TOWN OF DURHAM, CONNECTICUT
FINANCIAL REPORT
JUNE 30, 2014

TOWN OF DURHAM, CONNECTICUT
FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 10, the budgetary comparison information on pages 50 to 55, the schedule of changes in the town's net pension liability and related ratios on page 56, the schedule of employer contributions on page 57, the schedule of investment returns on page 58 and the schedules of funding progress and employer contributions - other post-employment benefits on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of changes in fund balance – reserve fund for capital and nonrecurring expenditures, schedule of property taxes levied, collected and outstanding, schedule of debt limitation and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
November 25, 2014

TOWN OF DURHAM, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

This discussion and analysis of the Town of Durham, Connecticut's (the "Town") financial performance is provided by management as an overview of the Town's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- On a government-wide basis, the assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $45,461,643. Of this amount, $4,599,214 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- On a government-wide basis, the Town's total net position increased by $647,971 or 1.45%.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,271,959, an increase of $832,983 in comparison with the prior year. Approximately 54% of this amount ($2,308,053) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, assigned fund balance for the General Fund was $237,489 which was for carryover to the subsequent budget year. Unassigned fund balance for the General Fund was $2,322,402, or approximately 7.9% of total general fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the Town of Durham's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information intended to furnish additional details to support the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* - Most of the Town's basic services are reported here, including general government, highway, public safety, health and welfare, library, recreation, environmental services and education. Property taxes, charges for services and state and federal grants finance most of these activities.

- *Business-type activities* - In 2003, the Town purchased a water company. The Town charges fees to customers which are expected to cover all of the costs associated with the services that the Town provides to the respective customers. The Town's water company is reported here.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter or State law. However, the Board of Finance and/or the Treasurer have established other funds to help the Town control and manage financial activities for particular purposes or to show that the Town is meeting legal responsibilities for using certain grants and other money. The Town's fund is divided into three categories; governmental, proprietary and fiduciary.

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

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

The Town maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Reserve Fund for Capital and Nonrecurring Expenditures and State and Federal Grants which are considered to be major funds. Data from eleven other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements on pages 60-63.

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

The basic governmental fund financial statements can be found on pages 13-16 of this report.

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

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Financial Statements - The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's progress in funding its obligation to provide pension and Other Post Employment Benefits (OPEB) to its employees. Required supplementary information can be found on pages 56-59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and other schedules are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and other schedules can be found on pages 60-63 of this report.

Government-wide Financial Analysis

The table below provides a summary of the Town's net position for 2013 and 2014.

Town of Durham's Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	$ 5,428,490	$ 4,386,645	$ 19,147	$ 21,518	$ 5,447,637	$ 4,408,163
Capital assets	39,411,295	39,637,237	1,419,606	1,437,853	40,830,901	41,075,090
Total assets	44,839,785	44,023,882	1,438,753	1,459,371	46,278,538	45,483,253
Liabilities						
Current liabilities	263,331	270,627	434	8,267	263,765	278,894
Long-term liabilities:						
Due within one year	62,713	59,371	-	-	62,713	59,371
Due in more than one year	234,277	282,562	-	-	234,277	282,562
Total liabilities	560,321	612,560	434	8,267	560,755	620,827
Deferred Inflows of Resources						
Unavailable revenue	256,140	48,754	-	-	256,140	48,754
Net Position						
Net investment in capital assets	39,348,582	39,515,153	1,419,606	1,437,853	40,768,188	40,953,006
Restricted	31,528	31,528	-	-	31,528	31,528
Unrestricted	4,643,214	3,815,887	18,713	13,251	4,661,927	3,829,138
Total net position	$ 44,023,324	$ 43,362,568	$ 1,438,319	$ 1,451,104	$ 45,461,643	$ 44,813,672

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, the Town's assets exceeded liabilities and deferred inflows of resources by $45,461,643. At year-end, net position was $44,023,324 and $1,438,319 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 position. At year-end, capital assets represented 87.9% of total assets for governmental activities. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure.

The table below shows the change in net position between fiscal 2013 and 2014.

Town of Durham's Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2014	2013	Change	2014	2013	Change
Revenues:						
Program Revenues:						
Charges for services	$ 348,697	$ 392,105	($ 43,408)	$ 56,167	$ 54,579	$ 1,588
Operating grants and contributions	4,328,717	4,330,402	(1,685)	-	-	-
Capital grants and contributions	483,786	184,532	299,254	-	-	-
General revenues:						
Property taxes	24,308,039	23,838,900	469,139	-	-	-
Grants and contributions not restricted to specific purposes	323,352	271,284	52,068	-	-	-
Unrestricted investment earnings	31,885	21,006	10,879	1	8	(7)
Total revenues	29,824,476	29,038,229	786,247	56,168	54,587	1,581
Program expenses:						
General government	2,509,112	2,417,878	91,234	-	-	-
Public safety	647,093	601,135	45,958	-	-	-
Public works	2,069,287	1,966,269	103,018	-	-	-
Health and welfare	138,403	131,310	7,093	-	-	-
Recreation	191,272	184,713	6,559	-	-	-
Education	22,614,033	22,547,560	66,473	-	-	-
Library	574,834	574,459	375	-	-	-
Environmental services	335,730	320,131	15,599	-	-	-
Capital outlay	83,956	79,954	4,002	-	-	-
Water services and operations	-	-	-	68,953	72,965	(4,012)
Total program expenses	29,163,720	28,823,409	340,311	68,953	72,965	(4,012)
Change in net position	$ 660,756	$ 214,820	$ 445,936	($ 12,785)	($ 18,378)	$ 5,593

Governmental Activities

Governmental activities increased in 2014. The main reasons for the increase in net position of the Town is the increase in tax collections for the year and an increase in capital grants for road projects.

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

	Year Ended June 30, 2014		Year Ended June 30, 2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Education	$ 22,614,033	$ 18,623,533	$ 22,547,560	$ 18,560,817
General government	2,509,112	2,236,481	2,417,878	2,096,490
Public works	2,069,287	1,360,915	1,966,269	1,554,273
Public safety	647,093	604,952	601,135	547,897
Library	574,834	523,387	574,459	533,431
All others	749,361	653,252	716,108	623,462
	$ 29,163,720	$ 24,002,520	$ 28,823,409	$ 23,916,370

Business-type Activities

In June, 2003, the Town acquired a water company at a cost of $554,605, including related fees. During the year ended June 30, 2014, the water company reported program revenues of $56,167, interest income of $1, and expenses of $68,953. This program ended fiscal 2014 with an operating loss of $12,786. The operating loss is due to depreciation expenses applied to the water company's capital assets for the year.

Financial Analysis of Governmental Funds

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Durham Town Meeting.

As June 30, 2014, the Town's governmental funds reported combined fund balances of $4,271,959, an increase of $832,983 in comparison with the prior year. The most significant reasons for the increase were an increase in the amount of carryovers of major projects and an increase in reserve fund allocations. The total fund balance amount is broken down as follows: $34,028 is nonspendable, $249,129 is restricted by governmental grants or other legal restrictions, $1,415,524 is committed to various capital projects, $265,225 is assigned and $2,308,053 is unassigned.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was $2,562,391. Approximately 90.6% of this amount ($2,322,402) constitutes unassigned fund balance, which is available for spending at the town's discretion. The remainder of the fund balance is either nonspendable or assigned to indicate that it is 1) not in a spendable form ($2,500), or 2) assigned for a particular purpose ($237,489).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,322,402, while total fund balance increased to $2,562,391. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 7.9%, while total fund balance represents approximately 8.7%.

The fund balance of the Town's general fund increased by $492,607 during the current fiscal year. The increase was primarily due to ongoing capital projects that will be completed in the next fiscal year and an unanticipated state grant for municipal revenue sharing.

The reserve fund for capital and nonrecurring expenditures, a major fund, had a $321,064 increase in fund balance during the current fiscal year. This was due primarily to a $300,000 increase in the allocation to the reserve for public buildings.

