

Town of Durham, Connecticut

Basic Financial Statements

For the Year Ended

June 30, 2010

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JAMES A. GEORGE, P.C.
Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen of
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 Town of Durham, Connecticut (Town) as of the year ended June 30, 2010, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 fund information of Town of Durham, Connecticut as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010 on our consideration of Town of Durham, Connecticut'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 that 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information or express any opinion on it.

JAMES A. GEORGE, P.C.
Boston, Massachusetts
December 28, 2010

Town of Durham, Connecticut
Management Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

The management's discussion and analysis of the Town of Durham, Connecticut's (the Town) financial performance provides an overall review of the Town's financial activities for the year ended June 30, 2010. 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

Key financial highlights for 2010 are as follows:

- The total net assets of the Town decreased \$1,244,238. Net assets of governmental activities decreased \$1,230,199 or 3% over 2009 and net assets of business-type activities decreased \$14,039 or 1% over 2009. The main reason for the decrease in net assets of the town is the recording of depreciation expense for the year ended 2010.
- General revenues accounted for \$20,723,257 of total governmental activities revenue. Program specific revenues accounted for \$4,411,224 or 18% of total governmental activities revenue.
- The Town had \$26,364,680 in expenses related to governmental activities; \$4,411,224 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$21,953,456 were partially offset by general revenues (mainly by property taxes, unrestricted grants and entitlements) of \$20,723,257. The remaining expenses were offset by beginning net assets.
- The general fund had revenues and other financing sources of \$24,945,372 in 2010. This represents an decrease of \$388,754 from 2009 revenues. The expenditures and other financing uses of the general fund, which totaled \$25,250,071 in 2010, decreased \$756,893 from 2009. The net decrease in fund balance for the general fund was \$304,699 or 12%.
- Net assets for the business-type activities, which are made up of the water company fund, decreased in 2010 by \$14,039.
- In the general fund, actual revenues came in \$647,497 lower than they were in the final budget and actual expenditures were \$874,558 lower than the amount in the final budget. These variances are the result of the current economic conditions and the Town's deficit reduction plan which was put in place during the year to compensate for projected reductions in revenue.

**Town of Durham, Connecticut
Management Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited**

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Town as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the Town as a whole, presenting both an aggregate view of the Town's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Town's most significant funds with all other non-major funds presented in total in one column.

Reporting the Town as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the Town to provide programs and activities, the view of the Town as a whole looks at all financial transactions and informs the user how the town financially performed during 2010. The statement of net assets and the statement of activities answer these questions. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Town as a whole, the financial position of the Town has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Town's property tax base, current property tax laws in Connecticut restricting revenue growth, facility conditions, required community programs and other.

In the statement of net assets and the statement of activities, the Town is divided into two distinct kinds of activities:

(1) Governmental activities – Most of the Town's programs and services are reported here including public safety, education, street maintenance, capital improvements and general administration. These services are funded primarily by property taxes and intergovernmental revenues including federal and state grants and other shared revenues.

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(2) Business-type activities – These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The Town's Water Company operations are reported here.

The Town's statement of net assets and statement of activities can be found on pages 19-20 of this report.

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the Town's major funds. The Town uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Town's most significant funds. The analysis of the Town's major governmental and proprietary funds begins on page 21.

Governmental Funds

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

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

The Town maintains a multitude of individual governmental funds. The Town has segregated these funds into major funds and non-major funds. The Town's major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund

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Management Discussion and Analysis
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balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-24 of this report.

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Management Discussion and Analysis
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Proprietary Funds

The Town maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer operations. The Town's enterprise fund is considered a major fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds and pension trust funds are the Town's only fiduciary fund types. The basic fiduciary fund financial statements can be found on page 28-29.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-52 of this report.

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Government-Wide Financial Analysis

The table below provides a summary of the Town's net assets for 2010 and 2009.

	Net Assets					
	2010 Governmental Activities	2009 Governmental Activities	2010 Business- type Activities	2009 Business- type Activities	2010 Total	2009 Total
Assets						
Current and other assets	\$ 4,702,974	\$ 4,969,451	\$ 21,336	\$ 16,294	\$ 4,724,310	\$ 4,985,745
Capital assets	40,021,564	40,896,150	1,492,594	1,510,841	41,514,158	42,406,991
Total assets	44,724,538	45,865,601	1,513,930	1,527,135	46,238,468	47,392,736
Liabilities						
Long-term liabilities	174,139	177,732	-	-	174,139	177,732
Other liabilities	403,161	310,432	23,854	23,019	427,015	333,451
Total liabilities	577,300	488,164	23,854	23,019	601,154	511,183
Net Assets						
Invested in capital assets, net of related debt	40,021,564	40,885,571	1,492,594	1,510,841	41,514,158	42,396,412
Restricted	74,043	172,889	-	-	74,043	172,889
Unrestricted	4,051,631	4,318,977	(2,518)	(6,725)	4,049,113	4,312,252
Total net assets	\$ 44,147,238	\$ 45,377,437	\$ 1,490,076	\$ 1,504,116	\$ 45,637,314	\$ 46,881,553

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Town's assets exceeded liabilities by \$45,637,314. At year-end, net assets were \$44,147,238 and \$1,490,076 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 89% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$40,021,564 and \$1,492,594 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of June 30, 2010, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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A portion of the Town's net assets, \$74,043 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$4,051,631 may be used to meet the government's ongoing obligations to citizens and creditors.

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The table below shows the changes in net assets for the fiscal year 2010 and 2009.

	Changes in Net Assets					
	2010 Governmental Activities	2009 Governmental Activities	2010 Business-Type Activities	2009 Business-Type Activities	2010 Total	2009 Total
Revenues						
Program Revenues:						
Charges for Services	\$ 643,741	\$ 631,861	\$ 51,075	\$ 56,072	\$ 694,816	\$ 687,933
Operating Grants and Contributions	3,767,483	4,331,638	-	-	3,767,483	4,331,638
Total Program Revenues	4,411,224	4,963,499	51,075	56,072	4,462,299	5,019,571
General Revenues:						
Property Taxes	20,435,253	20,261,895	-	-	20,435,253	20,261,895
Grants and Contributions	258,915	305,110	-	-	258,915	305,110
Unrestricted Investment Earnings	29,089	22,269	23	12	29,112	22,281
Total General Revenues	20,723,257	20,589,274	23	12	20,723,280	20,589,286
Total Revenues	25,134,481	25,552,773	51,098	56,084	25,185,579	25,608,857
Expenses						
General Government	2,588,760	2,474,266	-	-	2,588,760	2,474,266
Public Safety	589,489	615,374	-	-	589,489	615,374
Public Works	1,841,456	1,894,847	-	-	1,841,456	1,894,847
Health, Welfare, Sanitation	188,906	294,711	-	-	188,906	294,711
Culture and Recreation	148,164	143,550	-	-	148,164	143,550
Education	20,032,348	20,377,712	-	-	20,032,348	20,377,712
Library	576,428	562,454	-	-	576,428	562,454
Capital Outlay	30,626	38,002	-	-	30,626	38,002
Environmental Services	368,503	364,474	-	-	368,503	364,474
Water	-	-	65,137	60,891	65,137	60,891
Total Expenses	26,364,680	26,765,390	65,137	60,891	26,429,817	26,826,281
Change in Net Assets	(1,230,199)	(1,212,617)	(14,039)	(4,807)	(1,244,238)	(1,217,424)
(Restated) Net Assets at Beginning of Year	45,377,437	46,590,054	1,504,115	1,508,923	46,881,552	48,098,977
Net Assets at End of Year	\$ 44,147,238	\$ 45,377,437	\$ 1,490,076	\$ 1,504,116	\$ 45,637,314	\$ 46,881,553

**Town of Durham, Connecticut
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Unaudited**

Governmental Activities

Governmental activities net assets decreased \$1,230,199 in 2010. The main reason for the decrease in net assets of the town is the recording of depreciation expense for the year ended 2009.

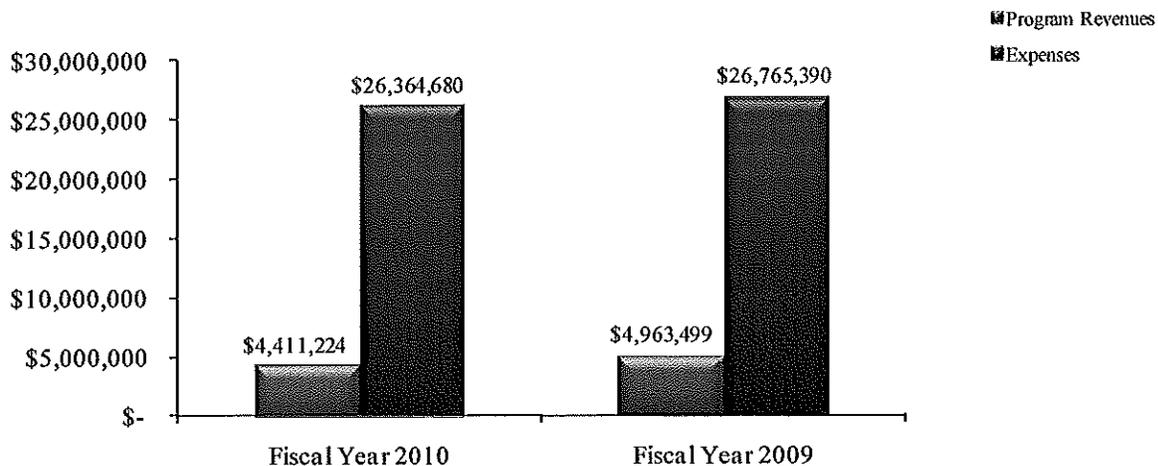
Education, which supports Durham's share of Regional School District 13, accounted for \$20,032,348 of the total expenses of the Town. These expenses were partially funded by \$3,394,268 in state grants.

The state and federal government contributed to the Town a total of \$3,767,483 in operating grants and contributions.

