>	<u>\$ 239,615</u>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012  
...Continued...**

	Capital Projects Funds		Permanent			Total Nonmajor Governmental Funds	
	Salt Shed Construction	Total Capital Projects Funds	Library Trust	Town Trust	Mary Weber		Total Permanent
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ 14,362	\$ -	\$ 32,982	\$ 47,344	\$ 161,874
Due from other funds	238,477	238,477	-	4,196	-	4,196	242,673
Investments	-	-	-	-	-	-	125,085
Total assets	<u>\$ 238,477</u>	<u>\$ 238,477</u>	<u>\$ 14,362</u>	<u>\$ 4,196</u>	<u>\$ 32,982</u>	<u>\$ 51,540</u>	<u>\$ 529,632</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ 20,425	\$ 20,425	\$ -	\$ -	\$ -	\$ -	\$ 22,432
Due to other funds	-	-	-	-	11,288	11,288	17,502
Total liabilities	<u>20,425</u>	<u>20,425</u>	<u>-</u>	<u>-</u>	<u>11,288</u>	<u>11,288</u>	<u>39,934</u>
Fund Balance							
Nonspendable	-	-	-	-	31,528	31,528	31,528
Restricted	-	-	14,362	4,196	-	18,558	230,446
Committed	218,052	218,052	-	-	-	-	218,052
Assigned	-	-	-	-	-	-	27,727
Unassigned	-	-	-	-	( 9,834)	( 9,834)	( 18,055)
Total fund balance	<u>218,052</u>	<u>218,052</u>	<u>14,362</u>	<u>4,196</u>	<u>21,694</u>	<u>40,252</u>	<u>489,698</u>
Total liabilities and fund balance	<u>\$ 238,477</u>	<u>\$ 238,477</u>	<u>\$ 14,362</u>	<u>\$ 4,196</u>	<u>\$ 32,982</u>	<u>\$ 51,540</u>	<u>\$ 529,632</u>

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue								Total Special Revenue
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation	State and Federal Grants	Gemma	
<b>Revenues</b>									
Intergovernmental	\$ -	\$ 20,529	\$ -	\$ -	\$ -	\$ -	\$ 30,768	\$ -	\$ 51,297
Licenses and permits	-	-	-	-	-	2,754	-	-	2,754
Investment earnings	-	40	12	1	( 17)	1	-	9	46
Fees and fines	-	3,806	-	-	-	-	-	-	3,806
Miscellaneous	-	11,707	-	-	2,952	-	-	30,000	44,659
<b>Total revenues</b>	<b>-</b>	<b>36,082</b>	<b>12</b>	<b>1</b>	<b>2,935</b>	<b>2,755</b>	<b>30,768</b>	<b>30,009</b>	<b>102,562</b>
<b>Expenditures</b>									
Current:									
General government	-	-	-	-	-	978	-	-	978
Public works	-	-	-	-	-	-	5,430	-	5,430
Health and welfare	41	-	-	-	-	-	2,658	-	2,699
Culture and recreation	-	-	-	-	-	-	1,500	-	1,500
Education	-	-	-	-	7,096	-	25,394	-	32,490
Library	-	30,466	-	-	-	-	-	-	30,466
Capital Outlay	-	-	-	-	-	-	1,972	-	1,972
<b>Total expenditures</b>	<b>41</b>	<b>30,466</b>	<b>-</b>	<b>-</b>	<b>7,096</b>	<b>978</b>	<b>36,954</b>	<b>-</b>	<b>75,535</b>
Excess of revenues over (under) expenditures	( 41)	5,616	12	1	( 4,161)	1,777	( 6,186)	30,009	27,027
<b>Other Financing Sources (Uses)</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources	( 41)	5,616	12	1	( 4,161)	1,777	( 6,186)	30,009	27,027
Fund balance - beginning	1,272	57,619	16,306	1,382	129,246	577	( 2,035)	-	204,367
Fund balance - ending	\$ 1,231	\$ 63,235	\$ 16,318	\$ 1,383	\$ 125,085	\$ 2,354	(\$ 8,221)	\$ 30,009	\$ 231,394

...Continued...