The state and federal grants, a major fund, had a $5,513 increase in fund balance during the current fiscal year.

Proprietary Funds

Net position of the proprietary fund, the Town's enterprise fund, reflected a decrease of $12,785 attributable mainly to depreciation. The Town's proprietary fund is the Water Company.

General Fund budgetary highlights

Original budget compared to final budget

Additional appropriations to the general fund approved during the year totaled $704,018, including $499,840 in transfers in from reserve, and $204,178 in carryover from the prior fiscal year budget. There was a need to make an amendment to reallocate appropriations among departments. Generally, the movement of the appropriations was not significant.

Final budget compared to actual results

General property taxes - property tax revenue was $154,995 more than budgeted. This is due to the payment of taxes due from prior years. Intergovernmental revenues were $135,515 higher than budgeted primarily due to unanticipated revenue from the State's municipal revenue sharing program. Local revenues were $13,866 higher than budgeted, with no particular account standing out for this difference.

Most of the Town's departments maintained spending within the budgetary limits. Overall, expenditures were $401,255 under budget. Public works expenditures were under budget by $78,723 and capital project expenditures were under budget by $232,615. At a Town Meeting in September 2014 it was voted to re-appropriate $237,489 of the $401,255 for fiscal year 2014-2015, and to transfer an additional $40,200 to the reserve fund.

The Town's General Fund fund balance of $2,562,391 reported on page 13 differed from the General Fund's budgetary fund balance. The nature of the difference is primarily attributable to accrued payroll that is not recognized for budgetary purposes and the use of fund balance to subsidize the operating budget is not recognized for GAAP purposes.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2014, the Town had a net balance of $40,830,901 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, roads, bridges, and a water system. This represents a net decrease (including additions and deductions) of $244,189 or approximately .6% from the prior year. The decrease is due primarily to depreciation of capital assets. Additions during the year included public works vehicles and various road reconstructions. Disposals during the year included public works vehicles and equipment.

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 5,334,194	$ 5,300,100	$ -	$ -	$ 5,334,194	$ 5,300,100
Construction in progress	-	415,618	-	-	-	415,618
Buildings and improvements	3,472,645	3,502,065	-	-	3,472,645	3,502,065
Machinery, equipment and vehicles	1,751,262	1,250,403	-	-	1,751,262	1,250,403
Infrastructure	28,853,194	29,169,051	-	-	28,853,194	29,169,051
Water system	-	-	1,419,606	1,437,853	1,419,606	1,437,853
	$ 39,411,295	$ 39,637,237	$ 1,419,606	$ 1,437,853	$ 40,830,901	$ 41,075,090

Long-term debt

The Town had the following long-term obligations outstanding at June 30, 2014:

Governmental Activities

	2014	2013
Capital lease obligations	$ 62,713	$ 122,084
Compensated absences	181,882	174,392
Net pension obligation	12,055	12,220
Other post-employment benefits	40,340	33,237
	$ 296,990	$ 341,933

The capital lease is for public works dump trucks. Subsequent trucks are being paid from a reserve account put in place specifically for this purpose. The Town should no longer need to lease.

Economic Factors and Next Year's Budgets and Rates

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

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

The fiscal year 2015 budget of $29,785,778 has an increase of $530,294 or 8.3% on the Town side and an increase of $250,044 or 1.1% for Regional School District No. 13. The mill rate was increased from 32.66 to 33.22.

Requests for Information

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,306,576	$ 10,211	$ 4,316,787
Investments	141,543	-	141,543
Property taxes, interest and liens receivable, net	692,878	-	692,878
Other receivables	253,465	8,936	262,401
Prepaid expenses	2,500	-	2,500
Permanently restricted cash	31,528	-	31,528
Capital assets:			
Capital assets, not being depreciated	5,334,194	-	5,334,194
Capital assets	51,855,014	1,620,324	53,475,338
Less: Accumulated depreciation	(17,777,913)	(200,718)	(17,978,631)
Total capital assets	39,411,295	1,419,606	40,830,901
Total assets	44,839,785	1,438,753	46,278,538
LIABILITIES			
Accounts payable and accrued expenses	263,331	434	263,765
Long-term liabilities:			
Due within one year:			
Capital lease obligations	62,713	-	62,713
Due in more than one year:			
Net pension obligation	12,055	-	12,055
Other post-employment benefits	40,340	-	40,340
Compensated absences	181,882	-	181,882
Total liabilities	560,321	434	560,755
DEFERRED INFLOWS OF RESOURCES			
Advance collection of property taxes	256,140	-	256,140
Total deferred inflows of resources	256,140	-	256,140
NET POSITION			
Net investment in capital assets	39,348,582	1,419,606	40,768,188
Restricted for:			
Animal welfare:			
Nonexpendable	31,528	-	31,528
Unrestricted	4,643,214	18,713	4,661,927
Total net position	$ 44,023,324	$ 1,438,319	$ 45,461,643

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, 2014

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	$ 2,509,112	$ 232,139	$ 40,492	$ -	($ 2,236,481)	$ -	($ 2,236,481)
Public safety	647,093	23,913	16,238	1,990	(604,952)	-	(604,952)
Public works	2,069,287	-	226,576	481,796	(1,360,915)	-	(1,360,915)
Health and welfare	138,403	18,550	100	-	(119,753)	-	(119,753)
Culture and recreation	191,272	57,171	20,288	-	(113,813)	-	(113,813)
Education	22,614,033	-	3,990,500	-	(18,623,533)	-	(18,623,533)
Library	574,834	16,924	34,523	-	(523,387)	-	(523,387)
Environmental services	335,730	-	-	-	(335,730)	-	(335,730)
Capital outlay	83,956	-	-	-	(83,956)	-	(83,956)
Total Governmental Activities	29,163,720	348,697	4,328,717	483,786	(24,002,520)	-	(24,002,520)
Business-Type Activities							
Water	68,953	56,167	-	-	-	(12,786)	(12,786)
Total Business-Type Activities	68,953	56,167	-	-	-	(12,786)	(12,786)
Total Primary Government	$ 29,232,673	$ 404,864	$ 4,328,717	$ 483,786	(24,002,520)	(12,786)	(24,015,306)
	General revenues:						
	Property taxes, levied for general purposes				24,308,039	-	24,308,039
	Grants and contributions not restricted to specific programs				323,352	-	323,352
	Unrestricted investment earnings				31,885	1	31,886
	Total general revenues				24,663,276	1	24,663,277
	Change in net position				660,756	(12,785)	647,971
	Net position, beginning				43,362,568	1,451,104	44,813,672
	Net position, ending				$ 44,023,324	$ 1,438,319	$ 45,461,643

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

TOWN OF DURHAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	State and Federal Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,774,309	$ 1,408,470	$ -	$ 155,325	$ 4,338,104
Investments	-	-	-	141,543	141,543
Property taxes, interest and liens receivable, net of allowance for doubtful accounts of $10,000	692,878	-	-	-	692,878
Due from other funds	199,195	-	-	4,196	203,391
Other receivables	45,387	-	207,856	222	253,465
Prepaid expenses	2,500	-	-	-	2,500
Total assets	$ 3,714,269	$ 1,408,470	$ 207,856	$ 301,286	$ 5,631,881
LIABILITIES					
Accounts payable	$ 208,350	$ -	$ 8,849	$ -	$ 217,199
Due to other funds	4,196	1,200	190,432	7,563	203,391
Accrued expenses	44,528	-	-	-	44,528
Other payables	1,604	-	-	-	1,604
Total liabilities	258,678	1,200	199,281	7,563	466,722
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	637,060	-	-	-	637,060
Advance collection of property taxes	256,140	-	-	-	256,140
Total deferred inflows of resources	893,200	-	-	-	893,200
FUND BALANCE (DEFICITS):					
Nonspendable	2,500	-	-	31,528	34,028
Restricted	-	-	8,575	240,554	249,129
Committed	-	1,415,524	-	-	1,415,524
Assigned	237,489	-	-	27,736	265,225
Unassigned	2,322,402	(8,254)	-	(6,095)	2,308,053
Total fund balances (deficits)	2,562,391	1,407,270	8,575	293,723	4,271,959
Total liabilities, deferred inflows of resources, and fund balances	$ 3,714,269	$ 1,408,470	$ 207,856	$ 301,286	$ 5,631,881