General revenues totaled \$20,723,257 and amounted to 82% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$20,435,253. The other primary source of general revenues is grants and contributions not restricted to specific programs, making up \$258,915.

The statement of activities shows the cost of program services and charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. The Town is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities - Program Revenue vs. Total Expenses



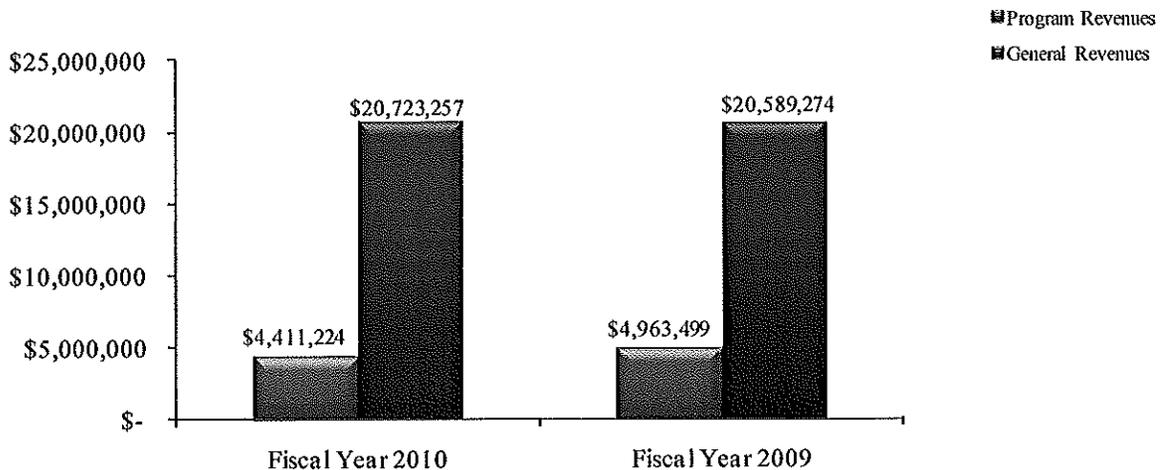
**Town of Durham, Connecticut
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Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Program Expenses				
General Government	\$ 2,588,760	\$ 2,474,266	\$ 1,852,045	\$ 1,851,181
Public Safety	589,489	615,374	575,350	579,948
Public Works	1,841,456	1,894,847	1,724,387	1,778,865
Health, Welfare, Sanitation	188,906	294,711	134,014	170,002
Culture and Recreation	148,164	143,550	96,306	87,044
Education	20,032,348	20,377,712	16,638,080	16,413,794
Library	576,428	562,454	534,145	518,581
Capital Outlay	30,626	38,002	30,626	38,002
Environmental Services	368,503	364,474	368,503	364,474
Total Expenses	\$ 26,364,680	\$ 26,765,390	\$ 21,953,456	\$ 21,801,891

The dependence upon general revenues for governmental activities is apparent, with 78% of expenses supported through taxes and other general revenues.

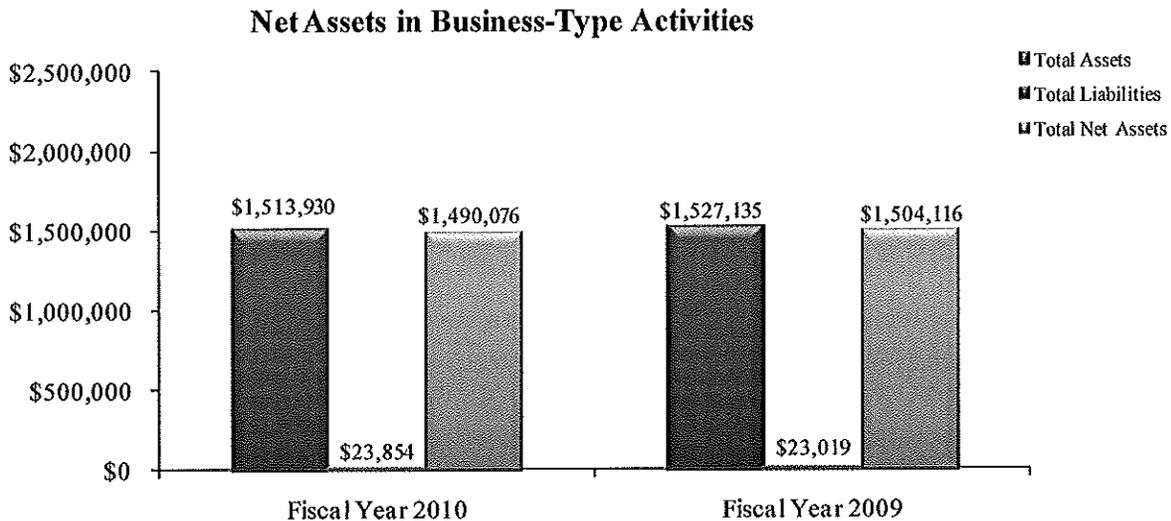
Governmental Activities - General and Program Revenues



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Business-Type Activities

Business-type activities include the Town's Water Company. This program had program revenues of \$51,075, general revenues of \$23 and expenses of \$65,137 for the fiscal year 2010. The graph below shows the business-type activities assets, liabilities, and net assets at year-end 2010 and 2009.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The Town's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$3,941,331 which is \$398,027 below last year's restated total of \$4,399,358. The schedule below indicates the fund balances and the total change in fund balances as of June 30, 2010 for all major and non-major governmental funds.

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Management Discussion and Analysis
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	Fund Balances 6/30/2010	Fund Balances 6/30/2009	Increase (Decrease)
<u>Revenues</u>			
General Fund	\$ 2,224,500	\$ 2,529,215	\$ (304,715)
Reserve Fund	1,507,775	1,637,273	(129,498)
Other Governmental Funds	209,056	172,889	36,167
Total	\$ 3,941,331	\$ 4,339,377	\$ (398,046)

General Fund

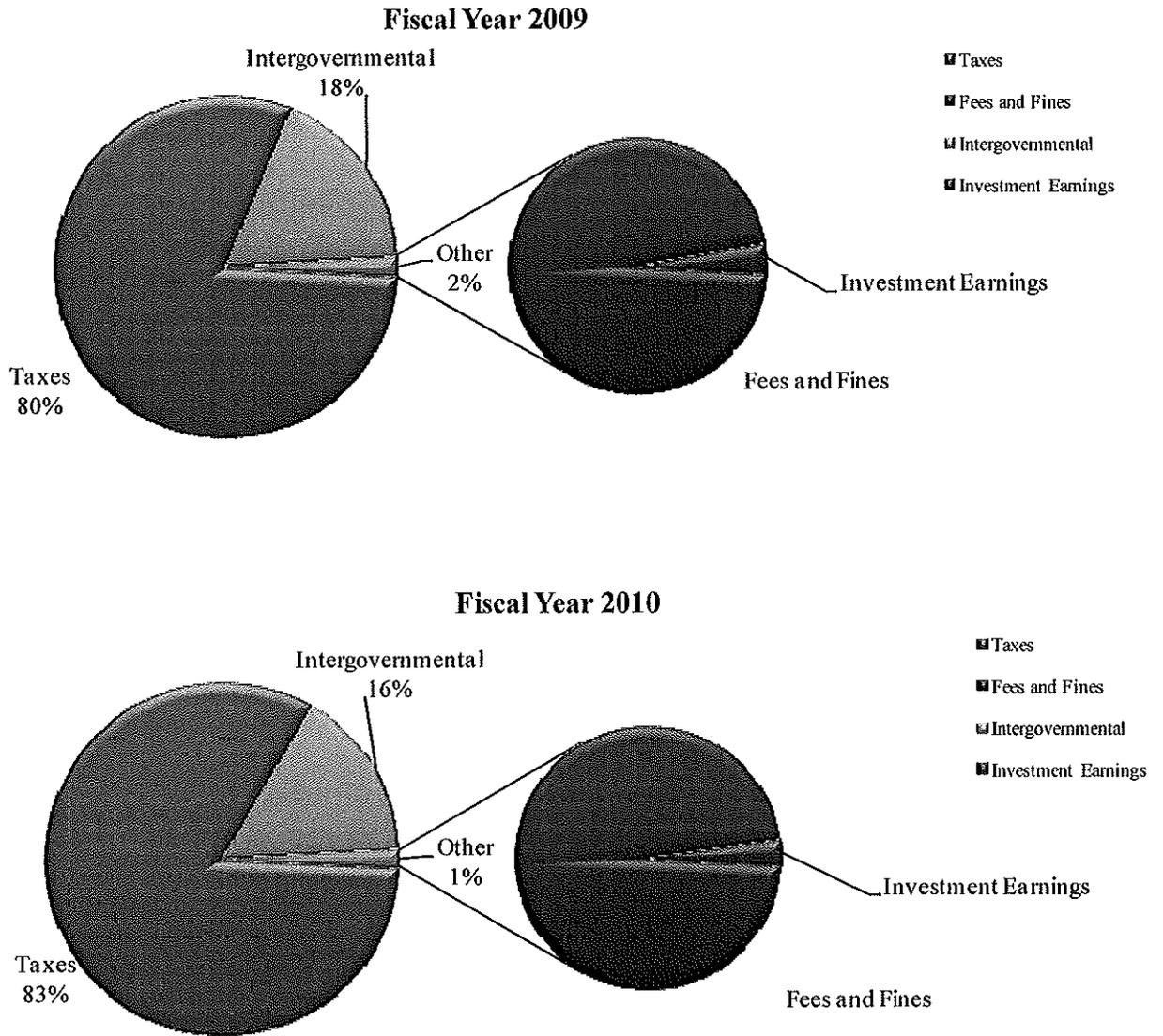
The table that follows assists in illustrating the revenues of the general fund.

	2010 Amount	2009 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 20,409,758	\$ 20,235,497	0.86%
Fees and Fines	378,855	430,952	-12.09%
Intergovernmental	3,892,833	4,497,451	-13.44%
Investment Earnings	11,621	16,726	-30.52%
Total	\$ 24,693,067	\$ 25,180,626	-1.94%

Tax revenue represents 82% of all general fund revenue. Tax revenue decreased slightly by 1.94% over prior year. The decrease in intergovernmental revenue is due to reductions in State of Connecticut aid to municipalities and a portion of the Education Cost Sharing grant being sent directly to the school district.

