

TOWN OF DURHAM, CONNECTICUT

**FINANCIAL STATEMENTS
TOGETHER WITH SUPPLEMENTAL
SCHEDULES AND REPORTS**

FOR THE YEAR ENDED JUNE 30, 2007

**TOWN OF DURHAM CONNECTICUT
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AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

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ALBERT J. RUSILOWICZ
CERTIFIED PUBLIC ACCOUNTANT
8 WOLF HOLLOW LANE
KILLINGWORTH, CONNECTICUT 06419
(860) 663-2411

INDEPENDENT AUDITOR'S REPORT

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

I 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, as of and for the year ended June 30, 2007, which collectively comprise the Town of Durham, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Durham, Connecticut's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

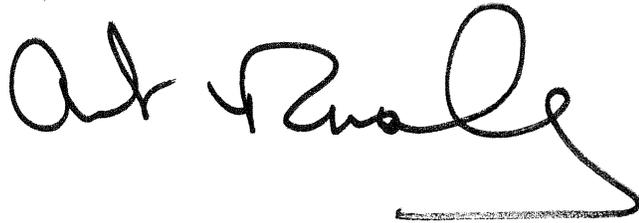
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 2007, on my consideration of the Town of Durham, Connecticut's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 42 through 48, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

(Continued)

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Durham, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Durham, Connecticut. The combining, individual nonmajor fund financial statements and supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long horizontal stroke at the end.

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
November 7, 2007

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF DURHAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

This discussion and analysis of the Town of Durham, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2007. This management discussion and analysis should be read in conjunction with the Town's financial statements.

Financial Highlights

- Net assets of the Town's governmental activities increased by \$256,261 or close to 1%.
- The total cost of all of the Town's governmental activities was \$24,000,806.
- The General Fund reported a fund balance of \$2,809,490 at June 30, 2007.
- For the year ended June 30, 2007, the resources available for appropriation were \$440,158 more than budgeted for the general fund. Expenditures were generally kept within spending limits.
- The Town's total bonded debt decreased by \$370,000.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III and IV. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information on the Town's most significant funds. The financial statements of the Town's business-type activities are presented in Exhibits V through VII. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibit I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall financial health of the Town.

(Continued)

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

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

Fund Financial Statements

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

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

- *Proprietary funds* (Exhibits V through VII) – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. The Town's enterprise fund (the component of proprietary funds) is the same as the business-type fund reported in the government wide financial statements but provide more detail and additional information, such as cash flows for proprietary funds.
- *Fiduciary funds* (Exhibits VIII and IX) – The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use the assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

(Continued)

Government-wide Financial Analysis

The Town's combined net assets increased by \$1,004,259 from a year ago. The analysis below focuses on the net assets and changes in net assets of the Town's governmental and business-type activities.

	Governmental Activities	Business- Type Activities	FY 2007 Total	FY 2006 Total
Current and other assets	\$ 5,173,014	342,032	5,515,046	4,813,461
Capital assets, net	42,051,648	1,253,070	43,304,718	43,132,762
Total assets	47,224,662	1,595,102	48,819,764	47,946,223
Long-term liabilities outstanding	103,562	-	103,562	502,286
Other liabilities	269,298	352,953	622,251	338,065
Total liabilities	372,860	352,953	725,813	840,351
Net assets:				
Invested in capital assets, net of related debt	42,023,553	1,253,070	43,276,623	42,707,818
Restricted	49,922	-	49,922	47,469
Unrestricted	4,778,327	(10,921)	4,767,406	4,350,585
Total net assets	\$ 46,851,802	1,242,149	48,093,951	47,105,872

Net assets of the Town's governmental activities increased by \$256,261 or 1.3%. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$422,029 to \$4,778,327 at June 30, 2007.

The net assets of our business-type activity increased to \$1,242,149 due primarily to a net increase in capital assets of \$753,206. The Town generally can only use these net assets to finance continuing operations of the water company operations.

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total 2007</u>	<u>Total 2006</u>
Revenues:				
Program revenues:				
Charges for services	\$ 587,902	43,401	631,303	676,516
Operating grants and contributions	3,617,694	-	3,617,694	3,633,866
Capital grants and contributions	20,580	837,103	857,683	950,094
General revenues:				
Property taxes	19,501,163	-	19,501,163	18,682,930
Grants and contributions not restricted to specific purposes	307,941	-	307,941	319,910
Unrestricted investment earnings	221,737	203	221,940	189,306
Miscellaneous	50	-	50	4,419
Total revenues	24,257,067	880,707	25,137,774	24,457,041
Program expenses:				
General government	2,065,199	-	2,065,199	1,997,700
Highway	1,709,239	-	1,709,239	1,760,987
Public safety	522,880	-	522,880	647,093
Health and welfare	175,110	-	175,110	171,467
Library	380,132	-	380,132	485,535
Recreation	108,355	-	108,355	117,758
Miscellaneous	86,164	-	86,164	71,112
Debt service/interest/fees	4,800	-	4,800	11,619
Education	18,577,710	-	18,577,710	17,640,859
Environmental services	371,217	-	371,217	322,326
Water services and operations	-	132,709	132,709	107,335
Total program expenses	24,000,806	132,709	24,133,515	23,333,791
Increase (decrease) in net assets	\$ 256,261	747,998	1,004,259	1,123,250

The Town's total revenue (excluding special items) was \$25,137,774. The total cost of all programs and services was \$24,133,515 which included the Water System Improvement Fund. Our analysis below separately considers the operations of governmental and business-type activities.

(Continued)

Governmental activities

Governmental activities increased the Town's net assets by \$256,261 with the largest factor being the receipt of \$248,434 in tax revenue over and above the anticipated budgeted figure for the year.

The table below presents the cost of each of the Town's five largest programs – education, highway, general government, library and public safety - 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.

Governmental Activities				
	<u>Year Ended June 30, 2007</u>		<u>Year Ended June 30, 2006</u>	
	<u>Total Cost of</u>	<u>Net Cost of</u>	<u>Total Cost of</u>	<u>Net Cost of</u>
	<u>Services</u>	<u>Services</u>	<u>Services</u>	<u>Services</u>
Education	\$ 18,577,710	15,170,345	17,640,859	14,242,740
General government	2,065,199	1,469,606	1,997,700	1,395,566
Highway	1,709,239	1,583,836	1,760,987	1,612,283
Public safety	522,880	495,080	647,093	616,948
Library	380,132	356,902	485,535	435,218
All other	745,646	698,861	694,282	(246,827)
	<u>\$ 24,000,806</u>	<u>19,774,630</u>	<u>23,226,456</u>	<u>18,055,928</u>

Business-type activities

In June, 2003, the Town acquired a water company at a cost of \$554,605, including related fees. During the year ended June 30, 2007, the water company reported an increase in net assets of \$747,998 due to grant revenue received during the year.

Town Fund Financial Analysis

Governmental funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$4,600,461 which is an increase of \$563,601 from last year's total of \$4,036,860. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$343,360, an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$336,509, and a decrease in the Town Hall Restoration Fund of \$122,751. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted in Exhibit IV.

Proprietary Funds

Net assets of the proprietary fund, the Town's business-type activity, reflected an increase of \$747,998 attributable primarily to capital grant funding.

General Fund budgetary highlights

General property taxes-property tax revenue was \$248,434 higher than budgeted due primarily to an increase in the overall collections. Intergovernmental revenue-grant revenues in total were slightly lower than the previous year with a \$29,293 total reduction in grant revenue from the State of Connecticut. Local revenues decreased slightly as a result of a decrease in the utilization of prior year fund balance. General Fund additional/special appropriations made during the year totaled \$217,982.

The Town's General Fund balance of \$2,809,490 reported on Exhibit III differs from the General Fund's budgetary fund balance due primarily to the appropriation of surplus in the amount of \$467,614 which is reported as revenue for budgetary purposes.

Capital asset and debt administration

At June 30, 2007, the Town had a net balance of \$43,304,718 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, roads, bridges, and a water system. This represents a net increase (including additions and deductions) of \$171,956, or approximately 0.4% from the prior year.

Capital Assets at Year-End (net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 5,114,241	5,114,241	-	-	5,114,241	5,114,241
Buildings and improvements	3,203,258	3,217,845	-	-	3,203,258	3,217,845
Equipment and vehicles	903,784	782,105	-	-	903,784	782,105
Infrastructure	32,830,365	33,518,707	-	-	32,830,365	33,518,707
Water systems	-	-	1,253,070	499,864	1,253,070	499,864
Totals	\$ 42,051,648	42,632,898	1,253,070	499,864	43,304,718	43,132,762

The only significant increase in capital assets was the additional value of the new water system.

The Town's 2007/2008 budget calls for no major capital expenditures from the General Fund. The Town anticipates completing its improvements to the Durham water system during the 2007/2008 fiscal year. Said improvements are expected to be funded primarily through grants to the Town.