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 GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance - governmental funds	$	4,271,959
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		39,411,295
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Property taxes, interest and liens		637,060
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.		
Capital lease obligations	(	62,713)
Net pension obligation	(	12,055)
Other post-employment benefit liability	(	40,340)
Compensated absences	(	181,882)
Net position of governmental activities	$	44,023,324

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, 2014

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	State and Federal Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 24,299,267	$ -	$ -	$ -	$ 24,299,267
Fees and fines	379,020	-	-	-	379,020
Licenses and permits	-	-	-	2,868	2,868
Intergovernmental	4,644,133	-	437,891	18,363	5,100,387
Investment earnings	11,582	1,918	-	18,385	31,885
Miscellaneous	-	600	-	16,706	17,306
Total revenues	29,334,002	2,518	437,891	56,322	29,830,733
EXPENDITURES					
Current:					
General government	2,428,807	-	-	3,245	2,432,052
Public safety	480,858	-	-	-	480,858
Public works	1,322,213	-	423,244	-	1,745,457
Health and welfare	138,002	-	401	-	138,403
Culture and recreation	183,132	-	3,395	-	186,527
Education	22,605,364	-	-	8,669	22,614,033
Library	473,528	-	3,348	30,609	507,485
Environmental services	335,730	-	-	-	335,730
Capital Outlay	555,215	-	1,990	-	557,205
Total expenditures	28,522,849	-	432,378	42,523	28,997,750
Excess (deficiency) of revenues over expenditures	811,153	2,518	5,513	13,799	832,983
OTHER FINANCING SOURCES (USES)					
Transfers in	475,654	794,200	-	-	1,269,854
Transfers out	(794,200)	(475,654)	-	-	(1,269,854)
Total other financing sources (uses)	(318,546)	318,546	-	-	-
Net change in fund balances	492,607	321,064	5,513	13,799	832,983
Fund balances, beginning	2,069,784	1,086,206	3,062	279,924	3,438,976
Fund balances, ending	$ 2,562,391	$ 1,407,270	$ 8,575	$ 293,723	$ 4,271,959

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

TOWN OF DURHAM, CONNECTICUT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds:	$	832,983
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		894,054
Depreciation expense	(	1,107,187)
Loss on disposal of capital assets	(	12,809)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property tax, interest and liens - accrual basis change		8,772
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Principal payments on capital lease obligations		59,371
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in net pension obligation		165
Change in other postemployment benefits	(	7,103)
Change in compensated absences	(	7,490)
Change in net position of governmental activities	$	660,756

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise Fund Water Company
ASSETS	
Current assets:	
Cash and cash equivalents	$ 10,211
Accounts receivable, net	8,936
Total current assets	19,147
Capital assets:	
Utility system	1,620,324
Less: Accumulated deprecation	(200,718)
Total capital assets, net	1,419,606
Total assets	$ 1,438,753
LIABILITIES	
Current liabilities:	
Accounts payable	$ 434
Total current liabilities	434
NET POSITION	
Net investment in capital assets	1,419,606
Unrestricted	18,713
Total net position	1,438,319
Total liabilities and net position	$ 1,438,753

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 NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund
	Water Company
OPERATING REVENUES	
Charges for services	$ 56,167
Total operating revenues	56,167
OPERATING EXPENSES	
Utilities	7,338
Repairs and maintenance	6,219
Other supplies and expenses	37,149
Depreciation	18,247
Total operating expenses	68,953
Operating loss	(12,786)
NONOPERATING REVENUES	
Interest	1
Total nonoperating revenue	1
Change in net position	(12,785)
Net position, beginning	1,451,104
Net position, ending	$ 1,438,319

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund Water Company
Cash Flows from Operating Activities	
Receipts from customers and users	$ 55,524
Payments to suppliers	(58,539)
Net cash used by operating activities	(3,015)
Cash Flows from Investing Activities	
Interest	1
Net change in cash and cash equivalents	(3,014)
Cash and cash equivalents, beginning	13,225
Cash and cash equivalents, ending	$ 10,211
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	($ 12,786)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	18,247
Increase in accounts receivable	(643)
Decrease in accounts payable	(7,833)
Total adjustments	9,771
Net cash used by operating activities	($ 3,015)

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 183,398	$ 209,355
Accrued interest receivable	3,534	-
Other receivables	-	6,475
Investments	2,007,260	-
Total assets	2,194,192	$ 215,830
LIABILITIES		
Amounts held for others	-	$ 215,830
NET POSITION RESTRICTED FOR PENSIONS	$ 2,194,192	

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 153,294
Plan members	71,035
Total contributions	224,329
Net investment earnings	271,098
Total additions	495,427
DEDUCTIONS	
Benefits	161,572
Total deductions	161,572
Change in net position	333,855
Net position restricted for pensions, beginning	1,860,337
Net position restricted for pensions, ending	$ 2,194,192

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

The Town is a member of Regional School District No. 13 with the Town of Middlefield. The District provides educational services and facilities for children of the two towns from grades K through 12. The District's board, which is elected on a proportional basis by residents of the participating towns, controls the operation of the District.

The financial reporting entity consist of 1) the primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by the Governmental Accounting Standards Board (GASB).

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government. The following related organizations, to which the Town appropriates funds annually, do not meet the above criteria and are not included in the reporting entity:

> Durham Volunteer Fire Company and Durham Volunteer Ambulance Corps Inc. have separate elected boards and provide services to residents, generally within the geographic boundaries of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise influence or control over the daily operations or approve budgets.

B. Basis of Presentation

The financial statements of the Town of have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies used by the Town:

Government-wide Financial Statements

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

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) interest earned on grants that is required to be used to support a particular program. Property taxes and other items not properly included among program revenues are reported instead as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

State and Federal Grants is a special revenue fund and accounts for federal, state and local grants awarded to the Town

The government reports the following major enterprise fund:

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

Additionally, the Town reports the following fund types:

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

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

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

During the course of operations the Town may have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. Certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

C. Measurement Focus and Basis of Accounting

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

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary fund reporting focuses on net position and changes in net position. 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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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, 2014, 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.

Investments

Investments for the Town are reported at fair value, generally based on quoted market prices.

Property Taxes and Other Receivables

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

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes, which are deemed to be uncollectible. Accordingly, an allowance for uncollectible property taxes has been established. As of June 30, 2014, the allowance for uncollectible property taxes is $10,000.

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Prepaid Expenses

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

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.

Capital assets are defined by the Town as assets with an initial individual cost of more than $5,000 with an estimated useful life in excess of one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance collection of property taxes in the government-wide statement of net position and in the governmental funds balance sheet. Also, for the governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, 2014 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.

Long-Term Obligations

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

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

Net Position/Fund Balance

Government-wide Statements

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

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment if capital assets or the restricted components of net position.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Financial Statements

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

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - represents amounts that are constrained for a specific purpose by either (a) external parties, such as grantors, creditors, contributors, or laws and regulation of their governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Town Meeting is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - for all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, includes amounts constrained for the intent to be used for a specific purpose by the Board of Finance.

Unassigned Fund Balance - represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Fund Balance Flow Assumptions - Sometimes the government will fund outlays for a particular purpose form both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Town does not have a minimum fund balance policy.

E. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenses and expenditures. Actual results could differ from those estimates.

F. Subsequent Events

Management has evaluated subsequent events through November 25, 2014, the date the financial statements were available to be issued.

2. Stewardship, Compliance and Accountability

Budgetary Information

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.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

Appropriations for capital projects do not lapse until completion of the applicable projects. All General Fund unexpended appropriations lapse at year end.

The Town does not have legally adopted annual budgets for its special revenue funds because budgetary control is alternatively achieved by constraints imposed by the project authorization and grant awards related to these funds. The Town does not have legally adopted budgets for its enterprise or fiduciary funds.