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012  
...Continued...**

	Capital Projects Funds		Permanent				Total Nonmajor Governmental Funds
	Salt Shed Construction	Total Capital Projects Funds	Library Trust	Town Trust	Mary Weber	Total Permanent	
<b>Revenues</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,297
Licenses and permits	-	-	-	-	-	-	2,754
Investment earnings	-	-	30	-	16	46	92
Fees and fines	-	-	-	-	-	-	3,806
Miscellaneous	346,090	346,090	-	-	-	-	390,749
Total revenues	346,090	346,090	30	-	16	46	448,698
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	978
Public works	-	-	-	-	-	-	5,430
Health and welfare	-	-	-	-	-	-	2,699
Culture and recreation	-	-	-	-	-	-	1,500
Education	-	-	-	-	-	-	32,490
Library	-	-	-	-	-	-	30,466
Capital Outlay	531,948	531,948	-	-	-	-	533,920
Total expenditures	531,948	531,948	-	-	-	-	607,483
Excess of revenues over (under) expenditures	( 185,858)	( 185,858)	30	-	16	46	( 158,785)
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	403,910	403,910	-	-	-	-	403,910
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	403,910	403,910	-	-	-	-	403,910
Excess of revenues and other financing sources over (under) expenditures and other financing sources	218,052	218,052	30	-	16	46	245,125
Fund balance - beginning	-	-	14,332	4,196	21,678	40,206	244,573
Fund balance - ending	\$ 218,052	\$ 218,052	\$ 14,362	\$ 4,196	\$ 21,694	\$ 40,252	\$ 489,698

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2012**

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	<u>Balance July 1, 2011</u>	<u>Net Additions</u>	<u>Net Disbursements</u>	<u>Balance June 30, 2012</u>
<b><u>Performance Bonds:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 216,281</u>	<u>\$ 6,080</u>	<u>\$ 2,302</u>	<u>\$ 220,059</u>
Total Assets	<u><u>\$ 216,281</u></u>	<u><u>\$ 6,080</u></u>	<u><u>\$ 2,302</u></u>	<u><u>\$ 220,059</u></u>
<b>LIABILITIES</b>				
Due to Others	<u>\$ 216,281</u>	<u>\$ 6,080</u>	<u>\$ 2,302</u>	<u>\$ 220,059</u>
Total Liabilities	<u><u>\$ 216,281</u></u>	<u><u>\$ 6,080</u></u>	<u><u>\$ 2,302</u></u>	<u><u>\$ 220,059</u></u>

**TOWN OF DURHAM, CONNECTICUT  
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Fund Balance July 1, 2011	Additional Appropriations From Other	Transfer In From Other Funds	Interest and Other Income	Expenditures and Transfers Out	Fund Balance June 30, 2012
Committed:						
Ambulance	\$ 132,065	\$ -	\$ -	\$ -	\$ -	\$ 132,065
Animal control vehicle	6,000	-	-	-	-	6,000
Cemetery stone repairs	11,300	-	-	-	-	11,300
OPEB GASB 45 report	-	-	1,500	-	-	1,500
Conservation/open space	4,900	-	-	300	-	5,200
Conservation/barn maintenance	4,800	-	4,200	-	( 1,200)	7,800
Computers/servers	11,500	-	3,500	-	-	15,000
Clean Energy Task Force Grant	-	1,412	-	-	-	1,412
Planning & Zoning - POCD	20,000	-	2,500	-	-	22,500
Emergency management	-	-	8,500	-	( 6,951)	1,549
Emergency services facility	23,600	-	-	-	-	23,600
Fire equipment	659,184	-	159,000	-	-	818,184
Fire pond reserve	30,000	-	5,000	-	-	35,000
Fire trustees - building maintenance	44,539	-	-	-	( 25,309)	19,230
Radios and pagers	18,700	-	-	-	-	18,700
Highway equipment	69,509	-	100,000	-	( 169,509)	-
Shelter - trailer	-	-	3,750	-	-	3,750
Library roof	10,000	-	18,000	-	( 9,357)	18,643
Revaluation	23,527	-	25,000	-	-	48,527
Voting equipment	-	-	500	-	-	500
Senior van	2,700	-	-	-	-	2,700
Tercentennial	4,087	( 4,087)	-	-	-	-
Old Indian Trail tank	10,000	-	2,500	-	-	12,500
<b>Total Committed Fund Balance</b>	<u>1,086,411</u>	<u>( 2,675)</u>	<u>333,950</u>	<u>300</u>	<u>( 212,326)</u>	<u>1,205,660</u>
Assigned Fund Balance	<u>17,037</u>	<u>( 5,000)</u>	<u>-</u>	<u>1,659</u>	<u>( 12,784)</u>	<u>912</u>
<b>Total Fund Balance</b>	<u>\$ 1,103,448</u>	<u>(\$ 7,675)</u>	<u>\$ 333,950</u>	<u>\$ 1,959</u>	<u>(\$ 225,110)</u>	<u>\$ 1,206,572</u>