Long-term debt

At June 30, 2007, the Town had paid in full its general obligation bonds and had \$28,095 in capital lease obligations payable – a decrease of \$396,849 over the prior year – as shown below:

	Outstanding Debt at Year-End	
	Governmental Activities	
	2007	2006
General obligation bonds	\$ -	370,000
Capital lease obligations	28,095	54,944
Totals	<u>\$ 28,095</u>	<u>424,944</u>

The Town's general obligation bond rating is A1 from Moodys rating agency. This rating was assigned by this national rating agency in 2003. The State limits the amount of general obligation debt that cities and towns can issue based on a formula determined under State statutes based on the type of debt and the tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit.

Other obligations include accrued vacation and sick leave. More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements.

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 levels of state funding to be received.

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

Contacting the Town's financial management

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 the Finance Director at the Town of Durham, 30 Town House Road, Durham, Connecticut.

**BASIC
FINANCIAL STATEMENTS**

TOWN OF DURHAM, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 4,749,900	8,851	4,758,751
Receivables, net	403,772	333,181	736,953
Prepaid expenses	1,590	-	1,590
Internal balances	17,752	-	17,752
Capital assets, net	42,051,648	1,253,070	43,304,718
Total Assets	47,224,662	1,595,102	48,819,764
LIABILITIES:			
Accounts payable and accrued expenses	232,956	335,201	568,157
Deferred revenue-prepaid taxes	33,669	-	33,669
Net pension obligation	2,673	-	2,673
Internal balances	-	17,752	17,752
Long-term liabilities:			
Due within one year	103,562	-	103,562
Due in more than one year	-	-	-
Total Liabilities	372,860	352,953	725,813
NET ASSETS:			
Invested in capital assets, net of related debt	42,023,553	1,253,070	43,276,623
Restricted for:			
Trust purposes:			
Expendable	28,516	-	28,516
Nonexpendable	21,406	-	21,406
Unrestricted	4,778,327	(10,921)	4,767,406
Total Net Assets	\$ 46,851,802	1,242,149	48,093,951

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, 2007

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 2,065,199	495,002	80,011	20,580	(1,469,606)	-	(1,469,606)	
Highway	1,709,239	10,612	114,791	-	(1,583,836)	-	(1,583,836)	
Public safety	522,880	27,800	-	-	(495,080)	-	(495,080)	
Health and welfare	175,110	-	14,000	-	(161,110)	-	(161,110)	
Library	380,132	21,703	1,527	-	(356,902)	-	(356,902)	
Recreation	108,355	32,785	-	-	(75,570)	-	(75,570)	
Miscellaneous	86,164	-	-	-	(86,164)	-	(86,164)	
Debt service/interest/fees	4,800	-	-	-	(4,800)	-	(4,800)	
Education	18,577,710	-	3,407,365	-	(15,170,345)	-	(15,170,345)	
Environmental services	371,217	-	-	-	(371,217)	-	(371,217)	
Capital outlays	-	-	-	-	-	-	-	
Total governmental activities	24,000,806	587,902	3,617,694	20,580	(19,774,630)	-	(19,774,630)	
Business-type activities:								
Water	132,709	43,401	-	837,103	-	747,795	747,795	
Total business-type activities	132,709	43,401	-	837,103	-	747,795	747,795	
Total government	\$ 24,133,515	631,303	3,617,694	857,683				
General revenues:								
Property taxes					19,501,163	-	19,501,163	
Grants and contributions not restricted to specific programs					307,941	-	307,941	
Unrestricted investment earnings					221,737	203	221,940	
Miscellaneous					50	-	50	
Total general revenues and transfers					20,030,891	203	20,031,094	
Change in net assets					256,261	747,998	1,004,259	
Net assets-beginning (restated)					46,595,541	494,151	47,089,692	
Net assets-ending					\$ 46,851,802	1,242,149	48,093,951	

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

TOWN OF DURHAM, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
June 30, 2007

<u>ASSETS</u>	<u>General</u>	<u>Reserve Fund For Capital And Nonrecurring Expenditures</u>	<u>Town Hall Restoration Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 2,934,881	1,657,807	13,173	144,039	4,749,900
Property taxes receivable (Net of an allowance of \$10,000 for uncollectible amounts)	338,629	-	-	-	338,629
Grants receivable	-	-	-	-	-
Due from other funds	45,420	-	-	4,196	49,616
Prepaid expenses	1,590	-	-	-	1,590
Total Assets	\$ 3,320,520	1,657,807	13,173	148,235	5,139,735
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 232,380	-	576	-	232,956
Deferred revenue	274,454	-	-	-	274,454
Due to other funds	4,196	15,968	-	11,700	31,864
Total Liabilities	511,030	15,968	576	11,700	539,274
Fund Balances:					
Reserved	-	1,500,307	12,597	96,261	1,609,165
Unreserved, reported in:					
General Fund	2,633,400	-	-	-	2,633,400
General Fund-Designated for Subsequent Year's Budget	176,090	-	-	-	176,090
Reserve Fund For Capital And Nonrecurring Expenditures	-	141,532	-	-	141,532
Special Revenue Funds	-	-	-	40,274	40,274
Total Fund Balances	2,809,490	1,641,839	12,597	136,535	4,600,461
Total Liabilities and Fund Balances	\$ 3,320,520	1,657,807	13,173	148,235	

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	42,051,648
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	240,785
Long-term liabilities, including capital lease obligations payable, are not due and payable in the current period and therefore are not reported in the funds	(103,562)
Interest receivable on delinquent taxes is not recorded in the funds	65,143
The net pension obligation resulting from the excess of the annual required contributions over contributions made is not due and payable in the current period and, accordingly, is not reported in the funds	(2,673)
Net assets of governmental activities	\$ 46,851,802

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

TOWN OF DURHAM, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007

	General	Reserve Fund For Capital And Nonrecurring Expenditures	Town Hall Restoration Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 19,642,783	-	-	-	19,642,783
Intergovernmental	3,944,688	-	-	1,527	3,946,215
Fees, permits and other	561,013	-	-	26,939	587,952
Investment income	127,208	86,877	2,752	4,900	221,737
Total Revenues	24,275,692	86,877	2,752	33,366	24,398,687
EXPENDITURES:					
Current:					
General government	2,094,042	-	-	2,303	2,096,345
Highway	948,961	-	-	-	948,961
Public safety	516,554	-	-	478	517,032
Health and welfare	171,318	-	-	-	171,318
Library	434,747	-	-	24,102	458,849
Recreation	106,437	-	-	-	106,437
Miscellaneous	86,164	-	-	-	86,164
Debt service	375,550	-	-	-	375,550
Education	18,577,710	-	-	-	18,577,710
Environmental services	371,217	-	-	-	371,217
Capital outlay	-	-	125,503	-	125,503
Total Expenditures	23,682,700	-	125,503	26,883	23,835,086
Excess of Revenues Over (Under) Expenditures	592,992	86,877	(122,751)	6,483	563,601
Other Financing Sources (Uses):					
Operating transfers in	27,368	277,000	-	-	304,368
Operating transfers out	(277,000)	(27,368)	-	-	(304,368)
Proceeds of capital lease	-	-	-	-	-
Total Other Financing Sources (Uses)	(249,632)	249,632	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	343,360	336,509	(122,751)	6,483	563,601
Fund Balance (Deficit), June 30, 2006	2,466,130	1,305,330	135,348	130,052	
Fund Balance (Deficit), June 30, 2007	\$ 2,809,490	1,641,839	12,597	136,535	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.	(581,250)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	(141,620)
Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	396,849
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	18,681
	\$ 256,261

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

TOWN OF DURHAM, CONNECTICUT

PROPRIETARY FUND

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Business-type Activity- Enterprise Fund Water Company</u>	<u>Total Business-type Funds</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 8,851	8,851
Service fees receivable	4,253	4,253
Grants receivable	328,928	328,928
Total Current Assets	<u>342,032</u>	<u>342,032</u>
Capital Assets:		
Service lines, machinery and equipment, net	1,253,070	1,253,070
Total Noncurrent Assets	<u>1,253,070</u>	<u>1,253,070</u>
Total Assets	<u>1,595,102</u>	<u>1,595,102</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	335,201	335,201
Due to other funds	17,752	17,752
Total Liabilities	<u>352,953</u>	<u>352,953</u>
<u>NET ASSETS</u>		
Invested in capital assets	1,253,070	1,253,070
Unrestricted	(10,921)	(10,921)
Total Net Assets	<u>\$ 1,242,149</u>	<u>1,242,149</u>

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

TOWN OF DURHAM, CONNECTICUT

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the year ended June 30, 2007