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

Application of Accounting Standards

For the year ended June 30, 2014, the Town implemented:

> GASB Statement 67, *Financial Reporting for Pension Plans* and GASB Statement No. 50, *Pension Disclosures* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans.

In the subsequent year, the Town will be required to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* which will substantially change the reporting for pension liabilities and expenses. Changes in the pension liability will be immediately recognized as pension expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Current actuarial methods may continue to be used to determine funding amounts. Employers will report in their financial statements a net pension liability (asset) determined annually as of the fiscal year end. Net pension liability (asset) equals the total pension liability for the plan net of the plan's net position. Pension liability is the actuarial present value of projected benefits attributed to past service, and plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.

3. Cash, Cash Equivalents and Investments

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, 2014 was $4,841,620.

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	$ 3,261,337
Cash equivalents:	
State Short-Term Investment Fund (STIF)	1,408,470
ISA Bank of America	58,931
BIF Money Fund	74,436
Bank of America Government Reserves	38,446
Total cash and cash equivalents	$ 4,841,620
Book balances	
Governmental funds	$ 4,338,104
Enterprise funds	10,211
Pension trust fund	183,398
Agency fund	209,355
Total cash and cash equivalents	$ 4,741,068

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, 2014 bank balance, $525,984 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.

Investments

The Connecticut General Statutes permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interest in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market or mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations.

The Mary J. Camp and Pension Trust Funds are also authorized to invest in corporate bonds, common stocks and mutual funds.

As of June 30, 2014, the Town's investments consisted of the following:

Mary J. Camp Fund:		
Equity mutual funds	$	93,718
Fixed income mutual funds		12,654
Hedge fund mutual funds		19,102
REIT mutual fund		10,328
Tangible asset mutual funds		5,741
Total	$	141,543
Pension Trust Fund:		
U.S. Treasury notes	$	379,574
U.S. Agency obligations		22,831
Corporate bonds		222,671
Common stocks		1,382,184
Total	$	2,007,260

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury notes	$ 379,574	$ 39,043	$ 172,192	$ 168,339	$ -
U.S. Agency obligations	22,831	-	22,831	-	-
Corporate bonds	222,671	-	112,549	110,122	-
	625,076	$ 39,043	$ 307,572	$ 278,461	$ -
Common stocks **	1,382,184				
Mutual funds **	141,543				
	$ 2,148,803				

** Equity securities and mutual funds do not mature.

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

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

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2014, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

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

4. Interfund Transactions

Interfund Balances

Interfund balances consisted of the following at June 30, 2014, as reported in the fund financial statements:

	Due From Other Funds	Due to Other Funds
General Fund	$ 199,195	$ 4,196
Reserve Fund for Capital and Nonrecurring Expenditures	-	1,200
State and Federal Grants	-	190,432
Nonmajor Governmental Funds:		
Town Trust	4,196	-
Mary Weber	-	7,563
	$ 203,391	$ 203,391

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.

Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported in the fund financial statements:

	Transfers In	Transfers Out
General Fund	$ 475,654	$ 794,200
Reserve Fund for Capital and Nonrecurring Expenditures	794,200	475,654
Total	$ 1,269,854	$ 1,269,854

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.

5. Property Taxes and Other Receivables

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

	Property Taxes	Interest and Liens	Grants	Other	Allowance for Uncollectibles	Total
General Fund	$538,717	$164,161	$ -	$ 45,387	($ 10,000)	$738,265
Town Clerk Records Preservation	-	-	-	222	-	222
State and Federal Grants	-	-	207,856	-	-	207,856
Net total receivables	$538,717	$164,161	$207,856	$ 45,609	($ 10,000)	$946,343

6. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 5,300,100	$ 34,094	$ -	$ 5,334,194
Construction in progress	415,618	-	415,618	-
Total capital assets not being depreciated	5,715,718	34,094	415,618	5,334,194
Capital assets, being depreciated:				
Buildings and improvements	5,270,723	20,650	-	5,291,373
Machinery, equipment and vehicles	3,829,294	842,181	326,310	4,345,165
Land improvements	48,740	32,126	-	80,866
Infrastructure	41,756,989	380,621	-	42,137,610
Total capital assets, being depreciated	50,905,746	1,275,578	326,310	51,855,014
Total accumulated depreciation	16,984,227	1,107,187	313,501	17,777,913
Total capital assets, being depreciated, net	33,921,519	168,391	12,809	34,077,101
Total Government-Wide Capital Assets, net	$ 39,637,237	$ 202,485	$ 428,427	$ 39,411,295

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Business-Type Activities				
Capital assets, being depreciated:				
Water system	$ 1,620,324	$ -	$ -	$ 1,620,324
Total capital assets, being depreciated	1,620,324	-	-	1,620,324
Total accumulated depreciation	182,471	18,247	-	200,718
Total capital assets, being depreciated, net	1,437,853	(18,247)	-	1,419,606
Business-Type activities capital assets, net	$ 1,437,853	($ 18,247)	$ -	$ 1,419,606

Depreciation expense was charged to governmental activities - functions/programs as follows:

	Total
General government	$ 64,852
Highway	804,006
Library	67,348
Recreation	4,746
Public safety	166,235
Totals	$ 1,107,187

7. Long-Term Obligations

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

Governmental Activities	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Capital lease obligations	$ 122,084	$ -	$ 59,371	$ 62,713	$ 62,713
Net pension obligation	12,220	-	165	12,055	-
Other post-employment benefits	33,237	7,103	-	40,340	-
Compensated absences	174,392	7,490	-	181,882	-
Total Governmental	$ 341,933	$ 14,593	$ 59,536	$ 296,990	$ 62,713

The capital leases consist of equipment that has been capitalized in the amount of $310,149. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was $81,973, leaving a current book value of $228,176. A corresponding liability is recorded in the government-wide financial statements. Principal payments are made by the general fund.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

Fiscal year ended June 30, 2015	$ 66,256
Total minimum lease payments	66,256
Less, amount representing interest	(3,543)
Present vaue of minimum lease payments	$ 62,713

There are no authorized, unissued bonds at June 30, 2014.

Durham is a member of Regional School District No. 13, which provides education facilities for grades K through twelve for the towns of Durham and Middlefield. As of June 30, 2014, the outstanding bonded indebtedness of the District was $11,190,000 ($10,814,383 after anticipated State reimbursements) with Durham's share being 65.4% or $7,070,444. These are general obligations of Regional School District No. 13 and its member towns.

8. Fund Balance

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	State and Federal Grants	Non-major Governmental Funds	Total
Fund balances:					
Nonspendable	$ 2,500	$ -	$ -	$ 31,528	$ 34,028
Restricted for:					
General government	-	-	-	9,135	9,135
Animal control	-	-	-	30,019	30,019
Conservation	-	-	8,575	723	9,298
Natural resources	-	-	-	1,351	1,351
Education	-	-	-	141,543	141,543
Library	-	-	-	57,783	57,783
Committed to:					
Capital projects	-	1,415,524	-	-	1,415,524
Assigned to:					
General government	360	-	-	-	360
Highways	33,736	-	-	-	33,736
Public safety	14,279	-	-	-	14,279
Library	-	-	-	27,736	27,736
Capital projects	189,114	-	-	-	189,114
Unassigned	2,322,402	(8,254)	-	(6,095)	2,308,053
Total fund balances	$ 2,562,391	$ 1,407,270	$ 8,575	$ 293,723	$ 4,271,959

A fund balance deficit of $8,254 exists in the Reserve Fund for Capital and Nonrecurring Expenditures resulting from over commitment of funds. A fund balance deficit of $6,095 exists in the Mary Weber Fund resulting from over expenditure of restricted funds.

9. Retirement Plan for Employees of the Town of Durham

The Town administers a single-employer, contributory, defined benefit public employees retirement system (PERS) plan to provide pension benefits to substantially all Town employees. The PERS is considered to be a part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. A stand-alone plan report is not available for this plan.