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Revenue Comparison for Fiscal Years 2010 and 2009



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The table that follows assists in illustrating the expenditures of the general fund.

	2010 Amount	2009 Amount	Percentage Change
<u>Expenditures</u>			
General Government	\$ 2,144,543	\$ 2,124,030	0.97%
Public Safety	473,721	540,966	-12.43%
Public Works	1,088,652	1,057,602	2.94%
Health and Sanitation	165,849	162,731	1.92%
Culture and Recreation	138,686	130,102	6.60%
Education	20,032,348	20,377,712	-1.69%
Library	461,802	462,124	-0.07%
Environmental Services	372,003	368,624	0.92%
Capital Outlay	271,117	518,073	-47.67%
Total GAAP Basis	25,148,721	25,741,964	-2.30%
GAAP to Budget Basis Adjustments	(8,436)	(6,512)	
Transfer of Reserve Funds	101,350	265,000	
Total Expenditures Budget Basis	\$ 25,241,635	\$ 26,000,452	

All expenditures remained comparable to 2009. The largest expenditure line item, education, decreased slightly, which is due to the offset of the Education Cost Sharing grant funding sent directly to the school district, as noted on page 13.

Budgetary information is presented for the general fund. Actual revenues of \$24,945,371 were exceeded by final budgeted revenues by \$647,497. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures were \$874,558 lower than final budgeted amounts.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government-wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

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Management Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the Town had \$41,514,158 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. The entire balance was reported in governmental activities. The following table shows fiscal year 2010 balances compared to fiscal year 2009 balances.

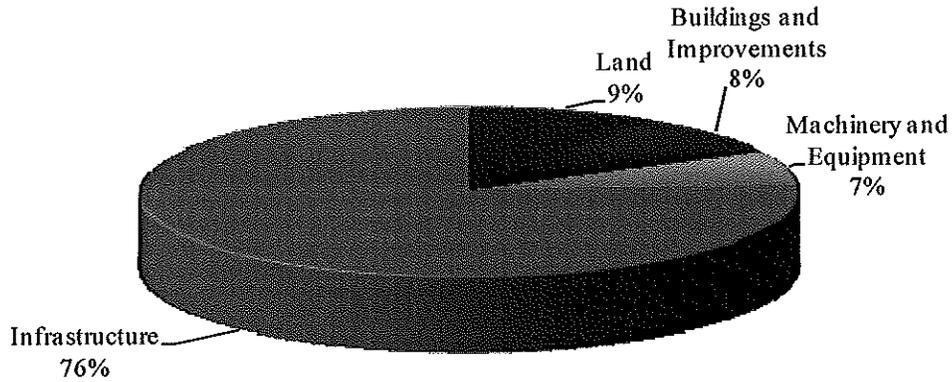
Capital Assets at June 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Land	\$ 5,114,241	\$ 5,114,241
Buildings and Improvements	4,435,687	4,425,696
Machinery and Equipment	3,825,747	3,740,619
Infrastructure	41,363,986	41,311,662
 Total	 \$ 54,739,661	 \$ 54,592,218

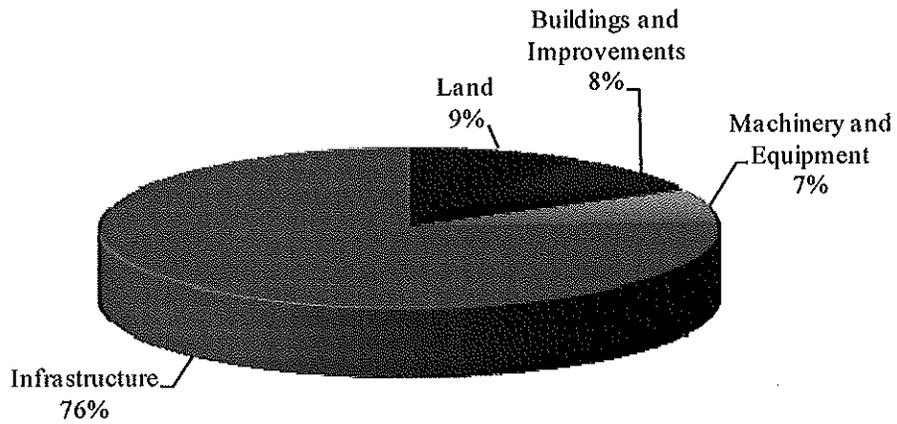
The Town's largest capital asset category is infrastructure which includes all town roads. The net book value of the Town's infrastructure (cost less accumulated depreciation) represents approximately 76% of the Town's total governmental capital assets.

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Capital Assets - Governmental Activities 2009



Capital Assets - Governmental Activities 2010



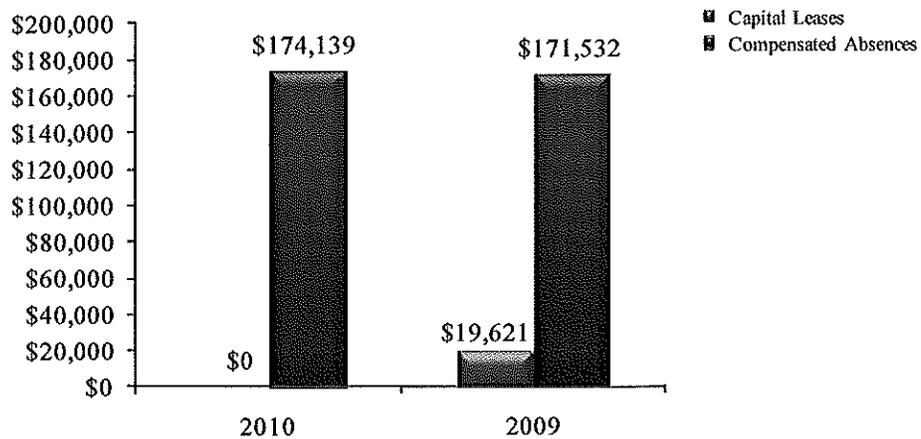
**Town of Durham, Connecticut
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For the Year Ended June 30, 2010
Unaudited**

Debt Administration

The Town had the following long-term obligations outstanding at June 30, 2010 and 2009.

	Governmental Activities	
	2010	2009
Capital Leases	\$ -	\$ 19,621
Compensated Absences	174,139	171,532
Total Long-Term Obligations	\$ 174,139	\$ 191,153

Long Term Obligations



Contacting the Town's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and 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 questions about this report or need additional financial information contact Maryjane Malavasi, Director of Finance; Town of Durham, 30 Town House Road, Durham, Connecticut 06422. Telephone (860) 349-9366.

Town of Durham, Connecticut
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,142,771	\$ 15,728	\$ 4,158,499
Investments	111,247	-	111,247
Receivables	427,749	5,608	433,357
Other Receivables	21,207	-	21,207
Capital Assets			
Capital Assets Not Being Depreciated	5,114,241	-	5,114,241
Capital Assets	49,625,420	1,620,324	51,245,744
Less: Accumulated Depreciation	<u>(14,718,097)</u>	<u>(127,730)</u>	<u>(14,845,827)</u>
Total Capital Assets	<u>40,021,564</u>	<u>1,492,594</u>	<u>41,514,158</u>
Total Assets	<u><u>44,724,538</u></u>	<u><u>1,513,930</u></u>	<u><u>46,238,468</u></u>
LIABILITIES			
Accounts Payable and Accrued Expenses	370,077	2,142	372,219
Deferred Revenues	14,147	-	14,147
Other Payables	-	21,712	21,712
Long-Term Liabilities			
Due Within One Year			
Accrued Pension Obligation	12,537	-	12,537
Other Post Employment Benefits	6,400	-	6,400
Due in More Than One Year			
Compensated Absences	<u>174,139</u>	<u>-</u>	<u>174,139</u>
Total Liabilities	<u>577,300</u>	<u>23,854</u>	<u>601,154</u>
NET ASSETS			
Invested in Capital Assets	40,021,564	1,492,594	41,514,158
Restricted for:			
Other Projects	74,043	-	74,043
Unrestricted	<u>4,051,631</u>	<u>(2,518)</u>	<u>4,049,113</u>
Total Net Assets	<u>44,147,238</u>	<u>1,490,076</u>	<u>45,637,314</u>
Total Liabilities and Net Assets	<u><u>\$ 44,724,538</u></u>	<u><u>\$ 1,513,930</u></u>	<u><u>\$ 46,238,468</u></u>

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, 2010

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Primary government					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 2,588,760	\$ 587,666	\$ 149,049	\$ -	\$ (1,852,045)		\$ (1,852,045)
Public Safety	589,489	2,007	12,132	-	(575,350)		(575,350)
Public Works	1,841,456	751	116,318	-	(1,724,387)		(1,724,387)
Health, Welfare and Sanitation	188,906	-	54,892	-	(134,014)		(134,014)
Culture and Recreation	148,164	45,258	6,600	-	(96,306)		(96,306)
Education	20,032,348	-	3,394,268	-	(16,638,080)		(16,638,080)
Library	576,428	8,059	34,224	-	(534,145)		(534,145)
Capital Outlay	30,626	-	-	-	(30,626)		(30,626)
Environmental Services	368,503	-	-	-	(368,503)		(368,503)
Total Governmental Activities	26,364,680	643,741	3,767,483	-	(21,953,456)		(21,953,456)
Business-Type Activities							
Water	65,137	51,075	-	-	-	\$ (14,062)	(14,062)
Total Business-Type Activities	65,137	51,075	-	-	-	(14,062)	(14,062)
Total Primary Government	\$ 26,429,817	\$ 694,816	\$ 3,767,483	\$ -	(21,953,456)	(14,062)	(21,967,518)
General revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					20,435,253	-	20,435,253
Grants and Contributions Not Restricted to Specific Programs					258,915	-	258,915
Unrestricted Investment Earnings					29,089	23	29,112
Transfers					-	-	-
Total General Revenues, Special Items, and Transfers					20,723,257	23	20,723,280
Change in Net Assets					(1,230,199)	(14,039)	(1,244,238)
Net Assets - Beginning (Restated - See Note 16)					45,377,437	1,504,115	46,881,552
Net Assets - Ending					\$ 44,147,238	\$ 1,490,076	\$ 45,637,314