	Business-type Activity- Enterprise Fund <u>Water Company</u>	Total <u>Business-type Funds</u>
Operating revenues:		
Charges for services	\$ 43,401	43,401
Total Operating Revenues	<u>43,401</u>	<u>43,401</u>
Operating Expenses:		
Utilities	6,595	6,595
General operating expenses	39,091	39,091
Repairs and maintenance	100	100
Depreciation	18,247	18,247
Total Operating Expenses	<u>64,033</u>	<u>64,033</u>
Operating Income (Loss)	(20,632)	(20,632)
Non Operating Revenues (Expenses):		
Grants	837,103	837,103
Interest Income	203	203
Interest Expense	(3,026)	(3,026)
Professional services	(65,650)	(65,650)
Total Non Operating Revenues (Expenses)	<u>768,630</u>	<u>768,630</u>
Income (Loss) Before Operating Transfers and Contributions	747,998	747,998
Operating transfers in	-	-
Change in Net Assets	<u>747,998</u>	<u>747,998</u>
Net Assets-Beginning	494,151	494,151
Net Assets-Ending	<u>\$ 1,242,149</u>	<u>1,242,149</u>

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

TOWN OF DURHAM, CONNECTICUT

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

For the year ended June 30, 2007

	Business-type Activity- Enterprise Fund <u>Water Company</u>	Total <u>Business-type Funds</u>
Cash Flows From Operating Activities:		
Receipts From Customers and Users	\$ 42,737	42,737
Payments to Suppliers	(40,763)	(40,763)
Net Cash Used in Operating Activities	<u>1,974</u>	<u>1,974</u>
Cash Flows From Noncapital Financing Activities:		
Repayment of advances from other funds	(371)	(371)
Intergovernmental receipts	510,192	510,192
Payments to Suppliers	(65,650)	(65,650)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>444,171</u>	<u>444,171</u>
Cash Flows From Investing Activities:		
Fixed Asset Acquisitions	(447,125)	(447,125)
Interest Income	203	203
Interest Expense	(3,026)	(3,026)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(449,948)</u>	<u>(2,823)</u>
Net Increase (Decrease) in Cash	(3,803)	(3,803)
Cash at the beginning of the year	12,654	12,654
Cash at the end of the year	<u>\$ 8,851</u>	<u>8,851</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:		
Operating Income (Loss)	\$ (17,387)	(17,387)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	18,247	18,247
(Increase) Decrease in Assets:		
Service fees receivable	(1,294)	(1,294)
Net Cash Used by Operating Activities	<u>\$ (434)</u>	<u>(434)</u>

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

TOWN OF DURHAM, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	265,929
Investments	1,519,101	-
Other assets	2,923	-
Total Assets	<u>1,522,024</u>	<u>265,929</u>
<u>LIABILITIES</u>		
Due to employees and others	-	265,929
Accounts and other payables	-	-
Total Liabilities	<u>-</u>	<u>265,929</u>
<u>NET ASSETS</u>		
Held in trust for pension benefits	1,522,024	
Total Net Assets	<u>\$ 1,522,024</u>	

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

TOWN OF DURHAM, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

For the Year Ended June 30, 2007

Additions:	
Contributions:	
Employer	\$ 97,744
Employee	29,617
Total contributions	<u>127,361</u>
Investment income (loss)	172,272
Total additions	<u>299,633</u>
Deductions:	
Benefits	159,710
Administration	-
Total deductions	<u>159,710</u>
Net increase (decrease)	139,923
Net assets held in trust for pension benefits, June 30, 2006	1,382,101
Net assets held in trust for pension benefits, June 30, 2007	<u>\$ 1,522,024</u>

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

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Durham, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below:

A. Reporting Entity

The Town of Durham, Connecticut was incorporated in 1708 under provisions of the Connecticut General Statutes. The Town of Durham, Connecticut operates under a Board of Selectmen/Board of Finance form of Government. The Town provides the following services: public safety; highways and streets; health and welfare; culture-recreation; education; public improvements; planning and zoning; and general administrative services.

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, 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 members of the Board of Finance are elected to 6 year terms.

B. Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which generally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in Capital Assets Net of Related Debt – This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those capital assets.

Restricted Net Assets – This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category consists of net assets which do not meet the definition of the two preceding categories.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

When both restricted and unrestricted revenue are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are available.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or purpose. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major individual governmental funds and major individual enterprise funds, each reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as "Other Governmental Funds".

Governmental Funds

Governmental Funds are those through which most of the governmental functions are financed.

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds - Special Revenue Funds are used to account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Permanent Funds - Permanent Funds are used to report 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.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following is the Town's proprietary fund:

Enterprise Fund - Water Company - The Town purchased a water system in June, 2003. This fund is used to account for operations for which a fee is charged to external users for goods or services.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Funds – The Pension Trust Funds are used to account for the Town's defined benefit pension plan and the Town's money accumulation plan.

Agency Funds – The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the results of operations.

In 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. The statement established a reporting model for governments that includes the following segments:

Management's Discussion and Analysis – provides introductory information on basic financial statements and an analytical overview of the Town's financial statements.

Government-wide financial statements – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement systems and agency funds). Capital assets, including infrastructure (roads, bridges, drainages systems, etc.) are included along with long-term obligations (general obligation bonds, bond anticipation notes, capital lease obligations and compensated absences) are included along with current assets and liabilities.

Fund financial statements – provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting. Governmental funds focus on sources, uses, and balances of current financial resources and often have budgetary orientation, and therefore use a modified accrual basis of accounting. Proprietary funds, which include enterprise and internal service funds, focus on determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows, and therefore, use the accrual basis of accounting. Fiduciary funds focus on net assets and changes in net assets, and include assets held in a trustee (Pension Trust Fund) or agency (Performance Bonds) capacity and utilize the accrual basis of accounting.

Required supplementary information – in addition to the Management Discussion and Analysis, budgetary comparison schedules are presented for the General Fund, which is the only major fund with a legally adopted annual budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies, Continued

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

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

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

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

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 Special Revenue Fund which is used to account 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).

The Town Hall Restoration Fund is a Special Revenue Fund which is used to account for financial resources to be used for the restoration of Town Hall.

Additionally, the Town reports the following fund types:

The Enterprise Fund which accounts for the activities of the water company.

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

(Continued)

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies, Continued

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for water service. Operating expenses for the enterprise fund include the cost of operating, maintaining and administering the Town's water systems. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as more fully described in Note 4.

Investments of the Town are reported at fair value.

E. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts being owed between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Interfund receivables and payables within governmental activities are eliminated in the Statement of Net Assets.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies, Continued

E. Receivables and Payables, Continued

All trade and property taxes receivable are shown net of an allowance for uncollectibles. Property taxes are assessed as of October 1. Assessed values are established by the Town's Assessor's offices at 70% of appraised value. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Taxes become overdue one month after the installment due date. Interest at the rate of 1.5% per month accrues on all overdue tax balances. Liens are effective on the assessment date and are continued by filing in May following the due date.

Section 12-165 of the General Statutes of the State of Connecticut require each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes receivable at June 30, 2007 are stated net of an allowance for uncollectible amounts of \$10,000.

F. Inventories and Prepaid Expenses

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At June 30, 2007, the Town had no Inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At June 30, 2007, the Town had prepaid expenses totaling \$1,590.

G. Capital Assets

Capital assets, which include land and related improvements, buildings and related improvements, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Fixed assets used in governmental fund operations are accounted for as capital outlays, or departmental expenditures in the fund financial statements upon acquisition.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and related improvements, land improvements, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are depreciated using the straight-line method over the following estimated useful lives:

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies, Continued

G. Capital Assets, Continued

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Land improvements	15
Equipment and vehicles	5-10
Infrastructure	60

H. Compensated Absences

Under the terms of the Town's contracts, Town employees are granted vacation and sick leave in varying amounts. Certain employees may carry over a limited number of unused vacation and sick days to subsequent years and, in the event of termination, are reimbursed for these days based upon various formulas. Accumulated vacation and sick leave is recognized as a liability of the Town in the amount of \$75,467 in the government-wide financial statements. The General Fund is used to liquidate compensated absence liabilities.

I. Long-Term Obligations

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of capital lease obligations and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide financial statements.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds.” The details of this (\$103,562) are as follows:

Capital lease obligations payable	\$	28,095
Compensated absences		75,467
 Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities		 <u>\$ 103,562</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (581,250) are as follows:

Depreciation expense	\$	(974,572)
Capital outlays		393,322
 Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities		 <u>\$ (581,250)</u>

Another element of that reconciliation states that “ the issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.”

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities, Continued

The details of this \$396,849 difference are as follows:

Principal repayments:		
General obligation bonds	\$	370,000
Capital lease financing		26,849
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities	<u>\$</u>	<u>396,849</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$18,681 difference are as follows:

Change in compensated absences	\$	1,875
Change in net pension obligation payable		13,507
Change in accrued interest payable		3,299
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities	<u>\$</u>	<u>18,681</u>

3. Stewardship, Compliance and Accountability

The Town establishes a Town-wide budget in accordance with provisions of its Charter and the Connecticut General Statutes. The Annual Budget Meeting is held at least thirty (30) days prior to the end of the fiscal year, in accordance with the Town Charter. At the meeting the Board of Finance recommends its proposed budget to the Town. The operating budget includes proposed expenditures and the means of financing them.