Management of the plan rest with the Board of Selectmen.

Plan Description

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.

Benefits provided - 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 1.75% of average annual earnings multiplied by years of service prior to July 1, 2009 plus 2.00% of average annual earnings multiplied by years of service between July 1, 2009 and July 1, 2014 plus 2.25% of average annual earnings multiplied by years of service after July 1, 2014.

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

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

Contributions - 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.

At July 1, 2013, plan membership consisted of the following:

Active plan members	26
Inactive plan members entitled to but not yet receiving benefits	7
Inactive plan members or beneficiaries currently receiving benefits	12
	45

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. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

Administrative costs of the Plan are financed by the Town.

Investments

Investment policy - the pension plan’s policy in regard to the allocation of invested assets is established and amended by the Board of Selectmen. It is the policy of the Board of Selectmen to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The following was the Board's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation
U.S. large cap growth	16.00 %
U.S. large cap value	16.00
U.S. small cap growth	6.50
U.S. small cap value	6.50
International equity	15.00
Short term bond	13.20
Intermediate term bond	13.60
Long term bond	13.20
	100.00 %

Rate of return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

In accordance with GASB Statement No. 67, the components of the net pension liability of the Town at June 30, 2014, were as follows:

Total pension liability	$ 3,135,411
Plan fiduciary net position	2,194,192
Town's net pension liability	$ 941,219
Plan fiduciary net position as a percentage of the total pension liability	69.98 %

The Town's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

Actuarial assumptions - the total pension liability was determined by an actuarial valuation as of July 1, 2013 and increased by service cost and interest and decreased by benefit payments to estimate the total pension liability as of June 30, 2014. Actuarial assumptions were as follows:

Inflation	3.00%
Salary increases	4.50% per annum
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with no collar adjustment, separate tables for non-annuitants and annuitants, and projected to the valuation date with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. large cap growth	6.90 %
U.S. large cap value	6.20
U.S. small cap growth	8.50
U.S. small cap value	6.80
International equity	7.00
Short term bond	1.20
Intermediate term bond	2.30
Long term bond	2.60

Discount rate - the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town contributions will be made at rates equal to the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – the following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's net pension liability	$ 1,332,710	$ 941,219	$ 603,948

Annual Pension Cost and Net Pension Obligation

In accordance with GASB Statement No. 27, the annual pension cost and net pension obligation for the year ended June 30, 2014 were as follows:

Annual required contribution	$ 153,283
Interest in net pension obligation	917
Adjustment to annual required contribution	(1,071)
Annual pension cost	153,129
Contributions made	153,294
Change in net pension obligation	(165)
Net pension obligation, beginning of year	12,220
Net pension obligation, end of year	$ 12,055

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$ 138,991	$ 139,097	100.1 %	$ 12,325
6/30/2013	143,121	143,226	100.1	12,220
6/30/2014	153,129	153,294	100.1	12,055

10. Other Post-Employment Benefits (OPEB)

Plan Description

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

Benefit Provisions

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

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

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

Plan Membership

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

Active plan participants	26
Terminated vested participants	5
Participants in payment status	-
	31

Funding Policy

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

Eligible retirees age 55 with 25 years of service pay 90% of the premium; all others pay 100% The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Selectmen. For the year ended June 30, 2014, the Town of Durham contributed $0 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost and net OPEB obligation to the plan as of June 30, 2014 were as follows:

Annual required contribution (ARC)	$ 7,500
Interest on net OPEB obligation	1,662
Adjustment to ARC	(2,059)
Annual OPEB cost (AOC)	7,103
Contributions made	-
Change in net OPEB obligation	7,103
Net OPEB obligation, beginning of year	33,237
Net OPEB obligation, end of year	$ 40,340

Three-Year Trend Information

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	$ 7,073	$ -	0.0 %	$ 26,049
6/30/2013	7,888	-	0.0	33,237
6/30/2014	7,103	-	0.0	40,340

Funding Status and Funding Progress

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

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
7/1/2011	$ -	$ 50,000	$ 50,000	0.0 %	$ 1,285,500	3.9 %

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

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

Actuarial Methods and Assumptions

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

The actuarial assumptions included:

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

11. Contingent Liabilities

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

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

12. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. During the year ended June 30, 2014, deductibles paid by the Town were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

13. Joint Venture

The Town is a participant in the joint venture described below:

> Durham Middlefield Interlocal Agreement Advisory Board (DMIAAB) – The Town and the Town of Middlefield Town Meetings each appoint four members to the governing board of DMIAAB, which operates a shared refuse transfer station. The Town expended $324,975 for operations for the year ended June 30, 2014.

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Property Taxes	$ 24,144,272	$ 24,144,272	$ 24,299,267	$ 154,995
Local Revenues:				
Copy fees	500	500	1,177	677
Board of Selectmen	10,000	10,000	5,972	(4,028)
Regional Water Authority	727	727	738	11
Town clerk fees and receipts	51,000	51,000	47,445	(3,555)
Conveyance tax	50,000	50,000	58,998	8,998
LOCIP town clerk	3,000	3,000	3,351	351
CIRMA dividend	6,681	6,681	6,162	(519)
Trust funds	4,200	4,200	4,968	768
Interest on investments	2,500	2,500	452	(2,048)
Passport execution fee	9,000	9,000	8,425	(575)
Building and sanitation	66,980	66,980	84,623	17,643
Inland wetlands and watercourse	500	500	1,068	568
Zoning board of appeals	400	400	-	(400)
Planning and zoning	800	800	990	190
Conservation commission	5,400	5,400	4,865	(535)
Insurance reimbursements	17,445	17,445	16,297	(1,148)
Insurance claim payments	-	-	17,426	17,426
Highway department	500	500	655	155
State trooper reimbursement - RSD #13	2,000	2,000	3,122	1,122
Animal control officers - fines	1,500	1,500	751	(749)
ENS RSD #13 reimbursement	4,366	4,366	4,727	361
Valley shore tower reimbursement	2,700	2,700	2,700	-
Animal control officer - licenses	8,000	8,000	7,943	(57)
Fire Marshal	2,900	2,900	470	(2,430)
Library	10,000	10,000	16,924	6,924
Recreation	50,000	50,000	45,598	(4,402)
Recreation - summer	6,500	6,500	3,795	(2,705)
EDC expo	1,000	1,000	180	(820)
Farmer's market vendor fee	1,100	1,100	1,720	620
Durham cemetery co. receipts	-	-	3,275	3,275
Transfer in from Reserve Fund	-	499,840	475,654	(24,186)
Workforce Alliance grant	21,000	21,000	21,000	-
DEP fees	1,800	1,800	1,800	-
Knox Box reimbursement	500	500	-	(500)
State trooper - pistol permits	1,800	1,800	4,200	2,400
Senior board activity fee	815	815	28	(787)
Durham/Middlefield senior/disabled van	6,936	6,936	7,750	814
Cobra	-	-	957	957
NSF fees	-	-	50	50
Total Local Revenues	352,550	852,390	866,256	13,866

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
. . .Continued. . .

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Intergovernmental Revenues:				
Town aid roads	$ 223,263	$ 223,263	$ 223,217	($ 46)
Telecommunications personal property	24,625	24,625	20,938	(3,687)
Payment in lieu of taxes - state property	-	-	18,142	18,142
Local capital improvement program	77,213	77,213	54,676	(22,537)
Elderly and disabled tax relief	670	670	863	193
Educational cost sharing	4,005,147	4,005,147	3,990,500	(14,647)
State of Connecticut receipts	5,000	5,000	996	(4,004)
Mashantucket Pequot grant	-	-	21,968	21,968
Municipal revenue sharing	-	-	144,740	144,740
Town clerk - records restoration	4,000	4,000	4,000	-
FEMA grant	-	-	8	8
Hold Harmless Grant	72,599	72,599	74,252	1,653
Youth service bureau grant	16,891	16,891	18,937	2,046
Judicial Branch receipts	2,500	2,500	1,425	(1,075)
Homeowners tax relief	40,000	40,000	41,040	1,040
Veterans tax relief	13,000	13,000	13,618	618
Trooper DUI grant	19,275	19,275	13,613	(5,662)
Public safety grant	3,735	3,735	1,200	(2,535)
Boating safety grant	700	700	-	(700)
Total Intergovernmental Revenues	4,508,618	4,508,618	4,644,133	135,515
Budgeted Use of Fund Balance	-	204,178	-	(204,178)
Total Revenues	$ 29,005,440	$ 29,709,458	$ 29,809,656	$ 100,198

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
. . .Continued. . .