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

**Town of Durham, Connecticut
Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring Expenditures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Equivalents	\$ 2,456,332	\$ 1,540,009	\$ 146,430	\$ 4,142,771
Investments	-	-	111,247	111,247
Taxes Receivable, Net	367,142	-	-	367,142
Due From Other Funds	65,586	-	4,196	69,782
Other Receivables	53,044	-	7,505	60,549
Total Assets	<u>2,942,104</u>	<u>1,540,009</u>	<u>269,378</u>	<u>4,751,491</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	257,041	-	48,682	305,723
Due to Other Funds	4,196	32,234	11,640	48,070
Deferred Revenue	391,566	-	-	391,566
Other Accrued Expenses	56,930	-	-	56,930
Other Payables	7,871	-	-	7,871
Total Liabilities	<u>717,604</u>	<u>32,234</u>	<u>60,322</u>	<u>810,160</u>
Fund Balances:				
Reserved for:				
Other Purposes	74,043	-	165,738	239,781
Unreserved	2,150,457	1,507,775	43,318	3,701,550
Unreserved, Reported in Non-Major:				
Special Revenue Funds	-	-	-	-
Total Fund Balances	<u>2,224,500</u>	<u>1,507,775</u>	<u>209,056</u>	<u>3,941,331</u>
Total Liabilities and Fund Balances	<u>\$ 2,942,104</u>	<u>\$ 1,540,009</u>	<u>\$ 269,378</u>	<u>\$ 4,751,491</u>

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

Town of Durham, Connecticut
Reconciliation of the Governmental Funds Balance Sheet to the Statement of
Net Assets
June 30, 2010

Total fund balance, governmental funds	\$	3,941,331
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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, but are reported in the governmental activities of the Statement of Net Assets.		40,021,564
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		377,418
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
Net pension obligation		(12,537)
Other post employment benefit liability		(6,400)
Compensated absences		(174,138)
		(193,075)

Net Assets of Governmental Activities in the Statement of Net Assets	\$	44,147,238
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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, 2010

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring Expenditures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 20,409,758	\$ -	\$ -	\$ 20,409,758
Fees and Fines	378,855	-	5,264	384,119
Licenses and permits	-	-	259,732	259,732
Intergovernmental	3,892,833	-	117,439	4,010,272
Investment Earnings	11,621	5,373	5,667	22,661
Miscellaneous	-	4,487	15,278	19,765
Total Revenues	<u>24,693,067</u>	<u>9,860</u>	<u>403,380</u>	<u>25,106,307</u>
EXPENDITURES				
Current:				
General Government	2,144,543	-	288,057	2,432,600
Public Safety	473,721	-	-	473,721
Public Works	1,088,652	-	-	1,088,652
Health and Sanitation	165,849	-	25,057	190,906
Culture and Recreation	138,686	-	-	138,686
Education	20,032,348	-	-	20,032,348
Library	461,802	-	48,928	510,730
Environmental Services	372,003	-	-	372,003
Capital Outlay	271,117	-	-	271,117
Total Expenditures	<u>25,148,721</u>	<u>-</u>	<u>362,042</u>	<u>25,510,763</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(455,654)</u>	<u>9,860</u>	<u>41,338</u>	<u>(404,456)</u>
OTHER FINANCING SOURCES (USES)				
Other source	-	-	6,429	6,429
Transfers in	252,305	101,350	-	353,655
Transfers out	(101,350)	(240,708)	(11,597)	(353,655)
Total other financing sources and (uses)	<u>150,955</u>	<u>(139,358)</u>	<u>(5,168)</u>	<u>6,429</u>
Net change in fund balances	(304,699)	(129,498)	36,170	(398,027)
Fund balances - beginning (Restated, See Note 16)	2,529,199	1,637,273	172,886	4,339,358
Fund balances - ending	<u>\$ 2,224,500</u>	<u>\$ 1,507,775</u>	<u>\$ 209,056</u>	<u>\$ 3,941,331</u>

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

Town of Durham, Connecticut
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds: \$ (398,027)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$147,443 differed from depreciation \$1,022,029 in the current period. (874,586)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 25,495

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. 16,919

Change in net assets of governmental activities \$ (1,230,199)

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, 2010

	<u>Enterprise Fund</u>
	<u>Water Company</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,728
Accounts Receivable, Net	5,608
Total Current Assets	<u>21,336</u>
Non-Current Assets:	
Capital Assets:	
Utility System	1,620,324
Less Accumulated Depreciation	<u>(127,730)</u>
Total Non-Current Assets	<u>1,492,594</u>
Total Assets	<u>\$ 1,513,930</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 2,142
Due to Other Funds	<u>21,712</u>
Total Current Liabilities	<u>23,854</u>
NET ASSETS	
Invested in Capital Assets	1,492,594
Unrestricted	<u>(2,518)</u>
Total Net Assets	<u>1,490,076</u>
Total Liabilities and Net Assets	<u>\$ 1,513,930</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, 2010

	<u>Enterprise Fund</u>
	<u>Water Company</u>
REVENUES	
Charges for Services	\$ 51,075
Total Operating Revenues	<u>51,075</u>
OPERATING EXPENSES	
Utilities	9,512
Repairs and Maintenance	6,940
Other Supplies and Expenses	30,438
Depreciation	18,247
Total Operating Expenses	<u>65,137</u>
Operating Income (Loss)	<u>(14,062)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and Investment Revenue	23
Total Non-Operating Revenue (Expenses)	<u>23</u>
Change in Net Assets	<u>(14,039)</u>
Total Net Assets - Beginning	1,504,115
Total Net Assets - Ending	<u>\$ 1,490,076</u>

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

Town of Durham, Connecticut
Statement of Cash Flows - Enterprise Fund
For the Year Ended June 30, 2010

	<u>Water Enterprise</u>
INCREASE IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 48,008
Payments to Suppliers	(46,056)
Net Cash Provided by Operating Activities	1,952
Cash Flows from Investing Activities	
Investment Income	23
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,975
CASH AND CASH EQUIVALENTS JULY 1, 2009	13,753
CASH AND CASH EQUIVALENTS JUNE 30, 2010	\$ 15,728
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (14,062)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	18,247
(Increase) Decrease in:	
Accounts Receivable	(3,068)
Increase (Decrease) in:	
Accounts Payable	835
Total Adjustments	16,014
Net Cash Provided by Operating Activities	\$ 1,952

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, 2010

	Employee Benefit Plans	Agency Fund
ASSETS		
Cash And Cash Equivalents	\$ -	\$ 293,645
Other Assets	79,974	-
Investments	1,370,099	-
Total Assets	1,450,073	293,645
LIABILITIES		
Cash And Cash Equivalents	-	293,645
Cash And Cash Equivalents	-	\$ 293,645
NET ASSETS	\$ 1,450,073	

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, 2010

	<u>Employee Benefit Plan</u>
ADDITIONS	
Contributions:	
Employer	\$ 136,441
Plan Members	36,095
Total Contributions	<u>172,536</u>
Net Investment Loss	<u>126,988</u>
Total Additions	<u>299,524</u>
DEDUCTIONS	
Benefits	<u>65,492</u>
Total Deductions	65,492
Change in Net Assets	<u>234,032</u>
Net Assets- Beginning	<u>1,216,041</u>
Net Assets- Ending	<u><u>\$ 1,450,073</u></u>

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

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Town of Durham, Connecticut (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard 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

As required by generally accepted accounting principles, the Town's Basic Financial Statements include all funds, agencies, boards, commissions, and departments for which the Town is financially accountable. Financial accountability, as defined by the GASB, exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Town. The Town may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Town. The Town also took into consideration other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. In fiscal year 2010, it was determined that no entities met the required GASB 39 criteria of component units.

The primary government consists of all funds and departments which provide various services including emergency response, a water and sewer system, parks and recreation, street construction and maintenance, planning and zoning, and general administrative functions. The board of selectmen is directly responsible for these activities.

B. Basis of Presentation - Fund Accounting

The Town's Basic Financial Statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the Town.

Fund Financial Statements - During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. 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. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

C. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Reserve Fund for Capital and Nonrecurring Expenditures Fund - This special revenue fund 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.)

Other governmental funds of the Town are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - 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 are the Town's major enterprise funds:

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 Town's only fiduciary funds are agency funds and pension trust funds.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of 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.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of year-end.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues - Exchange and Non-exchange Transactions - Continued - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from taxes is recognized in the year for which the taxes are levied (see Note 4). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property tax, fines and forfeitures, fees and special assessments.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

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.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

G. Cash and Cash Equivalents

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, 2010, 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.

The Town records investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's Statement of Activities or Statement of Revenues, Expenditures, and Changes in Fund Balance.

H. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements under the compensation method.

I. 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.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
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

J. 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.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", 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, 2010 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.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Fund Balance Reserves

Reserved fund balances indicate the portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose.