The Board of Finance, on request by Town agencies or officials, may make special appropriations from surplus revenue or from an approved contingency fund. Such a special appropriation in excess of \$20,000 shall require approval by a vote of Town meeting. Not more than one special appropriation for any Town agency, official, or any department may be made by the Board of Finance in each fiscal year, without approval of Town meeting.

The Board of Finance is also authorized to transfer budgeted amounts up to \$20,000 within and between Town departments. Any transfers over \$20,000 must be approved at Town meeting.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

3. Stewardship, Compliance and Accountability, Continued

Formal budgetary integration is employed as a management control device during the year for the General Fund. Additional appropriations approved during the year totaled \$217,982.

All unencumbered appropriations lapse at year-end, except those for capital projects and certain special revenue funds. Appropriations for capital projects are continued until completion of the applicable projects, even when the project extends for more than one year.

4. Cash, Cash Equivalents and Investments

A. Cash and Cash Equivalents

The deposit of public funds is controlled by Connecticut General Statutes. Cash equivalents are defined as those liquid investments having original maturities of three months or less. The following is a summary of cash and cash equivalents at June 30, 2007:

Deposits and cash on hand:	
Demand accounts	\$ 3,328,205
Cash on hand	38,668
Cash equivalents:	
State Short-Term Investment Fund (STIF)	1,657,807
Total cash and equivalents	<u>\$ 5,024,680</u>
Governmental Funds	\$ 4,749,900
Enterprise Fund	8,851
Agency Fund	265,929
Total cash and equivalents	<u>\$ 5,024,680</u>

Deposits

At June 30, 2007, the carrying amount of the Town's deposits with financial institutions was \$3,328,205 and the bank balance was \$3,549,847.

Custodial credit risk is the risk that, in the event of a bank failure, the Town would not be able to recover its deposits or would not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy for custodial risk. Of the June 30, 2007 bank balance, \$200,000 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 of Durham. Accordingly, there were no cash balances at June 30, 2007 which were uninsured or uncollateralized.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

4. Cash, Cash Equivalents and Investments, Continued

A. Cash and Cash Equivalents, Continued

Cash equivalents

Cash equivalents are defined as those highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2007, 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.

B. Investments

As of June 30, 2007, the Town's investments consisted of the following:

Investment type

Pooled open-end mutual fund accounts:

Pension Trust Funds:

Open-end mutual funds* \$1,519,101

*Investments in the Pension Trust Funds are stated at fair market value.

Interest Rate Risk

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

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. The provisions of the statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, the investment of such funds is generally controlled by laws applicable to fiduciaries and the provisions of the applicable plan.

Custodial Credit Risk

For an investment, custodial credit risk 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 investment or collateral securities that are in possession of an outside party. The Town does not have a policy for custodial credit risk. The Town's investments consist of investments in external investment pools and money market funds which are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Concentrations of Credit Risk

The Town's investments consist of investments in external investment pools and money market funds which are not exposed to concentrations of credit risk because they are not evidenced by securities that exist in physical or book form.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

5. Receivables and Deferred Revenue

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

	General <u>Fund</u>	Enterprise <u>Fund</u>	<u>Total</u>
Receivables:			
Taxes	\$ 348,629	-	348,629
Interest *	65,143	-	65,143
Intergovernmental	-	328,928	328,928
Service fees receivable	-	4,253	4,253
Total gross receivables	<u>413,772</u>	<u>333,181</u>	<u>746,953</u>
Less: allowance for uncollectibles	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Net total receivables	<u>\$ 403,772</u>	<u>333,181</u>	<u>736,953</u>

* Accrued interest on property taxes receivable in the amount of \$65,143 is not included in the Fund Financial Statements.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the component of deferred revenue reported in governmental funds is as follows:

Delinquent property taxes receivable \$ 240,785

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

6. Capital Assets

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance <u>June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2007</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 5,114,241	-	-	5,114,241
Capital assets, being depreciated				
Land improvements	48,740	-	-	48,740
Buildings and improvements	4,246,730	87,328	-	4,334,058
Equipment and vehicles	2,650,576	305,994	-	2,956,570
Infrastructure	41,273,943	-	-	41,273,943
Total assets being depreciated	<u>48,219,989</u>	<u>393,322</u>	<u>-</u>	<u>48,613,311</u>
Less: accumulated depreciation for:				
Land improvements	48,740	-	-	48,740
Buildings and improvements	1,028,885	101,915	-	1,130,800
Equipment and vehicles	1,868,471	184,315	-	2,052,786
Infrastructure	7,755,236	688,342	-	8,443,578
Total accumulated depreciation	<u>10,701,332</u>	<u>974,572</u>	<u>-</u>	<u>11,675,904</u>
Total capital assets, being depreciated, net	<u>37,518,657</u>	<u>(581,250)</u>	<u>-</u>	<u>36,937,407</u>
Governmental activities capital assets, net	<u>42,632,898</u>	<u>(581,250)</u>	<u>-</u>	<u>42,051,648</u>
Business-type activities:				
Capital assets, being depreciated				
Water system	554,605	771,453	-	1,326,058
Less: accumulated depreciation for:				
Water system	54,741	18,247	-	72,988
Business-type activities capital assets, net	<u>499,864</u>	<u>753,206</u>	<u>-</u>	<u>1,253,070</u>
Total Government-Wide Capital Assets, Net	<u>\$ 43,132,762</u>	<u>171,956</u>	<u>-</u>	<u>43,304,718</u>

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

6. Capital Assets, Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 66,665
Highway	785,625
Health and welfare	3,792
Library	54,390
Recreation	3,975
Public safety	60,125
 Total depreciation expense-governmental activities	 <u>\$ 974,572</u>

7. Interfund Accounts

At June 30, 2007, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 45,420	4,196
Major Governmental Funds:		
Reserve Fund for Capital and Nonrecurring Expenditures	-	15,968
Nonmajor Governmental Funds:		
Permanent-Town Trust Fund	4,196	-
Permanent-Mary Weber Fund	-	11,700
Enterprise Fund-Water Company	-	17,752
	<u>\$ 49,616</u>	<u>49,616</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 27,368	277,000
Major Governmental Funds:		
Reserve Fund for Capital and Nonrecurring Expenditures	277,000	27,368
	<u>\$ 304,368</u>	<u>304,368</u>

All transfers represent routine recurring transactions to move resources from one fund to another.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

8. Capital Leases

The Town leases a certain piece of Highway equipment under the terms of a capital lease obligation.

A summary of future minimum lease payments required by the lease agreement, together with the present value of the net minimum lease payments as of June 30, 2007 is as follows:

Fiscal year ending:		
June 30, 2008	\$	29,398
Less: amount representing interest		(1,303)
Present value of minimum lease payments	<u>\$</u>	<u>28,095</u>

9. Long-term Debt

Changes in Long-term Debt

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 370,000	-	370,000	-	-
Total bonds payable	<u>370,000</u>	<u>-</u>	<u>370,000</u>	<u>-</u>	<u>-</u>
Capital lease obligations	54,944	-	26,849	28,095	28,095
Compensated absences	77,342	-	1,875	75,467	75,467
Total Governmental Activities long-term liabilities	<u>\$ 502,286</u>	<u>-</u>	<u>398,724</u>	<u>103,562</u>	<u>103,562</u>

Contingent Obligation

The Town is contingently liable for 66.06% of the total general long-term obligations of Regional School District 13 not to be provided by the State of Connecticut. As of June 30, 2007, the total of such outstanding indebtedness of the Regional School District 13 was approximately \$19,525,000 with Durham's share approximating \$12,898,000.

Debt Limitation

The Town's total authorized debt falls within the debt limitation set forth by the Connecticut General Statutes.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. During the year ended June 30, 2007, 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.

The Town is currently a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Connecticut General Statutes for workers compensation and employer liability coverage. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

11. Contingencies and Litigation

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.

12. Related Party Transactions

The Town has joined the neighboring Town of Middlefield in two multi-governmental arrangements established under the Connecticut General Statutes to provide services to residents of the member towns. Regional School District Number 13 provides educational services and facilities, and the Durham Middlefield Interlocal Agreement Advisory Board operates a solid and bulky waste transfer station and recycling facility. The member towns share proportionately in the operating costs of these organizations. Although these organizations provide services to the citizenry of both governments, they do not meet the definition of a joint venture, as the member governments do not retain an ongoing financial interest in either. During the year ended June 30, 2007, the Town recognized expenditures of \$18,577,710 and \$362,931 for its payment of its proportionate share of the respective operating costs of Regional School District Number 13 and the Durham-Middlefield Interlocal Agreement Advisory Board.