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Elected Officials and Boards				
Board of Finance	$ 29,150	$ 29,150	$ 27,856	$ 1,294
Board of Selectmen	35,607	37,107	36,889	218
First Selectman's salary	82,733	82,733	82,733	-
Selectmen's salary	7,936	7,936	7,936	-
Office of the First Selectmen	61,300	61,300	61,105	195
Board of Assessment Appeals	150	150	150	-
Office of the Tax Collector	11,326	11,326	11,157	169
Tax Collector's salary	61,039	61,039	61,039	-
Tax Collector's office staff salaries	26,032	26,032	26,031	1
Office of the Town Clerk	27,544	25,482	25,482	-
Town Clerk's salary	62,187	60,030	60,029	1
Town Clerk's office salaries	55,116	57,273	57,273	-
Town Treasurer's salary	10,204	10,204	10,204	-
Total Elected Officials and Board	470,324	469,762	467,884	1,878
Professional Services				
Assessor	19,400	16,287	16,286	1
Assessor's office salaries	76,877	76,877	76,877	-
Midstate Regional Planning Agency	8,703	8,703	4,888	3,815
Middlesex soil and water	1,698	1,698	1,698	-
Probate court	8,046	8,046	7,920	126
Town Counsel	30,000	20,279	20,279	-
Town engineering	35,000	74,032	74,031	1
Building and health department	8,320	8,320	7,056	1,264
Building and health department salaries	228,322	228,322	228,322	-
Finance department	5,619	5,619	5,562	57
Finance department salaries	116,550	116,550	116,550	-
Planning and zoning legal council	7,000	8,949	8,949	-
Information technology	50,534	50,534	50,359	175
Computer equipment	10,400	11,783	11,569	214
Total Professional Services	606,469	635,999	630,346	5,653
Other Town Commissions				
Inland wetlands	1,150	1,150	1,075	75
Zoning board of appeals	840	1,320	1,320	-
Planning and Zoning	55,650	37,755	37,173	582
Economic development	1,300	1,300	1,300	-
Conservation	8,020	10,520	6,085	4,435
Historic District Commission	540	540	319	221
Ethics Commission	50	50	48	2
Clean Energy Task Force	-	410	50	360
Agricultural Commission	550	550	-	550
Total Other Town Commissions	68,100	53,595	47,370	6,225

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
. . .Continued. . .

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
General Expenses				
Elections	$ 30,625	$ 20,534	$ 20,533	$ 1
Social Security	144,225	134,891	134,891	-
Unemployment compensation	11,070	12,794	12,793	1
Employee retirement plan	164,283	165,460	165,460	-
Insurance	94,427	114,462	114,462	-
Employee health benefits	540,459	577,679	577,679	-
Tree warden	22,575	22,575	20,075	2,500
Drug and alcohol test	1,090	1,090	1,023	67
Town hall expenses	42,510	37,144	36,181	963
Municipal heating fuel	42,997	42,997	42,416	581
Municipal custodial services	47,533	47,533	46,031	1,502
Facilities management	47,981	59,347	59,347	-
Total General Expenses	1,189,775	1,236,506	1,230,891	5,615
Public Works				
Street lights	47,000	47,000	45,368	1,632
Capital equipment	66,257	66,257	66,256	1
Highway department wages	452,447	426,256	426,255	1
Highway department seasonal wages	34,500	40,478	40,478	-
Highway department vehicle maintenance	64,000	64,282	64,282	-
Town garage maintenance	9,650	9,650	9,306	344
Public works department	64,050	64,050	63,934	116
Snow removal	145,000	175,027	175,027	-
Catch basin cleaning/repair	26,714	41,044	41,044	-
Vehicle fuel	68,122	77,036	77,036	-
Chip sealing	228,000	228,000	223,046	4,954
Highway sweeping	23,000	23,000	20,976	2,024
Highway projects	50,000	136,220	66,569	69,651
Total Public Works	1,278,740	1,398,300	1,319,577	78,723
Public Safety				
Emergency management	6,770	7,661	7,661	-
Animal control salaries	17,171	17,171	13,547	3,624
Animal control expenses	13,170	13,170	13,170	-
Public safety vehicle maintenance	15,000	15,000	10,954	4,046
Emergency Expenditures	25,000	25,000	16,923	8,077
Volunteer fire company	66,355	66,355	64,984	1,371
Fire company trustees	12,150	12,150	11,558	592
Volunteer ambulance company	33,199	33,199	28,946	4,253
Public safety data system	16,886	16,886	12,771	4,115
Town wide radio communications	30,016	30,016	22,887	7,129
Fire Marshal department	2,515	2,515	2,042	473
Fire Marshal wages	26,054	26,054	26,054	-
Valley Shore communications	79,693	79,693	79,258	435
Fire pond fund	5,000	5,000	3,750	1,250
Resident State Trooper department	36,904	33,260	33,259	1
Resident State Trooper contract	135,695	143,974	129,694	14,280
Resident State Trooper/Fair House	2,400	2,400	2,400	-
Burning permits	1,000	1,000	1,000	-
Total Public Safety	524,978	530,504	480,858	49,646

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
. . .Continued. . .

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Health and Welfare				
Human services salary	$ 34,840	$ 34,840	$ 34,840	$ -
Department of Human Services	17,019	17,490	17,490	-
Social services	600	600	221	379
Transportation	32,142	32,142	26,020	6,122
Youth services	42,121	44,167	44,167	-
Durham senior citizens board	17,030	17,030	15,264	1,766
Total Health and Welfare	143,752	146,269	138,002	8,267
Library				
Library	480,038	477,111	472,419	4,692
Recreation				
Recreation	190,607	190,607	183,766	6,841
Miscellaneous				
Tax refunds	32,876	41,731	41,731	-
Contingency	109,500	-	-	-
Farmers market	1,100	1,100	-	1,100
Total Miscellaneous	143,476	42,831	41,731	1,100
Reserve Funds				
Transfer to Reserve Fund	794,200	794,200	794,200	-
Total Reserve Funds	794,200	794,200	794,200	-
Capital Projects				
Capital improvements	169,292	792,680	560,065	232,615
Total Capital Projects	169,292	792,680	560,065	232,615
Environmental Services				
DMIAAB	324,975	324,975	324,975	-
Landfill water systems	4,350	4,350	4,350	-
Household hazardous waste	11,000	6,405	6,405	-
Total Environmental Services	340,325	335,730	335,730	-
Education	22,605,364	22,605,364	22,605,364	-
Total Expenditures	$ 29,005,440	$ 29,709,458	$ 29,308,203	$ 401,255
Excess of Revenues over Expenditures	$ -	$ -	$ 501,453	$ 501,453

TOWN OF DURHAM, CONNECTICUT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

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.