M. Estimates

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Basic Financial Statements and accompanying notes. Actual results may differ from those estimates.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for sewer and transfer station programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Town Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

NOTE 2 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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, 2010 was \$3,184,950. 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		
Demand Accounts	\$	3,184,950
Cash Equivalents		
State Short-Term Investment Fund (STIF)		1,540,009
Total Cash and Equivalents	\$	<u>4,724,959</u>
Book Balances		
Governmental Funds	\$	4,142,771
Enterprise Funds		15,728
Agency Fund		293,645
Total Cash and Equivalents	\$	<u>4,452,144</u>

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, 2010 bank balance, \$429,645 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.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 2 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - Continued

B. Investments

As of June 30, 2010, the Town's investments consisted of the following:

Investment Type	
Mutual Fund for John Camp	
Special Revenue Fund	\$ 111,247
Pooled open-end mutual fund accounts	
Pension Trust Funds	
Open-end Mutual Funds	\$ 1,370,099

NOTE 3 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported in the fund financial statements:

Transfers from	
General Fund	\$ 101,350
Reserve Fund for Capital and Nonrecurring Expenditures	240,708
Special Revenue Funds	11,597
Total	\$ 353,655
Transfers to	
General Fund	\$ 252,305
Reserve Fund for Capital and Nonrecurring Expenditures	101,350
Total	\$ 353,655

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.

**TOWN OF DURHAM, CONNECTICUT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 3 – INTERFUND TRANSACTIONS - Continued

B. Interfund Balances

Interfund balances consisted of the following at June 30, 2010, as reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General fund	\$ 4,196
General fund	Reserve fund	32,234
General fund	Other governmental funds	11,640
General fund	Water company	21,712

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.

NOTE 4 - PROPERTY TAXES

Real Estate and personal property taxes are levied and based upon values assessed on October 1st 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 summaries the 2008 tax assessment:

Valuation:	
Real and Personal Estates	<u>\$ 777,818,689</u>
Assessment:	
Valuation x Rate - \$777,818,689 x .026200	<u>20,378,850</u>
Tax Commitment:	<u>20,436,803</u>
Tax Collections	<u>\$ 20,219,946</u>

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 4 – PROPERTY TAXES - Continued

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, 2010 are stated net of an allowance for uncollectible amounts of \$10,000.

NOTE 5 - RECEIVABLES

Real estate and personal property taxes are levied and based on values assessed on October 1st of every year. Assessed values are established by the Board for 70% of the estimated fair market value. Taxes are due on a semiannual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year that they relate to.

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, 2010 consists of the following:

Real Estate and Personal Property Taxes	
2008	\$ 235,260
2007	98,920
Prior	42,962
Reserve for Bad Debt	<u>(10,000)</u>
	<u><u>\$ 367,142</u></u>

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	(Restated) Balance 6/30/2009	Additions	Disposals	Balance 6/30/2010
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 5,114,241	\$ -	-	\$ 5,114,241
Total capital assets not being depreciated	<u>5,114,241</u>	<u>-</u>	<u>-</u>	<u>5,114,241</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,376,956	58,731	-	4,435,687
Machinery and Equipment	3,740,619	36,388	-	3,777,007
Land Improvements	48,740	-	-	48,740
Infrastructure	41,311,662	52,324	-	41,363,986
Total capital assets, being depreciated	<u>49,477,977</u>	<u>147,443</u>	<u>-</u>	<u>49,625,420</u>
Total accumulated depreciation	<u>13,696,068</u>	<u>1,022,029</u>	<u>-</u>	<u>14,718,097</u>
Total capital assets, being depreciated, net	<u>35,781,909</u>	<u>(874,586)</u>	<u>-</u>	<u>34,907,323</u>
Governmental activities capital assets, net	<u>\$ 40,896,150</u>	<u>\$ (874,586)</u>	<u>-</u>	<u>\$ 40,021,564</u>
B. Business-Type Activities				
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>109,483</u>	<u>18,247</u>	<u>-</u>	<u>127,730</u>
Total capital assets, being depreciated, net	<u>1,510,841</u>	<u>(18,247)</u>	<u>-</u>	<u>1,492,594</u>
Business-Type activities capital assets, net	<u>\$ 1,510,841</u>	<u>\$ (18,247)</u>	<u>\$ -</u>	<u>\$ 1,492,594</u>

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 6 - CAPITAL ASSETS - Continued

Depreciation expense was charged to programs of the Town as follows:

	Total
General Government	\$ 69,023
Highway	782,507
Health and Welfare	3,500
Library	67,290
Recreation	6,633
Public Safety	93,076
Totals	\$ 1,022,029

NOTE 7 - LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets.

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	(Restated) Total Balance 6/30/09	Additions	Reductions	Total Balance 6/30/10	Less Current Portion	Equals Long- Term Portion 6/30/10
<u>Governmental Activities</u>						
Capital Lease Obligations	\$ 19,621	\$ -	\$ (19,621)	\$ -	\$ -	\$ -
Other:						
OPEB	6,200	200	-	6,400	6,400	-
Compensated Absences	171,532	2,607	-	174,139	-	174,139
Total Governmental	\$ 197,353	\$ 2,807	\$ (19,621)	\$ 180,539	\$ 6,400	\$ 174,139

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 7 - LONG-TERM OBLIGATIONS - Continued

In fiscal year 2006, the Town entered into a lease for a machine. This lease agreement meets the criteria of a capital lease as defined by FASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service payments in the financial statements for the governmental funds. These expenditures are recorded in the capital equipment function on the budgetary financial statement.

Capital assets consisting of equipment have been capitalized in the amount of \$90,418. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$35,414, leaving a current book value of \$55,004. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$19,619 by the general fund.

NOTE 8 - BUDGETARY BASIS OF ACCOUNTING

While the Town is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

NOTE 9 - RESTRICTED NET ASSETS

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

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.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 10 - RESERVES OF FUND EQUITY

“Reserves” of fund equity are established to segregate fund balances which are not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves and designations are reported at June 30, 2010:

1. Reserved for Encumbrances – An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.
2. Reserved for Perpetual Funds – Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.
3. Reserved for Expenditures – Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

NOTE 11 - TOWN OF DURHAM EMPLOYEE RETIREMENT PLAN

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 Town previously sponsored a Defined Contribution Plan (The Money Accumulation Pension Plan or MAPP). The MAPP was merged into the Retirement Plan effective July 1, 2009.

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.

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.

Investments are reported at fair value.

Plan Membership

Membership in the plan consisted of the following at July 1, 2009, the date of the most recent actuarial Valuation:

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 11 - TOWN OF DURHAM EMPLOYEE RETIREMENT PLAN - Continued

Active plan participants	23
Terminated vested participants	6
Participants in payment status	<u>9</u>
	<u>38</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 June 30, 2009. The annual benefit will not exceed 70% of average monthly compensation.

Participants in the plan are fully vested after ten years according to the following schedule:

<u>Vesting Service</u>	<u>Vested Interest</u>
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%

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

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.

**TOWN OF DURHAM, CONNECTICUT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 11 - TOWN OF DURHAM EMPLOYEE RETIREMENT PLAN - Continued

Annual Pension Cost and Net Pension Obligation

The annual pension cost for the Town of Durham as of July 1, 2009, the date of the most recent valuation, is summarized as follows:

Annual required contribution	\$134,793
Interest in net pension obligation	(948)
Adjustment to annual required contribution	1,055
Annual pension cost	134,686
Contributions made	134,793
Increase (decrease) in net pension obligation	(107)
Net pension obligation, beginning of year	<u>12,644</u>
Net pension obligation, end of year	<u>\$ 12,537</u>

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the June 30, 2010 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. Post-retirement benefit increases	None
F. Remaining amortization period	25 Year

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 11 - TOWN OF DURHAM EMPLOYEE RETIREMENT PLAN - Continued

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>
6/30/2008	29,689	46,256	156%	(13,894)
6/30/2009	60,415	33,877	56%	12,644
6/30/2010	134,686	134,793	100%	12,537

Pension Plan Required Supplementary Information:

Schedule of Funding Progress

<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>
7/1/1995	105,743	225,788	120,045	46.83%	607,781	19.75%
7/1/1996	147,444	225,288	77,844	65.45%	626,887	12.42%
7/1/1997	190,699	185,430	(5,269)	102.84%	594,303	-0.89%
7/1/1998	238,935	186,691	(52,244)	127.98%	592,604	-8.82%
7/1/1999	260,130	210,962	(49,168)	123.31%	665,843	-7.38%
7/1/2000	284,927	223,410	(61,517)	127.54	722,824	-8.51%
7/1/2001	257,830	301,330	43,500	85.56%	791,517	5.50%
7/1/2002	225,782	409,772	183,990	55.10%	722,825	25.45%
7/1/2003	278,888	553,986	275,098	50.34%	870,454	31.60%
7/1/2004	282,769	535,885	253,116	52.77%	893,404	28.33%
7/1/2005	285,810	566,085	280,275	50.49%	912,017	30.73%
7/1/2006	320,391	577,614	257,223	55.47%	845,579	30.42%
7/1/2007	356,866	538,002	181,136	66.33%	943,016	19.21%
7/1/2008	396,202	689,840	293,638	57.43%	1,133,455	25.91%
7/1/2009	1,459,369	2,408,106	948,737	60.60%	1,148,859	82.58%

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 11 - TOWN OF DURHAM EMPLOYEE RETIREMENT PLAN - Continued

Schedule of Employer Contributions

Fiscal Year Ending <u>June 30</u>	Annual Required <u>Contribution</u>	Actual <u>Contribution</u>	Percent Funded
1996	13,233	27,000	204%
1997	9,879	21,500	218%
1998	3,150	14,000	444%
1999	-	-	100%
2000	-	-	100%
2001	-	-	100%
2002	7,045	7,045	100%
2003	18,867	18,867	100%
2004	44,957	22,500	50%
2005	38,509	34,388	89%
2006	42,998	51,994	121%
2007	39,143	51,994	133%
2008	29,811	46,256	155%
2009	59,835	33,877	57%
2010	134,793	134,793	100%

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description – The Town of Durham medical benefit plan is a single-employer defined benefit healthcare plan administered by the Town of Durham. The plan provides medical benefits to eligible retirees and their spouses.

Funding Policy – 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, 2010, the Town of Durham contributed \$0 to the plan.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and fund any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the state’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation to the plan.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN- Continued

Annual Required Contribution	\$ 200
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	200
Contributions Made	-
Beginning OPEB Obligation	6,200
Change in OPEB Obligation	200
Net OPEB Obligation End of Year	\$ 6,400

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is below. (Prior two years omitted since this is the first year of GASB 45 implementation).