13. Deferred Compensation Plan

The Town of Durham offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible employees, permits employees to defer a portion of their salaries until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or under certain specific conditions as defined in the plan.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

14. Money Accumulation Pension Plan

Plan description

The Money Accumulation Pension Plan is a defined contribution pension plan offered to employees of the Town and Regional School District Number 13. In a defined contribution plan, benefits depend solely on amount contributed to the plan plus investment earnings. Substantially all of the Town's employees working a minimum of twenty hours per week who have attained age 21 and completed one year of service are eligible to participate in the Plan. The Town's contributions for each employee (and related earnings allocated to the employer contributions account) become fully vested at the earlier of the following dates:

(a) the date of the participants death; (b) the date the participant incurs total disability; (c) the date the participant attains normal retirement age; (d) the date of termination of this plan or the date of complete cessation of employer contributions hereunder; or (e) the date the participant becomes 100% vested.

Prior to becoming fully vested, the participant shall earn a vested interest in his employer contributions based upon the following vesting schedule:

<u>Vesting Service</u>	<u>Vested Interest</u>
Less than 3 years	0%
At least 3 years	20%
At least 4 years	40%
At least 5 years	60%
At least 6 years	80%
7 years or more	100%

Plan Provisions

Participants are always fully vested in their own contributions (and related earnings allocated to the participant contribution account).

The plan is accounted for using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due. Investment income or loss is recognized when earned. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market value are reported at estimated fair value. No investments represent 5% or more of plan assets. Benefit and administrative expenses are recognized when incurred. Administrative expenses are financed from investment income. The plan is considered to be part of the Town's financial reporting entity and is included as a pension trust fund of the Town.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

14. Money Accumulation Pension Plan, Continued

Funding Policy

The Town is required to contribute an amount equal to 5% of the payroll of the eligible employees. The Town's contribution amounted to \$45,750 for the fiscal year ended June 30, 2007. Enrollment in the plan at June 30, 2007 was as follows:

Actively employed:	
Fully vested	12
Partially vested	7
Non-vested	4
	<u>23</u>
Retired, disabled or deceased	1
Terminated participants	5
Other participants	1
	<u>30</u>
Total participants	<u>30</u>

15. Town of Durham Employee Retirement Plan

Plan Description

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

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

Summary of Significant Accounting Policies

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

Investments are reported at fair value.

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

Plan Membership

Membership in the plan consisted of the following at July 1, 2006, the date of the most recent actuarial valuation:

Active plan participants	21
Terminated vested participants	8
Participants in payment status	6
	35
	35

Benefit Provisions

A participant is eligible for normal retirement upon reaching the age of 65 and completing 5 years of service. The benefit is equal to the following:

The annual accrued benefit of a member shall be equal to (A) times (B), where:

(A) Equals 70% of the annual average annual compensation reduced by the following:

- (1) 1/25 for each year of service the member has that is less than 25.
- (2) The social security benefit provided to the member at his normal retirement age.
- (3) The normal retirement benefit that can be purchased by the member's Participant Contribution Account and the Employer's Contribution Account in the Money Accumulation Pension Plan. (See Note 14)

(B) Equals a fraction, the numerator of which is the number of years of service the member has at his date of separation of service, and the denominator of which is the number of years of service the member would have had if the member became a member at his or her earliest eligibility date and had continued in employment until his normal retirement date.

The plan does not contain a provision for early retirement. The death benefit for the plan is the present value of the accrued benefits. Participants in the plan are vested after ten years.

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

Funding Policy

Active plan members are required to contribute 1% of their regular earnings to the plan. If an employee leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions and 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.

Concentrations

The following investments represent 5% or more of the plan net assets:

Columbia Proprietary Mutual Funds	<u>99.84%</u>
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(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

15. Town of Durham Employee Retirement Plan, Continued

Annual Pension Cost and Net Pension Obligation

The annual pension cost for the Town of Durham as of July 1, 2006, the date of the most recent valuation, is summarized as follows:

Annual required contribution	\$ 39,143
Interest in net pension obligation	1,335
Adjustment to annual required contribution	<u>(1,991)</u>
Annual pension cost	<u>38,487</u>
Contributions made	(51,994)
Increase (decrease) in net pension obligation	<u>(13,507)</u>
Net pension obligation, beginning of year	16,180
Net pension obligation, end of year	<u>\$ 2,673</u>

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2005 actuarial valuation. The actuarial assumptions included:

A. Investment rate of return	8.25%
B. Projected salary increase (per year)	5.0%
C. Inflation rate	2.5%
D. Cost of living adjustment	None
E. Post-retirement benefit increases	None
F. Remaining amortization period	14 years

Three -Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 38,050	\$ 34,388	90%	\$ 26,119
6/30/2006	\$ 42,055	\$ 51,994	124%	\$ 16,180
6/30/2007	\$ 38,487	\$ 51,994	135%	\$ 2,673

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

15. Town of Durham Employee Retirement Plan, Continued

Pension Plan Required Supplementary Information:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/1995	\$ 105,743	\$ 225,788	\$ 120,045	46.83%	\$ 607,781	19.75%
7/1/1996	\$ 147,444	\$ 225,288	\$ 77,844	65.45%	\$ 626,887	12.42%
7/1/1997	\$ 190,699	\$ 185,430	\$ (5,269)	102.84%	\$ 594,303	-0.89%
7/1/1998	\$ 238,935	\$ 186,691	\$ (52,244)	127.98%	\$ 592,604	-8.82%
7/1/1999	\$ 260,130	\$ 210,962	\$ (49,168)	123.31%	\$ 665,843	-7.38%
7/1/2000	\$ 284,927	\$ 223,410	\$ (61,517)	127.54%	\$ 722,824	-8.51%
7/1/2001	\$ 257,830	\$ 301,330	\$ 43,500	85.56%	\$ 791,517	5.50%
7/1/2002	\$ 225,782	\$ 409,772	\$ 183,990	55.10%	\$ 722,825	25.45%
7/1/2003	\$ 278,888	\$ 553,986	\$ 275,098	50.34%	\$ 870,454	31.60%
7/1/2004	\$ 282,769	\$ 535,885	\$ 253,116	52.77%	\$ 893,404	28.33%
7/1/2005	\$ 285,810	\$ 566,085	\$ 280,275	50.49%	\$ 912,017	30.73%
7/1/2006	\$ 320,391	\$ 577,614	\$ 257,223	55.47%	\$ 845,579	30.42%

Schedule of Employer Contributions

<u>Fiscal Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
1996	\$ 13,233	\$ 27,000	204%
1997	\$ 9,579	\$ 21,500	224%
1998	\$ 3,150	\$ 14,000	444%
1999	\$ -	\$ -	100%
2000	\$ -	\$ -	100%
2001	\$ -	\$ -	100%
2002	\$ 7,045	\$ 7,045	100%
2003	\$ 18,867	\$ 18,867	100%
2004	\$ 44,957	\$ 22,500	50%
2005	\$ 38,509	\$ 34,388	89%
2006	\$ 42,998	\$ 51,994	121%
2007	\$ 39,143	\$ 51,994	133%

(Continued)

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2007**

16. Restatement of Government-Wide Net Assets

Net assets of governmental activities at June 30, 2006 have been restated to properly reflect the net pension obligation of the Towns defined benefit pension plan. Details of the restatement are as follows:

Governmental activities- net assets as previously reported	\$ 46,611,721
Adjustment to properly reflect the Towns net pension obligation	(16,180)
Governmental activities-net assets as restated	<u><u>\$ 46,595,541</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the year ended June 30, 2007

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Property taxes	\$ 19,409,953	19,409,953	19,658,387	248,434
Local Revenues:				
Board of Selectmen	1,000	1,000	14,903	13,903
Town Clerk fees and receipts	80,000	80,000	152,456	72,456
Conveyance tax	100,000	100,000	116,401	16,401
LOCIP Town Clerk	5,000	5,000	5,946	946
Trust Funds	4,600	4,600	4,581	(19)
Interest on investments	50,000	50,000	122,627	72,627
Building and sanitation	100,000	100,000	92,174	(7,826)
Inland wetlands and watercourse	1,000	1,000	2,335	1,335
Zoning board of appeals	800	800	1,320	520
Planning and zoning	1,000	1,000	7,495	6,495
Conservation commission	4,000	4,000	3,925	(75)
Insurance reimbursements	71,576	71,576	-	(71,576)
Durham Fair Association reimbursement	81,000	81,000	80,071	(929)
State Trooper reimbursements-Regional School District #13	7,500	7,500	7,225	(275)
State Trooper reimbursements-private duty	7,500	7,500	7,273	(227)
Animal Control Officer-fines	800	800	2,718	1,918
Water Company loan	7,860	7,860	3,026	(4,834)
Animal Control Officer-licenses	5,750	5,750	35	(5,715)
Library	15,000	15,000	-	(15,000)
Recreation	30,000	30,000	32,785	2,785
Fund balance and prior year surplus (1)	277,000	467,614	467,614	-
DWI grant	5,500	5,500	-	(5,500)
Underage drinking grant	5,000	5,000	7,365	2,365
Regional water authority	-	-	584	584
Durham Volunteer Fire Department	-	-	465	465
Highway department	-	-	7,580	7,580
Fire marshal	-	-	995	995
Reserve fund receipt	-	27,368	27,368	-
Public works	-	-	3,032	3,032
Other income	-	-	50	50
State Trooper-pistol permits	-	-	210	210
Durham/Middlefield Senior/Disabled Van	-	-	9,019	9,019
DEP fees	-	-	1,625	1,625
Total Local Revenues	\$ 861,886	1,079,868	1,183,203	103,335