General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP Basis)	$ 29,809,656	$ 29,317,049
Accrued payroll is not budgeted. This amount represents the change in accrued payroll.	-	(8,846)
Budgetary Basis	$ 29,809,656	$ 29,308,203

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS
RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF DURHAM
LAST FISCAL YEAR

	2014
Total pension liability	
Service cost	$ 153,960
Interest	224,488
Benefit payments, including refunds of member contributions	(161,572)
Net change in total pension liability	216,876
Total pension liability - beginning	2,918,535
Total pension liability - ending (a)	$ 3,135,411
Plan fiduciary net position	
Contributions - employer	$ 153,294
Contributions - member	71,035
Net investment income	271,098
Benefit payments, including refunds of member contributions	(161,572)
Net change in plan fiduciary net position	333,855
Plan fiduciary net position - beginning	1,860,337
Plan fiduciary net position - ending (b)	$ 2,194,192
Town's net pension liability - ending (a) - (b)	$ 941,219
Plan fiduciary net position as a percentage of the total pension liability	69.98 %
Covered-employee payroll	$ 1,462,181
Net pension liability as a percentage of covered-employee payroll	64.37 %

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF DURHAM
LAST NINE FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarilly determined contribution	$ 153,283	$ 143,226	$ 139,097	$ 137,029	$ 134,793	$ 59,835	$ 29,811	$ 39,143	$ 42,998
Contribution in relation to the actuarilly determined contribution	153,294	143,226	139,097	137,029	134,793	33,877	46,256	51,994	51,994
Contribution deficiency (excess)	($ 11)	$ -	$ -	$ -	$ -	$ 25,958	($ 16,445)	($ 12,851)	($ 8,996)
Covered-employee payroll	$ 1,462,181	$ 1,269,554	$ 1,113,931	$ 1,167,831	$ 1,148,859	$ 1,133,455	$ 943,016	$ 845,579	$ 912,017
Contributions as a percentage of covered-employee payroll	10.48 %	11.28 %	12.49 %	11.73 %	11.73 %	2.99 %	4.91 %	6.15 %	5.70 %

Notes to Schedule

Valuation date: July 1, 2012
Measurement date: June 30, 2014
Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization period	Level percentage of salary, closed
Remaining amortization period	22 years
Asset valuation method	Expected asset value plus 20% of the difference between the expected value and the market value of assets
Inflation	3.00%
Salary increases	4.50% per annum
Investment rate of return	7.75%
Retirement age	Age 65 and 5 years of service
Mortality	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale AA

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF DURHAM
LAST FISCAL YEAR

	2014
Annual money weighted rate of return, net of investment expenses	14.79 %

TOWN OF DURHAM, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Employer Contributions	Annual Required Contributions	Percentage Contributed
2009	$ -	$ 6,200	0.00 %
2010	-	6,400	0.00
2011	-	6,600	0.00
2012	-	7,300	0.00
2013	-	7,500	0.00
2014	-	7,500	0.00

TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Special Revenue					
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation
ASSETS						
Cash and cash equivalents	$ 723	$ 58,416	$ 12,704	$ 1,384	$ -	$ 3,333
Due from other funds	-	-	-	-	-	-
Investments	-	-	-	-	141,543	-
Other receivables	-	-	-	-	-	222
Total assets	$ 723	$ 58,416	$ 12,704	$ 1,384	$ 141,543	$ 3,555
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balance (Deficit)						
Nonspendable	-	-	-	-	-	-
Restricted	723	30,680	12,704	1,384	141,543	3,555
Assigned	-	27,736	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	723	58,416	12,704	1,384	141,543	3,555
Total liabilities and fund balance (deficit)	$ 723	$ 58,416	$ 12,704	$ 1,384	$ 141,543	$ 3,555

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014
. . .Continued. . .

	Special Revenue			Permanent				
	Gemma	Carl Otte Natural Resources	Total Special Revenue	Library Trust	Town Trust	Mary Weber	Total Permanent	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	$ 30,019	$ 1,351	$ 107,930	$ 14,399	$ -	$ 32,996	$ 47,395	$ 155,325
Due from other funds	-	-	-	-	4,196	-	4,196	4,196
Investments	-	-	141,543	-	-	-	-	141,543
Other receivables	-	-	222	-	-	-	-	222
Total assets	$ 30,019	$ 1,351	$ 249,695	$ 14,399	$ 4,196	$ 32,996	$ 51,591	$ 301,286
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	7,563	7,563	7,563
Total liabilities	-	-	-	-	-	7,563	7,563	7,563
Fund Balance (Deficit)								
Nonspendable	-	-	-	-	-	31,528	31,528	31,528
Restricted	30,019	1,351	221,959	14,399	4,196	-	18,595	240,554
Assigned	-	-	27,736	-	-	-	-	27,736
Unassigned	-	-	-	-	-	(6,095)	(6,095)	(6,095)
Total fund balance (deficit)	30,019	1,351	249,695	14,399	4,196	25,433	44,028	293,723
Total liabilities and fund balance (deficit)	$ 30,019	$ 1,351	$ 249,695	$ 14,399	$ 4,196	$ 32,996	$ 51,591	$ 301,286

TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue					
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation
Revenues						
Intergovernmental	$ -	$ 18,363	$ -	$ -	$ -	$ -
Licenses and permits	100	-	-	-	-	2,768
Investment earnings	-	-	-	-	18,362	-
Miscellaneous	-	11,669	270	-	1,196	-
Total revenues	100	30,032	270	-	19,558	2,768
Expenditures						
Current:						
General government	-	-	-	-	-	3,245
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Education	-	-	-	-	8,669	-
Library	-	28,087	2,522	-	-	-
Capital Outlay	-	-	-	-	-	-
Total expenditures	-	28,087	2,522	-	8,669	3,245
Excess of revenues over (under) expenditures	100	1,945	(2,252)	-	10,889	(477)
Excess of revenues and other financing sources over (under) expenditures and other financing sources	100	1,945	(2,252)	-	10,889	(477)
Fund balance - beginning	623	56,471	14,956	1,384	130,654	4,032
Fund balance - ending	$ 723	$ 58,416	$ 12,704	$ 1,384	$ 141,543	$ 3,555

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014
. . .Continued. . .

	Special Revenue			Permanent				
	Gemma	Carl Otte Natural Resources	Total Special Revenue	Library Trust	Town Trust	Mary Weber	Total Permanent	Total Nonmajor Governmental Funds
Revenues								
Intergovernmental	$ -	$ -	$ 18,363	$ -	$ -	$ -	$ -	$ 18,363
Licenses and permits	-	-	2,868	-	-	-	-	2,868
Investment earnings	3	-	18,365	17	-	3	20	18,385
Miscellaneous	-	1,351	14,486	-	-	2,220	2,220	16,706
Total revenues	3	1,351	54,082	17	-	2,223	2,240	56,322
Expenditures								
Current:								
General government	-	-	3,245	-	-	-	-	3,245
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	8,669	-	-	-	-	8,669
Library	-	-	30,609	-	-	-	-	30,609
Capital Outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	42,523	-	-	-	-	42,523
Excess of revenues over (under) expenditures	3	1,351	11,559	17	-	2,223	2,240	13,799
Excess of revenues and other financing sources over (under) expenditures and other financing sources	3	1,351	11,559	17	-	2,223	2,240	13,799
Fund balance - beginning	30,016	-	238,136	14,382	4,196	23,210	41,788	279,924
Fund balance - ending	$ 30,019	$ 1,351	$ 249,695	$ 14,399	$ 4,196	$ 25,433	$ 44,028	$ 293,723

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2014

	Balance July 1, 2013	Additions	Disbursements	Balance June 30, 2014
Performance Bonds:				
ASSETS				
Cash and cash equivalents	$ 202,202	$ 8,787	$ 26,644	$ 209,355
Other receivables	-	6,475	-	6,475
Total Assets	$ 202,202	$ 15,262	$ 26,644	$ 215,830
LIABILITIES				
Due to Others	$ 202,202	$ 15,262	$ 26,644	$ 215,830
Total Liabilities	$ 202,202	$ 15,262	$ 26,644	$ 215,830