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2009	6,200	-	0%	6,200
6/30/2010	6,400	-	0%	6,400

Funded Status and Funding Progress – As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$43,000, and the actuarial value of the assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$43,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,190,400, and the ratio of the UAAL to the covered payroll was 3.6%.

Actuarial Accrued Liability (AAL)	\$ 43,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 43,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Net OPEB Obligation - Beginning of the Year	-
UAAL as a Percentage of Covered Payroll	3.60%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN - Continued

the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by 1 percent decrements to an ultimate rate of five percent after five years. Both rates included 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

OPEB Required Supplementary Information:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
6/30/2009	-	43,000	43,000	0%	\$1,190,400	3.6%

**TOWN OF DURHAM, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Outstanding Lawsuits – There are several pending lawsuits in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - The Town receives a significant portion of its support from various funding sources. Expenditure of these funds requires compliance with terms and conditions specified in the related contracts and agreements. These expenditures are subject to audit by the contracting agencies. Any disallowed expenditures would become a liability of the

Town requiring repayment to the funding sources. Liabilities resulting from these audits, if any, will be recorded in the period in which the liability is ascertained.

NOTE 14 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have no material settlements in excess of coverage in any of the past three fiscal years.

Town of Durham, Connecticut
Schedule of Revenues and Other Financing Sources
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
Property Taxes	\$ 20,548,012	\$ 20,548,012	\$ 20,409,758	\$ (138,254)
Local Revenues:				
Board of Selectmen	5,000	5,000	10,038	5,038
Town Clerk Fees and Receipts	60,000	60,000	79,450	19,450
Conveyance Tax	75,000	75,000	77,784	2,784
LOCIP Town Clerk	5,000	5,000	4,530	(470)
Trust Funds	3,500	3,500	4,374	874
Interest on Investments	30,000	30,000	7,247	(22,753)
Building and Sanitation	104,725	104,725	89,038	(15,687)
Inland Wetlands and Watercourse	4,000	4,000	1,755	(2,245)
Zoning Board of Appeals	800	800	-	(800)
Planning and Zoning	4,000	4,000	1,915	(2,085)
Conservation Commission	3,925	3,925	8,100	4,175
Insurance Reimbursements	30,771	30,771	21,886	(8,885)
Durham Fair Association Reimbursement	70,000	70,000	-	(70,000)
State Trooper Reimbursement - Regional School District #13	8,000	8,000	837	(7,163)
State Trooper Reimbursements - Private Duty	22,000	22,000	70	(21,930)
Animal Control Officers - Fines	1,500	1,500	1,315	(185)
Water Company Loans	-	-	-	-
Animal Control Officer - Licenses	8,000	8,000	10,373	2,373
Library	14,000	14,000	8,000	(6,000)
Recreation	40,000	40,000	45,258	5,258
Fund Balance and Prior Year Surplus	100,000	100,000	-	(100,000)
Regional Water Authority	800	800	715	(85)
Durham Volunteer Fire Department	1,000	1,000	-	(1,000)
Highway Department	-	-	751	751
Fire Marshal	1,000	1,000	1,100	100
Reserve Fund Receipt	-	-	240,708	240,708
Public Works	-	-	3,750	3,750
Other Income	8,250	8,250	13,671	5,421
Valley Shore Tower Reimbursement	3,031	3,031	-	(3,031)
Durham / Middlefield Senior / Disabled Van	6,000	6,000	5,773	(227)
Due to DEP	1,300	1,300	1,295	(5)
State Trooper - Pistol Permits	600	600	3,045	2,445
Total Revenues and Other Sources	612,202	612,202	642,778	30,576

See accompanying notes to the financial statements.

Town of Durham, Connecticut
Schedule of Revenues and Other Financing Sources
Budget and Actual (Non-GAAP Budgetary Basis), (Continued)
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
Intergovernmental Revenues				
Town Aid Roads	84,654	84,654	111,582	26,928
Telecommunications Personal Property	40,478	40,478	26,484	(13,994)
Payment in Lieu of Taxes - State Property	20,272	20,272	20,306	34
Local Capital Improvement Program	56,499	56,499	56,514	15
Educational Cost Sharing	3,954,812	3,954,812	3,394,268	(560,544)
State of Connecticut Receipts	1,000	1,000	-	(1,000)
Mashantucket Pequot Grant	32,394	32,394	18,914	(13,480)
Pilot Manufacturing Grant	139,000	139,000	135,990	(3,010)
Town Clerk - Records Restoration	5,000	5,000	5,000	-
Youth Service Bureau Grant	14,000	14,000	19,000	5,000
Boating Safety Grant	858	858	440	(418)
Elderly and Disabled Tax Relief	600	600	707	107
Judicial Department Restitution	2,500	2,500	3,840	1,340
Homeowners Tax Relief	40,000	40,000	40,755	755
Veterans Tax Relief	10,582	10,582	10,382	(200)
Skating Pong Grant Revenue	-	-	8,491	8,491
Homeland Security	4,400	4,400	16,080	11,680
FEMA Snow Grant	-	-	788	788
Library Grant	-	-	-	-
Trooper DUI Grant	22,000	22,000	23,294	1,294
Trooper Underage Drinking Grant	-	-	-	-
Other	3,605	3,605	-	(3,605)
Total Intergovernmental Revenues	<u>4,432,654</u>	<u>4,432,654</u>	<u>3,892,835</u>	<u>(539,819)</u>
Budgeted Use of Fund Balance	<u>128,573</u>	<u>128,573</u>	<u>-</u>	<u>(128,573)</u>
Total Revenues	<u>\$ 25,721,441</u>	<u>\$ 25,721,441</u>	<u>\$ 24,945,371</u>	<u>\$ (776,070)</u>

See accompanying notes to the financial statements.

Town of Durham, Connecticut
Schedule of Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
Elected Officials and Boards				
Board of Finance	\$ 23,840	\$ 23,840	\$ 17,171	\$ 6,669
Office of the First Selectman	115,308	115,308	106,992	8,316
First Selectman's Salary	72,975	72,975	72,975	-
Selectmen's Salary	7,000	7,000	7,000	-
Board of Assessment Appeals	150	197	196	1
Office of the Tax Collector	35,338	38,008	36,672	1,336
Tax Collector's Salary	53,839	53,839	53,839	-
Office of the Town Clerk	74,702	74,748	74,714	34
Town Clerk's Salary	54,852	54,852	54,852	-
Office of the Town Treasurer	-	-	-	-
Town Treasurer's Salary	9,000	9,000	9,000	-
Total Elected Officials and Boards	447,004	449,767	433,411	16,356
Professional Services				
Assessor	86,075	86,075	81,285	4,790
Midstate Regional Planning Agency	4,882	4,882	4,882	-
Middlesex Soil and Water	1,698	1,698	1,698	-
Probate Court	7,696	7,696	7,599	97
Town Counsel	40,000	30,000	25,108	4,892
Building and Health Department	237,055	259,600	257,058	2,542
Finance to Department	126,791	127,559	127,559	-
Planning and Zoning Legal Council	30,000	33,613	33,613	-
Information Technology	49,155	49,155	48,257	898
Computer Equipment	3,000	3,000	2,905	95
Total Professional Services	586,352	603,278	589,964	13,314
Other Town Commissions				
Inland Wetlands	2,750	2,750	1,570	1,180
Zoning Board of Appeals	1,650	2,008	2,007	1
Planning and Zoning	78,175	92,939	92,939	-
Assistant Zoning Enforcement Officer Salary / Expenses	-	-	-	-
Economic Development	3,150	3,150	2,198	952
Conservation	6,600	23,000	17,424	5,576
Historic District	1,470	1,470	698	772
Miscellaneous	500	500	-	500
Total Other Town Commissions	94,295	125,817	116,836	8,981

(Continued on next page)

Town of Durham, Connecticut
Schedule of Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
General Expenses				
Elections	34,165	34,165	19,943	14,222
Social Security	126,689	126,689	121,692	4,997
Unemployment Compensation	10,047	10,423	10,423	-
Employee Retirement Plan	143,150	149,128	149,128	-
Insurance	81,564	81,564	80,811	753
Insurance - Payroll Related	462,165	462,165	447,581	14,584
Tree Warden	20,375	20,375	20,112	263
Employee Assistance Program	-	-	-	-
Drug and Alcohol Test	2,000	2,000	1,560	440
Town Hall Expenses	57,132	50,856	48,494	2,362
Municipal Heating Fuel	26,600	26,600	24,051	2,549
Municipal Custodial Services	38,000	38,000	37,555	445
Skating Pond Repairs	-	10,678	10,676	2
Total General Expenses	1,001,887	1,012,643	972,026	40,617
Public Works				
Street Lights	48,000	48,000	47,450	550
Capital Equipment	-	19,621	19,621	-
Regular Maintenance	534,009	543,440	543,391	49
Snow Removal	139,500	135,157	135,157	-
Catch Basin Cleaning	18,000	24,429	24,429	-
Highway Department Vehicle Fuel	42,050	39,170	39,169	1
Chip Sealing	195,200	190,966	190,966	-
Contracted Services	23,000	23,620	23,620	-
Johnson Lane	39,000	39,000	38,688	312
Old Blue Hills Road	3,000	3,000	3,036	(36)
Buckboard Road	8,000	10,326	10,602	(276)
Maple Ave Bridge	-	8,832	8,832	-
Road Drainage	-	-	-	-
Total Public Works	1,049,759	1,085,561	1,084,961	600
Public Safety				
Emergency Management	5,767	18,055	17,490	565
Crossing Guard	5,615	5,615	5,615	-
Animal Control Expense	14,550	14,550	13,206	1,344
Animal Control Salary	14,600	14,600	14,600	-
Volunteer Fire Company	62,525	71,370	71,369	1
Fire Company Trustees	29,520	33,154	33,154	-
Volunteer Ambulance Company	23,631	24,682	24,682	-
Public Safety Records Management	10,205	10,205	7,146	3,059
Public Safety Communications	27,181	27,181	27,099	82
Fire Marshal	23,283	23,733	22,622	1,111
Valley Shore Communications	68,126	68,126	68,126	-
Fire Pond	5,000	5,250	5,250	-
Resident State Trooper	252,542	252,542	133,246	119,296
Fair House	2,400	2,400	2,400	-
Public Safety	1,050	1,050	1,014	36
Burning Permits	1,000	1,000	1,000	-
51 Main Street	-	95,000	28,127	66,873
Total Public Safety	546,995	668,513	476,146	192,367