(Continued)

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED

For the year ended June 30, 2007

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental Revenues:				
Town Aid Roads	\$ 127,170	127,170	114,791	(12,379)
Telecommunications personal property	46,436	46,436	43,728	(2,708)
Payment in lieu of taxes-State property	21,712	21,712	47,609	25,897
Local capital improvement program	54,338	54,338	54,338	-
Educational cost sharing	3,406,854	3,406,854	3,407,365	511
State of Connecticut receipts	2,500	2,500	62	(2,438)
Mashantuckett Pequot grant	35,969	35,969	40,183	4,214
Pilot manufacturing grant	140,320	140,320	121,491	(18,829)
Town Clerk-records restoration	7,000	7,000	7,000	-
Youth Service Bureau Grant	14,000	14,000	14,000	-
Boating safety grant	-	-	858	858
Elderly and disabled tax relief	-	-	814	814
Judicial Department restitution	-	-	1,589	1,589
Homeowners tax relief	-	-	40,555	40,555
Veterans tax relief	-	-	12,641	12,641
Skating pond grant revenue	-	-	20,580	20,580
Homeland Security	-	-	17,084	17,084
Total Intergovernmental Revenues	<u>3,856,299</u>	<u>3,856,299</u>	<u>3,944,688</u>	<u>88,389</u>
Total Revenues	<u>\$ 24,128,138</u>	<u>24,346,120</u>	<u>24,786,278</u>	<u>440,158</u>

Budgetary revenues are different from GAAP revenues because:

Fund balance and prior year surplus are not recognized as revenues for GAAP purposes	(467,614)
Property taxes are budgeted on the cash basis:	
Change in deferred property taxes	88,486
Change in property taxes receivable	(104,090)

Total revenues and other financing sources as reported on the statement of revenues,
expenditures and changes in fund balances-governmental funds-Exhibit IV\$ 24,303,060

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ELECTED OFFICIALS AND BOARDS:				
Board of Finance	\$ 27,210	30,060	25,637	4,423
Office of the First Selectman	213,284	195,654	188,234	7,420
First Selectman's Salary	59,973	59,973	59,939	34
Selectmen's Salary	5,432	5,432	5,419	13
Board of Assessment Appeals	660	660	-	660
Office of the Tax Collector	31,914	33,776	33,776	-
Tax Collector's Salary	44,387	44,259	44,259	-
Office of the Town Clerk	75,326	87,501	87,501	-
Town Clerk's Salary	45,135	44,960	44,241	719
Office of the Town Treasurer	85	85	-	85
Town Treasurer's Salary	7,828	7,828	7,808	20
Total Elected Officials and Boards	511,234	510,188	496,814	13,374
PROFESSIONAL SERVICES:				
Assessor	79,108	79,108	68,668	10,440
Midstate Regional Planning Agency	4,756	4,756	4,756	-
Middlesex Soil and Water	1,598	1,598	1,598	-
Probate Court	6,748	8,115	8,115	-
Town Counsel	57,000	60,991	60,991	-
Building and Health Department	219,487	233,273	233,273	-
Finance Department	54,858	56,748	51,260	5,488
Planning and Zoning Legal Counsel	30,000	54,230	54,230	-
Information Technology	73,000	90,640	90,624	16
Computer Equipment	3,000	19,612	19,381	231
Total Professional Services	529,555	609,071	592,896	16,175
OTHER TOWN COMMISSIONS:				
Inland Wetlands	2,405	2,154	1,439	715
Zoning Board of Appeals	2,220	2,471	2,471	-
Planning and Zoning	71,100	76,083	76,083	-
Assistant Zoning Enforcement Officer Salary/Expenses	5,000	793	792	1
Economic Development	3,100	14,100	4,000	10,100
Conservation	16,085	16,085	6,164	9,921
Building Code Board of Appeals	1	1	-	1
Connecticut Housing Partnership Program	1	1	-	1
Historic District	1,250	1,250	399	851
Charter Revision	4,000	4,000	3,878	122
Personnel Policy	1	1	-	1
Total Other Town Commissions	\$ 105,163	116,939	95,226	21,713

(Continued)

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL EXPENSES:				
Elections	\$ 25,060	25,060	22,777	2,283
Social Security	110,905	110,905	108,094	2,811
Unemployment Compensation	9,424	9,424	7,541	1,883
Employee Retirement Plan	130,098	130,098	106,633	23,465
Insurance	107,911	107,911	93,595	14,316
Insurance-Payroll Related	426,362	426,362	309,163	117,199
Employee Payroll Deductions	1	1	-	1
Special Acts and Ordinances	650	1,912	1,510	402
Tree Warden	17,800	17,825	17,825	-
Employee Assistance Program	506	506	505	1
Drug and Alcohol Test	2,900	2,900	1,359	1,541
Town Hall Expenses	39,000	60,585	59,755	830
Town Hall Furniture	75,000	58,602	56,576	2,026
Town Hall Move/Rent	30,000	46,398	46,398	-
Municipal Heating Fuel	33,000	33,000	24,528	8,472
Municipal Custodial Services	23,740	35,740	35,593	147
Skating Pond Repairs	-	42,367	15,888	26,479
Total General Expenses	<u>1,032,357</u>	<u>1,109,596</u>	<u>907,740</u>	<u>201,856</u>
PUBLIC WORKS:				
Street Lights	45,000	45,000	41,043	3,957
Capital Equipment	82,000	68,214	65,431	2,783
Regular Maintenance	545,736	545,736	544,907	829
Snow Removal	133,000	133,000	95,256	37,744
Catch Basin Cleaning	22,000	22,000	21,785	215
Chip Sealing	175,000	175,000	166,032	8,968
Contracted Services	5,000	5,000	5,000	-
Maiden Lane Drainage	11,080	11,080	8,703	2,377
Maple Avenue Drainage	22,795	22,795	114	22,681
Tri-Mountain/Pent Road Drainage	13,000	11,297	86	11,211
Shunpike Road	-	135	135	-
Millbrook/Foothill Road Culvert	-	1,568	1,568	-
Total Public Works	<u>\$ 1,054,611</u>	<u>1,040,825</u>	<u>950,060</u>	<u>90,765</u>

(Continued)

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED

For the Year Ended June 30, 2007

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY:				
Emergency Management	\$ 11,500	28,584	28,254	330
Crossing Guard	5,130	5,130	5,130	-
Dog Damage	1	1	-	1
Animal Control Expenses	14,750	14,750	5,662	9,088
Animal Control Salary	15,600	15,600	15,600	-
Volunteer Fire Company	50,000	50,436	50,436	-
Fire Company Trustees	28,020	30,693	26,451	4,242
Volunteer Ambulance Company	29,696	29,696	25,484	4,212
Public Safety Records Management	34,140	34,140	33,006	1,134
Public Safety Communications	17,555	17,555	17,062	493
Fire Marsal	17,912	17,912	17,711	201
Valley Shore Communications	65,871	65,871	65,871	-
Fire Pond	6,000	6,000	3,582	2,418
LEPC	800	800	-	800
Resident State Trooper	185,400	211,400	207,981	3,419
Towing Abandoned Vehicles	250	250	138	112
Public Safety	2,700	2,700	400	2,300
Burning Permits	1,000	1,000	1,000	-
51 Main Street	-	12,787	12,786	1
Total Public Safety	486,325	545,305	516,554	28,751
HEALTH AND WELFARE:				
Human Services Salary	44,887	44,887	44,806	81
Visiting Nurse	3,270	3,270	557	2,713
Mental Health Clinic	3,690	3,690	3,690	-
Social Services Department	480	480	371	109
Red Cross Senior Transportation	16,609	16,609	16,609	-
Community Renewal Team	2,000	2,000	2,000	-
Rushford Center	1,500	1,500	1,500	-
Middlesex County Substance Abuse Action	500	500	500	-
Regional Training Camp	2,498	2,498	2,497	1
Vital Statistics	200	200	140	60
Kuhn Employment Opportunities	675	675	675	-
Durham 60+ Club	600	600	600	-
Community Renewal Operations	3,500	3,500	3,500	-
Community Health Center	1,000	1,000	1,000	-
Youth Services	35,400	35,400	35,400	-
Eddy Center	1,323	1,323	1,323	-
Greater Middletown Counseling Center	1,526	1,526	1,526	-
Women and Families Center	250	250	250	-
Middlesex Area Transportation	13,631	13,631	13,631	-
Regional Mental Health Board	344	344	344	-
Durham/Middlefield Senior/Disabled Bus	12,000	14,856	14,856	-
Durham Senior Citizens Board	31,715	28,859	24,654	4,205
Total Health and Welfare	\$ 177,598	177,598	170,429	7,169