**TOWN OF DURHAM, CONNECTICUT  
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING  
FOR THE YEAR ENDED JUNE 30, 2012**

Current List Year	Uncollected Taxes July 1, 2011 and Current Levy	Lawful Corrections		Transfer to Suspense	Transfers To Deferred	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2012
		Additions	Deductions				Taxes	Interest	Lien and Other Fees	Total	
2010	\$ 22,194,063	\$ 35,099	(\$ 90,878)	(\$ 3,775)	(\$ 13,576)	\$ 22,120,933	\$ 21,854,134	\$ 75,903	\$ 892	\$ 21,930,929	\$ 266,799
2009	248,725	2,485	( 1,619)	( 3,005)	-	246,586	167,515	33,455	961	201,931	79,071
2008	80,955	-	-	( 3,133)	-	77,822	41,515	16,901	408	58,824	36,307
2007	16,827	-	-	( 2,711)	-	14,116	8,744	2,751	24	11,519	5,372
2006	10,918	-	-	( 2,663)	-	8,255	1,420	780	24	2,224	6,835
2005	7,974	334	-	( 2,217)	-	6,091	400	52	-	452	5,691
2004	9,928	-	-	( 2,305)	-	7,623	10	11	-	21	7,613
2003	2,115	-	-	( 685)	-	1,430	-	-	-	-	1,430
2002	1,824	-	-	( 885)	-	939	153	-	-	153	786
2001	604	-	-	( 604)	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 22,573,933</u>	<u>\$ 37,918</u>	<u>(\$ 92,497)</u>	<u>(\$ 21,983)</u>	<u>(\$ 13,576)</u>	<u>\$ 22,483,795</u>	<u>\$ 22,073,891</u>	<u>\$ 129,853</u>	<u>\$ 2,309</u>	<u>\$ 22,206,053</u>	<u>\$ 409,904</u>

**TOWN OF DURHAM, CONNECTICUT  
SCHEDULE OF DEBT LIMITATION  
JUNE 30, 2012**

Total current year tax collections, including interest and lien fees	\$ 22,206,053
Reimbursement for revenue loss on: Tax relief for the elderly	<u>-</u>
Tax Base	<u><u>\$ 22,206,053</u></u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$49,963,620	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	99,927,239	-	-	-
3-3/4 times base	-	-	83,272,700	-	-
3-1/4 times base	-	-	-	72,169,673	-
3 times base	-	-	-	-	66,618,160
Total Debt Limitation	<u><u>\$49,963,620</u></u>	<u><u>\$ 99,927,239</u></u>	<u><u>\$83,272,700</u></u>	<u><u>\$72,169,673</u></u>	<u><u>\$66,618,160</u></u>
Indebtedness:					
Town share of Regional School District Number 13 bonded indebtedness	<u>\$ -</u>	<u>\$ 9,158,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Indebtedness	<u><u>\$ -</u></u>	<u><u>\$ 9,158,498</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Debt Limitation in excess of Indebtedness	<u><u>\$49,963,620</u></u>	<u><u>\$ 90,768,741</u></u>	<u><u>\$83,272,700</u></u>	<u><u>\$72,169,673</u></u>	<u><u>\$66,618,160</u></u>

Note:

The Town of Durham is a member of Regional School District #13 which provides education facilities for grades kindergarten through twelve for the Towns of Durham and Middlefield. As of June 30, 2012, based on the most current and available information, the net indebtedness of the District was \$14,710,000. The State of Connecticut will be providing grants to offset the bonds. The Town of Durham's net share will be approximately 65.67%, or \$9,158,498. These are the general obligations of Regional School District #13 and its member towns.