(Continued on next page)

Town of Durham, Connecticut
Schedule of Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to Actual Differences Over (Under)
	Original	Final		
Health and Welfare				
Human Services Salary	49,174	49,174	49,171	3
Human Services	19,619	19,619	18,664	955
Social Services Department	500	500	155	345
Red Cross Senior Transportation	42,240	42,240	41,229	1,011
Durham 60+ Club	600	600	600	-
Youth Services	36,730	41,730	41,730	-
Durham Senior Citizens Board	17,000	17,000	14,300	2,700
Total Health and Welfare	<u>165,863</u>	<u>170,863</u>	<u>165,849</u>	<u>5,014</u>
Library				
Library	477,670	477,670	459,340	18,330
Total Library	<u>477,670</u>	<u>477,670</u>	<u>459,340</u>	<u>18,330</u>
Recreation				
Recreation	130,781	131,818	131,670	148
Total Recreation	<u>130,781</u>	<u>131,818</u>	<u>131,670</u>	<u>148</u>
Miscellaneous				
Tax Refunds	-	33,844	33,843	1
Contingency	122,200	-	-	-
Farmers Market	1,150	1,150	773	377
Total Miscellaneous	<u>123,350</u>	<u>34,994</u>	<u>34,616</u>	<u>378</u>
Reserve Funds				
Transfer to the Reserve Fund	101,350	101,350	101,350	-
Capital Projects				
Capital Improvements	28,315	231,761	217,791	13,970
CETF Grant	-	1,412	-	-
Construction in Process	-	18,175	18,175	-
Total Capital Projects	<u>28,315</u>	<u>251,348</u>	<u>235,966</u>	<u>15,382</u>
Environmental Services				
DMIAAB	362,114	362,114	362,114	-
Landfill Water Systems	3,500	3,500	3,500	-
Household Hazardous Waste	5,645	6,390	6,389	1
Selectmen Consultants	-	34,006	35,149	(1,143)
Total Environmental Services	<u>371,259</u>	<u>406,010</u>	<u>407,152</u>	<u>(1,142)</u>
Education	20,596,561	20,596,561	20,032,348	564,213
Total Expenditures	<u>\$ 25,721,441</u>	<u>\$ 26,116,193</u>	<u>\$ 25,241,635</u>	<u>\$ 874,558</u>

Town of Durham, Connecticut
Notes to Required Supplementary Information
June 30, 2010

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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 24,945,371	\$ 25,250,071
Accrued Payroll is not budgeted. This amount represents the change in accrued payroll	-	(8,436)
	<hr/>	<hr/>
Budgetary Basis	<u>\$ 24,945,371</u>	<u>\$ 25,241,635</u>

Town of Durham, Connecticut
Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2010

Grant Last Year	Uncollected Taxes		Legal Corrections		Suspense Collections		Transfers to		Transfers		Acquired by		NSF &		Refunds		Adjusted Taxes		Actual Cash Collections		Total		Refunds Issued		Uncollected Taxes	
	July 1, 2009 and Current Levy	Current Levy	Additions	Deductions	Suspense Collections	Suppense	Deferred Collections	To Deferred	Encroachures	Adjustments	Issued	Collectible	Taxes	Interest	Late and Other Fees	Total	Issued	Collectible	Taxes	Interest	Late and Other Fees	Total	Issued	Current Levy	June 30, 2010 and Current Levy	
2008	\$ 20,376,803	\$ -	\$ 23,653	\$ (68,755)	\$ -	\$ -	\$ -	\$ (18,434)	\$ -	\$ 55,579	\$ 26,340	\$ 20,428,866	\$ 20,219,946	\$ 60,354	\$ 440	\$ 20,280,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,260
2007	25,818	-	4,019	(7,405)	115	(1,903)	3,324	-	-	(50)	7,369	256,604	165,054	31,123	1,014	197,191	-	-	-	-	-	-	-	-	98,970	
2006	46,783	-	954	(540)	19	(1,353)	-	-	-	-	-	45,958	30,842	10,524	144	41,510	-	-	-	-	-	-	-	-	15,116	
2005	10,939	-	-	-	19	(1,286)	-	-	-	-	40	9,672	1,171	686	-	1,856	-	-	-	-	-	-	-	-	8,542	
2004	15,623	-	-	-	219	(1,741)	-	-	-	(3,278)	-	10,603	251	199	-	453	-	-	-	-	-	-	-	-	10,349	
2003	4,145	-	-	-	423	(1,059)	-	-	-	-	-	3,326	219	137	-	356	-	-	-	-	-	-	-	-	3,106	
2002	3,242	-	-	-	6	-	-	-	-	-	-	3,665	598	631	-	1,229	-	-	-	-	-	-	-	-	3,667	
2001	1,935	-	-	-	6	-	-	-	-	-	-	1,941	6	9	-	15	-	-	-	-	-	-	-	-	1,935	
2000	261	-	-	-	89	-	-	-	-	-	-	342	80	132	-	203	-	-	-	-	-	-	-	-	261	
1999	552	-	474	-	18	(175)	-	-	-	-	-	609	192	41	-	533	-	-	-	-	-	-	-	-	176	
1998	190	-	197	-	53	(192)	-	-	-	-	-	243	53	103	-	156	-	-	-	-	-	-	-	-	190	
1997	220	-	354	-	86	(554)	-	-	-	-	-	306	86	751	-	240	-	-	-	-	-	-	-	-	220	
1996	-	-	-	-	100	-	-	-	-	-	-	100	-	70	-	170	-	-	-	-	-	-	-	-	-	
1995	-	-	-	-	13	-	-	-	-	-	-	13	43	112	-	168	-	-	-	-	-	-	-	-	-	
1994	\$ 20,779,311	\$ -	\$ 29,652	\$ (76,879)	\$ 1,164	\$ (8,049)	\$ 3,324	\$ (18,434)	\$ -	\$ 52,251	\$ 33,749	\$ 20,762,339	\$ 20,418,946	\$ 104,266	\$ 1,598	\$ 20,524,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,142	

Town of Durham, Connecticut
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2010

	Special Revenue							Total Special Revenue	
	Town Clerk	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	John Camp	Main Street Tie-In		Town Clerk Record Preservation
ASSETS									
Cash and Cash Equivalents	\$ 27,043	\$ 1,272	\$ 51,319	\$ 16,614	\$ 1,381	\$ -	\$ -	\$ 1,218	\$ 98,847
Due from Other Funds	-	-	-	-	-	-	-	-	-
Investments	7,205	-	-	-	-	111,247	-	-	111,247
Other Receivables	-	-	-	-	-	-	-	300	7,505
Total Assets	\$ 34,248	\$ 1,272	\$ 51,319	\$ 16,614	\$ 1,381	\$ 111,247	\$ -	\$ 1,518	\$ 217,599
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts Payable	\$ 34,247	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,247
Due to Other Funds	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 34,247	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,247
Fund Balance:									
Reserved for Other Purposes	1	1,272	-	16,614	1,381	111,247	-	1,518	132,033
Unreserved and Undesignated	-	-	43,319	-	-	-	-	-	43,319
Total Fund Balance (Deficit)	1	1,272	43,319	16,614	1,381	111,247	-	1,518	175,352
Total Liabilities and Fund Balance	\$ 34,248	\$ 1,272	\$ 51,319	\$ 16,614	\$ 1,381	\$ 111,247	\$ -	\$ 1,518	\$ 217,599

Town of Durham, Connecticut
 Nonmajor Governmental Funds
 Combining Balance Sheet, Continued
 June 30, 2010

	Capital Projects Funds					Permanent			Total Nonmajor Governmental Funds
	Waterline Extension	Main Street Tie-In	Total Capital Projects Funds	Library Trust	Town Trust	Mary Weber	Total Permanent		
ASSETS									
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 14,292	\$ -	\$ 33,291	\$ 47,583	\$ 146,430	
Due from Other Funds	-	-	-	-	4,196	-	4,196	4,196	
Investments	-	-	-	-	-	-	-	111,247	
Other Receivables	-	-	-	-	-	-	-	7,505	
Total Assets	\$ -	\$ -	\$ -	\$ 14,292	\$ 4,196	\$ 33,291	\$ 51,779	\$ 269,378	
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts Payable	\$ -	\$ 6,435	\$ 6,435	\$ -	\$ -	\$ -	\$ -	\$ 48,682	
Due to Other Funds	-	-	-	-	-	11,640	11,640	11,640	
Total Liabilities	-	6,435	6,435	-	-	11,640	11,640	60,322	
Fund Balance:									
Reserved for Other Purposes	\$ (6,435)	\$ -	\$ (6,435)	\$ 14,292	\$ 4,196	\$ 21,651	\$ 40,138	\$ 165,738	
Unreserved and Undesignated	-	-	-	-	-	-	-	43,319	
Total Fund Balance (Deficit)	(6,435)	-	(6,435)	14,292	4,196	21,651	40,138	209,056	
Total Liabilities and Fund Balance	\$ (6,435)	\$ 6,435	\$ -	\$ 14,292	\$ 4,196	\$ 33,291	\$ 51,778	\$ 269,378	

Town of Durham, Connecticut
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2010