(Continued)

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED

For the Year Ended June 30, 2007

	Original <u>Budget</u>	Revised <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
LIBRARY:				
Library	\$ 420,490	434,594	434,548	46
Total Library	<u>420,490</u>	<u>434,594</u>	<u>434,548</u>	<u>46</u>
RECREATION:				
Recreation	101,811	104,511	104,146	365
Total Recreation	<u>101,811</u>	<u>104,511</u>	<u>104,146</u>	<u>365</u>
MISCELLANEOUS:				
Durham Cemetery Company	4,000	4,000	4,000	-
Tax refunds	1	82,164	82,164	-
Contingency	95,000	850	-	850
Fire and Ambulance Tax Rebates	1	1	-	1
Seniors Tax Abatement	1	1	-	1
Total Miscellaneous	<u>99,003</u>	<u>87,016</u>	<u>86,164</u>	<u>852</u>
RESERVE FUNDS:				
Transfer to the Reserve Fund	277,000	277,000	277,000	-
DEBT SERVICE:				
Open Space-General Obligation Bonds	375,550	375,550	375,550	-
ENVIRONMENTAL SERVICES:				
DMIAAB	362,931	362,931	362,931	-
Landfill Water Systems	4,100	4,100	4,100	-
Household Hazardous Waste	3,700	4,186	4,186	-
Town Hall Oil Tank/Land Monitoring	9,000	9,000	-	9,000
Total Environmental Services	<u>379,731</u>	<u>380,217</u>	<u>371,217</u>	<u>9,000</u>
EDUCATION	<u>18,577,710</u>	<u>18,577,710</u>	<u>18,577,710</u>	<u>-</u>
Total Expenditures	<u>\$ 24,128,138</u>	<u>24,346,120</u>	<u>23,956,054</u>	<u>390,066</u>

(Continued)

TOWN OF DURHAM, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Total Expenditures-Carried Forward	<u>\$ 24,128,138</u>	<u>24,346,120</u>	23,956,054	<u>390,066</u>
Budgetary Expenditures are Different Than GAAP Expenditures Because:				
Accrued payroll is not budgeted. This amount reflects the change in accrued payroll.			3,646	
Total Expenditures and Other Financing Uses on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Exhibit IV			<u>23,959,700</u>	

SUPPLEMENTAL SCHEDULES

TOWN OF DURHAM, CONNECTICUT
 SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
 FOR THE YEAR ENDED JUNE 30, 2007

Grand List Year	Uncollected Taxes July 1, 2006 and Current Levy	Lawful Corrections		Transfers To Suspense	Acquired by Foreclosure	Adjusted Taxes Collectable	Actual Cash Collections		Refunds Issued	Uncollected Taxes June 30, 2007
		Additions	Deductions				Interest	Lien and Other Fees		
2005	\$ 19,504,788	11,764	178,608	-	2,615	19,335,329	19,134,559	74,534	569	19,209,662
2004	293,966	2,944	7,825	7,514	1,974	279,597	233,249	44,255	1,604	279,108
2003	63,922	14	1,918	8,463	1,821	52,061	49,327	17,440	467	67,234
2002	35,882	-	896	3,801	1,740	29,534	19,047	12,234	193	31,474
2001	23,957	-	113	4,741	1,657	17,693	16,835	10,504	192	27,531
2000	13,328	-	-	2,645	1,543	9,128	6,296	5,623	85	12,004
1999	8,352	-	-	439	457	7,700	7,107	7,674	72	14,853
1998	6,226	-	-	374	433	5,489	4,856	6,133	48	11,037
1997	4,638	-	-	418	406	4,066	3,421	1,159	48	4,628
1996	1,164	-	70	441	404	249	143	240	24	407
1995	446	-	-	-	286	162	56	100	24	180
1994	547	-	-	227	278	43	43	85	24	152
1993	291	-	-	291	-	-	-	-	-	-
1992	-	-	-	-	-	-	-	-	-	-
1991	-	-	-	-	-	-	-	-	-	-
1990	-	-	-	-	-	33	-	84	-	117
	\$ 19,957,507	14,722	189,430	29,179	13,626	19,741,084	19,474,972	180,065	3,350	19,658,387
									82,517	348,629

TOWN OF DURHAM, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2007

	Special Revenue					
	Dog Fund	Library Fund	Library Development Fund	Gazebo on the Green	Town Clerk Record Preservation	Total Special Revenue
ASSETS						
Cash and cash equivalents	\$ -	40,274	37,283	1,369	7,687	86,613
Due from other funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total Assets	\$ -	40,274	37,283	1,369	7,687	86,613
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund Balance (Deficit):						
Reserved for continued appropriations	-	-	37,283	1,369	7,687	46,339
Reserved for Trust purposes	-	-	-	-	-	-
Unreserved and undesignated	-	40,274	-	-	-	40,274
Total Fund Balance (Deficit)	-	40,274	37,283	1,369	7,687	86,613
Total Liabilities and Fund Balance (Deficit)	\$ -	40,274	37,283	1,369	7,687	86,613

(Continued)

TOWN OF DURHAM, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET, CONTINUED

June 30, 2007

	Permanent				Total Nonmajor Governmental Funds
	Library Trust	Town Trust	Mary Weber	Total Permanent	Interrfund Eliminations
ASSETS					
Cash and cash equivalents	\$ 24,320	-	33,106	57,426	-
Due from other funds	-	4,196	-	4,196	-
Other receivables	-	-	-	-	-
Total Assets	\$ 24,320	4,196	33,106	61,622	-
					148,235
					4,196
					-
					148,235
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Due to other funds	-	-	11,700	11,700	-
Deferred revenue	-	-	-	-	-
Total Liabilities	-	-	11,700	11,700	-
Fund Balance (Deficit):					
Reserved for continued appropriations	-	-	-	-	-
Reserved for Trust purposes	24,320	4,196	21,406	49,922	-
Unreserved and undesignated	-	-	-	-	-
Total Fund Balance (Deficit)	24,320	4,196	21,406	49,922	-
Total Liabilities and Fund Balance (Deficit)	\$ 24,320	4,196	33,106	61,622	-
					148,235

TOWN OF DURHAM, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2007

	Special Revenue						
	Dog Fund	Library Fund	Library Development Fund	Gazebo on the Green	Town Clerk Record Preservation	Total Special Revenue	
REVENUES:							
Intergovernmental	-	1,527	-	-	-	1,527	
Fees, permits and other	514	20,793	-	-	3,722	25,029	
Investment income	-	3,819	-	18	42	3,879	
Total Revenues	514	26,139	-	18	3,764	30,435	
EXPENDITURES:							
Current:							
General government	-	-	-	-	2,303	2,303	
Public safety	-	-	-	-	-	-	
Library	-	24,102	-	-	-	24,102	
Total Expenditures	-	24,102	-	-	2,303	26,405	
Excess of Revenues Over (Under) Expenditures	514	2,037	-	18	1,461	4,030	
Other Financing Sources (Uses):							
Operating transfers in	-	-	-	-	-	-	
Operating transfers out	-	-	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	-	-	-	-	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	514	2,037	-	18	1,461	4,030	
Fund Balance, June 30, 2006	(514)	38,237	37,283	1,351	6,226	82,583	
Fund Balance, June 30, 2007	-	40,274	37,283	1,369	7,687	86,613	

(Continued)

TOWN OF DURHAM, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED

For the Year Ended June 30, 2007

	Permanent				
	Library Trust	Town Trust	Mary Weber	Total Permanent	Total Nonmajor Governmental Funds
REVENUES:					
Intergovernmental	-	-	-	-	1,527
Fees, permits and other	910	-	1,000	1,910	26,939
Investment income	572	-	449	1,021	4,900
Total Revenues	<u>1,482</u>	<u>-</u>	<u>1,449</u>	<u>2,931</u>	<u>33,366</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	2,303
Public safety	-	-	478	478	478
Library	-	-	-	-	24,102
Total Expenditures	<u>-</u>	<u>-</u>	<u>478</u>	<u>478</u>	<u>26,883</u>
Excess of Revenues Over (Under) Expenditures	1,482	-	971	2,453	6,483
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,482	-	971	2,453	6,483
Fund Balance, June 30, 2006	22,838	4,196	20,435	47,469	130,052
Fund Balance, June 30, 2007	<u>\$ 24,320</u>	<u>4,196</u>	<u>21,406</u>	<u>49,922</u>	<u>136,535</u>