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**INDEPENDENT AUDITORS' 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 Honorable Members of  
The Board of Finance  
Town of Durham, Connecticut

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut as of and for the year ended June 30, 2012, which collectively comprise the Town of Durham, Connecticut's basic financial statements and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Durham, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Durham, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Durham, Connecticut's internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Durham, Connecticut, in a separate letter dated October 19, 2012.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity, the Office of Policy and Management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Seward and Monde*

North Haven, Connecticut  
October 19, 2012

**SEWARD AND MONDE**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE STATE SINGLE AUDIT ACT**

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To the Honorable Members of  
the Board of Finance  
Town of Durham, Connecticut

Compliance

We have audited the Town of Durham, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of Durham, Connecticut's major state programs for the year ended June 30, 2012. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of 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 of Durham, Connecticut's management. Our responsibility is to express an opinion on the Town of Durham, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 of Durham, Connecticut'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 of Durham, Connecticut's compliance with those requirements.

In our opinion, the Town of Durham, Connecticut 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, 2012.

### Internal Control Over Compliance

Management of the Town of Durham, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Durham, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major state program 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 the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Durham, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis.

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

The report is intended solely for the information and use of management, the Board of Finance, others within the entity, the Office of Policy and Management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Seward and Monde*

North Haven, Connecticut  
October 19, 2012

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND STATE FINANCIAL ASSISTANCE**  
**For the year ended June 30, 2012**

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018	\$ 43,806
Property tax relief for veterans	11000-OPM20600-17024	13,211
Property tax relief for disabled homeowners	11000-OPM20600-17011	853
Local capital improvement program	12050-OPM20600-40254	56,478
Payment in lieu of taxes on state-owned property	11000-OPM20600-17004	18,498
<b><u>Department of Transportation:</u></b>		
Town aid road grants transportation fund	12001-DOT57000-17036	112,451
<b><u>Connecticut State Library:</u></b>		
Historic documents preservation grants	12060-CSL66094-35150	3,500
State grants to public libraries	11000-CSL66051-17003	1,223
Connecticard payments	11000-CSL66051-17010	18,051
<b><u>Judicial Branch:</u></b>		
Parking fines	34001-JUD95162-40001	4,950
<b><u>Department of Education:</u></b>		
Youth service bureau	11000-SDE64370-17052	14,000
Youth service bureau enhancement	11000-SDE64370-16201	5,000
Total State Financial Assistance Before Exempt Programs		<u>292,021</u>
<b>EXEMPT PROGRAMS</b>		
<b><u>Office of Policy and Management:</u></b>		
Municipal revenue sharing	12060-OPM20600-35458	122,134
<b><u>Office of the State Comptroller:</u></b>		
Mashantucket Pequot and Mohegan fund grant	12009-OSC15910-17005	22,611
<b><u>Department of Education:</u></b>		
Educational cost sharing	11000-SDE64000-17041	<u>3,954,812</u>
Total Exempt Programs		<u>4,099,557</u>
Total State Financial Assistance		<u>\$ 4,391,578</u>

See notes to schedule of state financial assistance.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**For the year ended June 30, 2012**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Durham, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including property tax relief, education, youth services, and road and highway maintenance.

**Summary of Significant Accounting Policies**

The accounting policies of the Town of Durham, Connecticut conform to U.S. generally accepted accounting principles as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

**Basis of Accounting**

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**TOWN OF DURHAM, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2012**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified?       yes   X  none reported

Noncompliance material to financial statements noted?

      yes   X  no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies)?       yes   X  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   X  no

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

<b>State Grantor and Program</b>	<b>State Core-CT Number</b>	<b>Expenditures</b>
Office of Policy and Management Local capital improvement program	12050-OPM20600-40254	\$ 56,478
Department of Transportation Town aid road grants transportation fund	12001-DOT57000-17036	112,451
Dollar threshold used to distinguish between type A and Type B programs		<u>\$100,000</u>

**TOWN OF DURHAM, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2012**

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**II. FINANCIAL STATEMENT FINDINGS**

No financial statement findings.

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

No state financial assistance findings or questioned costs.