TOWN OF DURHAM, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Fund Balance July 1, 2013	Additional Appropriations From Other	Transfer In From Other Funds	Interest and Other Income	Expenditures and Transfers Out	Fund Balance June 30, 2014
Committed:						
Ambulance	$ 132,065	$ -	$ -	$ -	$ -	$ 132,065
Ambulance OSHA Gear	7,750	-	7,000	-	-	14,750
Ambulance AEDS	-	-	10,000	-	-	10,000
Animal control vehicle	6,000	-	-	-	-	6,000
Building Maintenance	-	-	60,600	-	(4,685)	55,915
Building Repair (unanticipated)	-	-	25,000	-	(5,000)	20,000
Buildings	-	-	300,000	-	-	300,000
Cemetery stone repairs	11,600	300	-	-	(4,850)	7,050
Conservation/open space	5,500	300	-	-	-	5,800
Conservation/barn maintenance	12,600	-	4,800	-	(9,000)	8,400
Conservation/Howd Road	600	-	600	-	-	1,200
Computers/servers	18,500	-	3,500	-	-	22,000
IT Equipment - Public Safety	-	-	1,800	-	-	1,800
Planning & Zoning - POCD	25,000	-	-	-	(12,500)	12,500
Emergency management	1,549	-	8,500	-	-	10,049
Emergency services facility	23,600	-	-	-	-	23,600
Fire equipment	534,933	-	105,000	-	(114,382)	525,551
Fire pond reserve	40,000	-	-	-	(32,126)	7,874
Fire trustees - building maintenance	5,361	-	-	-	(5,361)	-
OPEB GASB 45 Report	-	-	1,500	-	-	1,500
Radios and pagers	29,843	-	13,400	-	(43,225)	18
Highway equipment	100,000	-	126,000	-	(244,525)	(18,525)
Shelter - trailer	3,750	-	-	-	-	3,750
Library roof	48,000	-	5,000	-	-	53,000
Major Culvert Repair	-	-	100,000	-	-	100,000
Revaluation	73,527	-	21,000	-	-	94,527
Voting equipment	1,000	-	500	-	-	1,500
Senior van	2,700	-	-	-	-	2,700
Old Indian Trail tank	12,500	-	-	-	-	12,500
Total Committed Fund Balance	1,096,378	600	794,200	-	(475,654)	1,415,524
Unassigned Fund Balance	(10,172)	-	-	1,918	-	(8,254)
Total Fund Balance	$ 1,086,206	$ 600	$ 794,200	$ 1,918	($ 475,654)	$ 1,407,270

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2014

Current List Year	Uncollected Taxes July 1, 2013 and Current Levy	Lawful Corrections		Transfer to Suspense	Transfers To Deferred	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2014
		Additions	Deductions				Taxes	Interest	Lien and Other Fees	Total	
2012	$ 24,148,787	$ 64,041	($ 95,130)	($ 5,710)	($ 28,263)	$ 24,083,725	$ 23,761,663	$ 72,777	$ 312	$ 23,834,752	$ 322,062
2011	311,842	15,934	(7,986)	(5,778)	-	314,012	198,254	40,646	871	239,771	115,758
2010	141,532	15,163	(6,513)	(5,442)	-	144,740	80,001	34,721	314	115,036	64,739
2009	45,853	-	-	(3,164)	-	42,689	33,415	18,836	240	52,491	9,274
2008	22,603	-	-	(310)	-	22,293	18,893	12,516	168	31,577	3,400
2007	1,858	-	-	(194)	-	1,664	(108)	46	24	(38)	1,772
2006	6,372	-	-	-	-	6,372	23	25	24	72	6,349
2005	5,674	-	-	(140)	-	5,534	-	-	-	-	5,534
2004	7,613	-	-	-	-	7,613	-	-	-	-	7,613
2003	1,430	-	-	-	-	1,430	-	-	-	-	1,430
2002	786	-	-	-	-	786	-	-	-	-	786
2001	-	-	-	-	-	-	-	-	-	-	-
2000	-	170	-	(170)	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
	$ 24,694,350	$ 95,308	($ 109,629)	($ 20,908)	($ 28,263)	$ 24,630,858	$ 24,092,141	$ 179,567	$ 1,953	$ 24,273,661	$ 538,717

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2014

Total current year tax collections, including interest and lien fees	$ 24,273,661
Reimbursement for revenue loss on:	
Tax relief for the elderly	-
Tax Base	$ 24,273,661

The Connecticut General Statutes provide that the total authorized debt of the Town shall not exceed seven times the above cash receipts, or $169,915,627, nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2-1/4 times base	$ 54,615,737	$ -	$ -	$ -	$ -
4-1/2 times base	-	109,231,475	-	-	-
3-3/4 times base	-	-	91,026,229	-	-
3-1/4 times base	-	-	-	78,889,398	-
3 times base	-	-	-	-	72,820,983
Total Debt Limitation	$ 54,615,737	$ 109,231,475	$ 91,026,229	$ 78,889,398	$ 72,820,983
Indebtedness:					
Regional School District Number 13 bonds	$ -	$ 7,070,444	$ -	$ -	$ -
Total Indebtedness	$ -	$ 7,070,444	$ -	$ -	$ -
Debt Limitation in excess of Indebtedness	$ 54,615,737	$ 102,161,031	$ 91,026,229	$ 78,889,398	$ 72,820,983

Note:
The Town of Durham is a member of Regional School District #13 which provides education facilities for grades kindergarten through twelve for the Towns of Durham and Middlefield. As of June 30, 2014, based on the most current and available information, the net indebtedness of the District was $11,190,000. The State of Connecticut will be providing grants to offset the bonds. The Town of Durham's net share will be approximately 65.40%, or $7,070,444. These are the general obligations of Regional School District #13 and its member towns.

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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
November 25, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

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

Report on Compliance for Each Major State Program

We have audited the Town of Durham, Connecticut's (the Town) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2014. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Town's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Durham, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable to any other purpose.

Seward and Monde

North Haven, Connecticut
November 25, 2014

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management:		
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018	$ 41,040
Property tax relief for veterans	11000-OPM20600-17024	13,618
Property tax relief for disabled homeowners	11000-OPM20600-17011	863
Local capital improvement program	12050-OPM20600-40254	54,676
Payment in lieu of taxes on state-owned property	11000-OPM20600-17004	18,142
Municipal purposes and projects	12052-OPM20600-43587	144,740
Department of Transportation:		
Town aid road grants transportation fund	13033-DOT57131-43459	223,217
Department of Environmental Protection:		
Small town economic assistance program	12052-DEP43740-40531	60,050
Department of Public Health:		
Childrens Health Initiative	11000-DPH48766-12126	2,500
Connecticut State Library:		
Historic documents preservation grants	12060-CSL66094-35150	4,000
State grants to public libraries	11000-CSL66051-17003	1,210
Connecticard payments	11000-CSL66051-17010	17,153
Judicial Branch:		
Parking fines	34001-JUD95162-40001	1,385
Department of Education:		
Youth service bureau	11000-SDE64370-17052	14,000
Youth service bureau enhancement	11000-SDE64370-16201	4,937
Total State Financial Assistance Before Exempt Programs		601,531
EXEMPT PROGRAMS		
Office of Policy and Management:		
Municipal revenue sharing	12060-OPM20600-35458	74,252
Municipal video competition	12060-OPM20600-35362	60
Mashantucket Pequot and Mohegan fund grant	12009-OPM20600-17005	21,968
Department of Education:		
Educational cost sharing	11000-SDE64370-17041	3,990,500
Total Exempt Programs		4,086,780
Total State Financial Assistance		$ 4,688,311

See notes to schedule of state financial assistance.

TOWN OF DURHAM, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2014

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Durham, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, youth services, and road and highway maintenance.

1. Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2014

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? ____yes __X__no
- Significant deficiency(ies) identified? ____yes __X__none reported

Noncompliance material to financial statements noted? ____yes __X__no

State Financial Assistance

Internal control over major programs:
- Material weakness(es) identified? ____yes __X__no
- Significant deficiency(ies)? ____yes __X__none reported

Type of auditors' opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? ____yes __X__no

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

State Grantor and Program	State Core-CT Number	Expenditures
Office of Policy and Management		
Municipal purposes and projects	12052-OPM20600-43587	$ 144,740
Department of Transportation		
Town aid road grants transportation fund	13033-DOT57131-43459	$ 223,217
Dollar threshold used to distinguish between type A and Type B programs		$ 100,000

. . . Continued . . .

II. FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There are no state financial assistance findings or questioned costs.