	Town Clerk	Friends of Conservation	Special Revenue							Town Clerk Special Revenue	
			Library Fund	Library Development Fund	Gazebo on the Green	John Camp	Ground Water Study	Town Clerk Record Preservation	Total Special Revenue		
REVENUES											
Intergovernmental	\$ -	\$ -	\$ 18,946	\$ -	\$ -	\$ -	\$ -	\$ 6,600	\$ -	\$ -	\$ 25,546
Licenses and Permits	253,678	200	2,795	-	-	-	-	-	3,060	-	259,733
Investment Earnings	-	1	2	112	2	5,424	-	-	3	-	5,544
Fees and Fines	-	-	5,264	-	-	-	-	-	-	-	5,264
Miscellaneous	-	-	15,278	-	-	-	-	-	-	-	15,278
Total Revenues	253,678	201	42,285	112	2	5,424	2	6,600	3,063	-	311,366
EXPENDITURES											
Current:											
General Government	272,304	-	-	6,595	-	6,025	-	-	3,135	-	288,059
Health and Sanitation	-	-	-	-	-	-	-	5,500	-	-	5,500
Library	-	-	48,928	-	-	-	-	-	-	-	48,928
Total Expenditures	272,304	-	48,928	6,595	-	6,025	-	5,500	3,135	-	342,487
Excess of Revenues Over (Under) Expenditures	(18,626)	201	(6,643)	(6,483)	2	(602)	2	1,100	(72)	-	(31,122)
Other Financing Sources (Uses):											
Operating Transfers Out	-	-	(8,000)	-	-	-	-	-	-	-	(8,000)
Unrealized Loss on Investment	-	-	-	-	-	6,429	-	-	-	-	6,429
Total Other Financing Sources (Uses)	-	-	(8,000)	-	-	6,429	-	-	-	-	(1,571)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(18,626)	201	(14,643)	(6,483)	2	5,827	2	1,100	(72)	-	(32,693)
Fund Balance- beginning	18,627	1,071	57,962	23,097	1,378	105,420	1,591	(1,100)	1,591	-	208,045
Fund Balance- ending	\$ 1	\$ 1,272	\$ 43,319	\$ 16,614	\$ 1,381	\$ 111,247	\$ -	\$ -	\$ 1,518	\$ -	\$ 175,352

Town of Durham, Connecticut
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance, Continued
 For the Year Ended June 30, 2010

	Capital Projects Funds					Permanent			Total Nonmajor Governmental Funds
	Waterline Extension	Main Street Tie-In	Total Capital Projects Funds	Library Trust	Town Trust	Mary Weber	Total Permanent		
REVENUES									
Intergovernmental	\$ 35,892	\$ 56,000	\$ 91,892	\$ -	\$ -	\$ -	\$ -	\$ 117,439	
Licenses and Permits	-	-	-	-	-	-	-	259,732	
Investment Earnings	-	-	-	85	-	40	125	5,667	
Fees and Fines	-	-	-	-	-	-	-	5,264	
Miscellaneous	-	-	-	-	-	-	-	15,278	
Total Revenues	35,892	56,000	91,892	85	-	40	125	403,380	
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	-	288,057	
Health and Sanitation	19,556	-	19,556	-	-	-	-	25,057	
Library	-	-	-	-	-	-	-	48,928	
Total Expenditures	19,556	-	19,556	-	-	-	-	362,042	
Excess of Revenues Over (Under) Expenditures	16,337	56,000	72,337	85	-	40	125	41,338	
Other Financing Sources (Uses):									
Operating Transfers Out	-	(3,597)	(3,597)	-	-	-	-	(11,597)	
Unrealized Loss on Investment	-	-	-	-	-	-	-	6,429	
Total Other Financing Sources (Uses)	-	(3,597)	(3,597)	-	-	-	-	(5,168)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	16,337	52,403	68,740	85	-	40	125	36,170	
Fund Balance- beginning	(22,772)	(52,403)	(75,175)	14,207	4,196	21,611	40,014	172,886	
Fund Balance- ending	\$ (6,435)	\$ -	\$ (6,435)	\$ 14,292	\$ 4,196	\$ 21,651	\$ 40,138	\$ 209,056	

Town of Durham, Connecticut
Special Revenue Fund-Reserve for Capital and Nonrecurring Expenditures
Schedule of Changes in Fund Balance
For the Year Ended June 30, 2010

	Fund Balance June 30, 2009	Addition		Transfer In From Other Funds	Interest and Other Income	Expenditures and Transfers Out	Fund Balance June 30, 2010
		Appropriations From Other					
RESERVED							
Ambulance	\$ 132,065	\$ -	\$ -	-	\$ -	-	\$ 132,065
Animal Control Vehicle	6,000	-	-	-	-	-	6,000
Building Maintenance	36,705	-	-	-	100,000	(55,000)	81,705
Cemetery Stone Repairs	11,100	200	-	-	-	-	11,300
Community/Senior Center	310,000	-	-	-	(283,000)	-	27,000
Conservation/Open Space	20,367	200	-	-	(15,967)	-	4,600
Computers/Servers	-	-	3,500	-	-	-	3,500
Planning & Zoning - POCD	-	-	10,000	-	-	-	10,000
Election Machines	24,492	-	-	-	(24,492)	-	-
Emergency Management	14,500	-	-	-	-	-	14,500
Emergency Services Facility	118,600	-	-	-	-	(95,000)	23,600
Fire Department Storage Building	17,600	-	-	-	-	-	17,600
Fire Department - Scott Air Packs	-	-	-	-	-	-	-
Fire Equipment	812,180	8,730	-	-	183,000	-	1,003,910
Fire Pond Reserve	25,000	-	5,000	-	-	-	30,000
Fire Trustees - Building Maintenance	44,539	-	-	-	-	-	44,539
Radios & Pagers	-	-	10,850	-	-	-	10,850
Highway Projects	-	-	-	-	-	-	-
Highway Equipment	-	-	32,000	-	-	(19,621)	12,379
Library Oil Tank	24,225	-	-	-	-	(18,400)	5,825
Revaluation	118,875	-	35,000	-	-	(47,943)	105,932
Skating Pond Grant	-	25,818	-	-	-	(4,744)	21,074
Senior Van	2,700	-	-	-	-	-	2,700
Tercentennial	-	4,087	-	-	-	-	4,087
Old Indian Trail Tank	-	-	5,000	-	-	-	5,000
Town Green Repair	-	-	-	-	-	-	-
Total Reserved Fund Balance	1,718,948	39,035	101,350	(40,459)	(240,708)		1,578,166
Unreserved and Undesignated	(81,675)	(39,035)	-	50,319	-		(70,391)
Total Fund Balance	\$ 1,637,273	\$ -	\$ 101,350	\$ 9,860	\$ (240,708)		\$ 1,507,775

**Town of Durham, Connecticut
Fiduciary Funds
Combining Statement of Net Assets
Pension Trust Funds
June 30, 2010**

	Defined Benefit Pension Plan	Money Accumulation Plan	Total
ASSETS			
Investments	\$ 244,996	\$ 1,125,103	\$ 1,370,099
Other Assets	76,699	3,275	79,974
Total Assets	\$ 321,695	\$ 1,128,378	\$ 1,450,073
 NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	\$ 321,695	\$ 1,128,378	\$ 1,450,073
Total Net Assets	\$ 321,695	\$ 1,128,378	\$ 1,450,073

Town of Durham, Connecticut
Fiduciary Funds
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
June 30, 2010

	Defined Benefit Pension Plan	Money Accumulation Plan	Total
ADDITIONS			
Contributions:			
Employer	\$ 42,822	\$ 93,619	\$ 136,441
Plan Memebers	11,583	24,512	36,095
Total Contributions	<u>54,405</u>	<u>118,131</u>	<u>172,536</u>
Investment Loss	<u>20,449</u>	<u>106,539</u>	<u>\$ 126,988</u>
Total Additions	<u>74,854</u>	<u>224,670</u>	<u>299,524</u>
DEDUCTIONS			
Benefits	<u>56,226</u>	<u>9,266</u>	<u>65,492</u>
Total Deductions	<u>56,226</u>	<u>9,266</u>	<u>65,492</u>
Net Decrease	18,628	215,404	234,032
Net Assets Held in Trust for Pension Benefits, June 30, 2009	<u>303,067</u>	<u>912,974</u>	<u>1,216,041</u>
Net Assets Held in Trust for Pension Benefits, June 30, 2010	<u>\$ 321,695</u>	<u>\$ 1,128,378</u>	<u>\$ 1,450,073</u>

**Town of Durham, Connecticut
Agency Fund
Balance Sheet
June 30, 2010**

	Performance Bond Fund	Total
ASSETS		
Cash and Cash Equivalents	\$ 293,645	\$ 293,645
Total Assets	<u>\$ 293,645</u>	<u>\$ 293,645</u>
LIABILITIES		
Due to Others	\$ 293,645	\$ 293,645
Total Liabilities	<u>\$ 293,645</u>	<u>\$ 293,645</u>

Town of Durham, Connecticut
Statement of Debt Limitation
June 30, 2010

Total Current Year Tax collections, Including Interest and Lien Fees	\$ 19,955,647
Reimbursement for Revenue Loss On: Tax Relief for the Elderly	<u>-</u>
Tax Base	<u>\$ 19,955,647</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	\$ 44,900,206	\$ -	\$ -	\$ -	\$ -
4-1/2 Times Base	-	89,800,412	-	-	-
3-3/4 Times Base	-	-	74,833,676	-	-
3-1/4 Times Base	-	-	-	64,855,853	-
3 Times Base	-	-	-	-	59,866,941
Total Debt Limitation	<u>44,900,206</u>	<u>89,800,412</u>	<u>74,833,676</u>	<u>64,855,853</u>	<u>59,866,941</u>
Indebtedness:					
Town Share of Regional School District Number 13 Bonded Indebtedness	<u>-</u>	<u>9,872,256</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Indebtedness	<u>-</u>	<u>9,872,256</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 44,900,206</u>	<u>\$ 79,928,156</u>	<u>\$ 74,833,676</u>	<u>\$ 64,855,853</u>	<u>\$ 59,866,941</u>

Total Capacity for Borrowing (7 Times Base)	\$ 139,689,529
Total Present Indebtedness	<u>(12,020,893)</u>
Margin for Additional Borrowing	<u>\$ 127,668,636</u>