TOWN OF DURHAM, CONNECTICUT
Special Revenue Fund-Reserve Fund For Capital And Nonrecurring Expenditures
Schedule of Changes in Fund Balance
For The Year Ended June 30, 2007

	<u>Fund Balance June 30, 2006</u>	<u>Transfers In From Other Funds</u>	<u>Fund Balance Designations</u>	<u>Interest And Other Income</u>	<u>Expenditures and Transfers Out</u>	<u>Fund Balance June 30, 2007</u>
RESERVED:						
Fire equipment	\$ 673,980	-	150,000	-	-	823,980
Fire department storage building	25,000	-	-	-	(2,673)	22,327
Ambulance	103,865	-	10,000	-	-	113,865
Conservation/open space	4,967	-	5,000	-	-	9,967
Building maintenance	-	-	25,000	-	(13,295)	11,705
Radio communications	1,562	-	-	-	-	1,562
Town garage	-	-	-	-	-	-
Senior van	2,700	-	-	-	-	2,700
Building/Fire trustees	44,539	-	25,000	-	-	69,539
Community/Senior Center	245,000	-	25,000	-	-	270,000
Revaluation	48,875	-	-	-	-	48,875
Cemetery stone repairs	10,000	-	5,000	-	-	15,000
Elections machines	24,492	-	-	-	-	24,492
Highway projects	-	-	-	-	-	-
Demutualization proceeds	1,195	-	-	-	-	1,195
Town green repair	4,500	-	-	-	-	4,500
Emergency services facility	-	-	50,000	-	(11,400)	38,600
Library oil tank	-	-	25,000	-	-	25,000
Allyn Brook improvements	-	-	5,000	-	-	5,000
Scott air packs	-	-	12,000	-	-	12,000
TOTAL RESERVED FUND BALANCE	<u>1,190,675</u>	<u>-</u>	<u>337,000</u>	<u>-</u>	<u>(27,368)</u>	<u>1,500,307</u>
UNRESERVED AND UNDESIGNATED	114,655	277,000	(337,000)	86,877	-	141,532
TOTAL FUND BALANCE	<u>\$ 1,305,330</u>	<u>277,000</u>	<u>-</u>	<u>86,877</u>	<u>(27,368)</u>	<u>1,641,839</u>

TOWN OF DURHAM, CONNECTICUT

PENSION TRUST FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

	<u>Defined Benefit Pension Plan</u>	<u>Money Accumulation Plan</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	-	-
Investments	366,816	1,152,285	1,519,101
Receivables	-	2,923	2,923
Total Assets	<u>366,816</u>	<u>1,155,208</u>	<u>1,522,024</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	-	-	-
Due to employees and others	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits	366,816	1,155,208	1,522,024
Total Net Assets	<u>\$ 366,816</u>	<u>1,155,208</u>	<u>1,522,024</u>

TOWN OF DURHAM, CONNECTICUT

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

For the Year Ended June 30, 2007

	<u>Defined Benefit Plan</u>	<u>Money Accumulation Plan</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 51,994	45,750	97,744
Employee	9,109	20,508	29,617
Total contributions	<u>61,103</u>	<u>66,258</u>	<u>127,361</u>
Investment income (loss)	44,902	127,370	172,272
Total additions	<u>106,005</u>	<u>193,628</u>	<u>299,633</u>
Deductions:			
Benefits	51,986	107,724	159,710
Administration	-	-	-
Total deductions	<u>51,986</u>	<u>107,724</u>	<u>159,710</u>
Net increase (decrease)	54,019	85,904	139,923
Net assets held in trust for pension benefits, June 30, 2006	312,797	1,069,304	1,382,101
Net assets held in trust for pension benefits, June 30, 2007	<u>\$ 366,816</u>	<u>1,155,208</u>	<u>1,522,024</u>

**TOWN OF DURHAM, CONNECTICUT
AGENCY FUND
BALANCE SHEET
June 30, 2007**

	<u>Agency Fund</u> <u>Performance Bond Fund</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 265,929	265,929
Total Assets	<u>\$ 265,929</u>	<u>265,929</u>
<u>LIABILITIES</u>		
Liabilities:		
Due to others	\$ 265,929	265,929
Total Liabilities	<u>\$ 265,929</u>	<u>265,929</u>

TOWN OF DURHAM, CONNECTICUT
Statement of Changes in Assets and Liabilities-Agency Fund
For the Year Ended June 30, 2007

	<u>Performance Bond Fund</u>			
	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS				
Cash	\$ 240,686	60,498	35,255	265,929
Total Assets	<u>\$ 240,686</u>	<u>60,498</u>	<u>35,255</u>	<u>265,929</u>
LIABILITIES				
Due to others	\$ 240,686	60,498	35,255	265,929
Total Liabilities	<u>\$ 240,686</u>	<u>60,498</u>	<u>35,255</u>	<u>265,929</u>

TOWN OF DURHAM, CONNECTICUT
Statement of Debt Limitation
June 30, 2006

Total Current Year Tax Collections,
Including Interest and Lien Fees \$ 19,658,387

Reimbursement For Revenue Loss On:
Tax Relief For the Elderly 814

Tax Base \$ 19,659,201

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 44,233,202				
4-1/2 times base		88,466,405			
3-3/4 times base			73,722,004		
3-1/4 times base				63,892,403	
3 times base					58,977,603
Total Debt Limitation	<u>44,233,202</u>	<u>88,466,405</u>	<u>73,722,004</u>	<u>63,892,403</u>	<u>58,977,603</u>
Indebtedness:					
Town Share of Regional School District Number 13 Bonded Indebtedness		10,734,111			
Capital lease obligations payable	28,095				
Total Indebtedness	<u>28,095</u>	<u>10,734,111</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 44,205,107</u>	<u>77,732,294</u>	<u>73,722,004</u>	<u>63,892,403</u>	<u>58,977,603</u>

Total Capacity For Borrowing (7 Times Base) \$ 137,614,407

Total Present Indebtedness 10,762,206

Margin For Additional Borrowing \$ 126,852,201

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

ALBERT J. RUSILOWICZ
CERTIFIED PUBLIC ACCOUNTANT
8 WOLF HOLLOW LANE
KILLINGWORTH, CONNECTICUT 06419
(860) 663-2411

**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 Members of the Board of Finance of the
Town of Durham, Connecticut:

I have audited the 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, as of and for the year ended June 30, 2007, which collectively comprise the Town of Durham, Connecticut's basic financial statements and have issued my report thereon dated November 7, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Durham, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Durham, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Durham, Connecticut's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs, item number MWV-2007-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Durham, Connecticut's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency referenced above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Durham, Connecticut's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I have reported to management of the Town of Durham, Connecticut, in a separate letter dated November 7, 2007.

This report is intended solely for the information and use of management, the members of the Board of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long horizontal stroke at the end.

Albert J. Rusilowicz, CPA, LLC
Killingworth, Connecticut
November 7, 2007

**REPORT AND SCHEDULES REQUIRED
BY OMB CIRCULAR A-133**

ALBERT J. RUSILOWICZ
CERTIFIED PUBLIC ACCOUNTANT
8 WOLF HOLLOW LANE
KILLINGWORTH, CONNECTICUT 06419
(860) 663-2411

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

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

Compliance

I have audited the compliance of the Town of Durham, Connecticut with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2007. The Town of Durham, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Durham, Connecticut's management. My responsibility is to express an opinion on the Town of Durham, Connecticut's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Durham, Connecticut's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Durham, Connecticut's compliance with those requirements.

In my opinion, the Town of Durham, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

(Continued)

Internal Control Over Compliance

The management of the Town of Durham, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Durham, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Durham, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
November 7, 2007

TOWN OF DURHAM, CONNECTICUT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Pass-through Programs:			
U.S. Department of Housing and Urban Development:			
Passed through the State of Connecticut Department of Economic and Community Development			
Community Development Block Grant-Small Cities Program	14.219	SC0403801	\$ 631,368
Total U.S. Department of Housing and Urban Development			<u>631,368</u>
Total Expenditures of Federal Awards			<u>\$ 631,368</u>

TOWN OF DURHAM, CONNECTICUT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2007

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Durham, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in his schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

TOWN OF DURHAM, CONNECTICUT

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2007

Section II- Financial Statement Audit

Significant Deficiencies Considered to be Material Weaknesses:

Finding MW-2007-1: Grand List/Rate Book Reconciliation

Condition: During fiscal year ended June 30, 2006, the Town of Durham implemented a new software package for processing all tax related activity in the Assessors' office and the Tax Collectors' office. The first integrated processing of grand list/assessment and tax billing occurred in the spring of 2006 for the tax bills due July 1, 2006. Internal control systems were not established to ensure that assessment amounts per the Assessors' office agreed to assessment amounts as used by the Board of Finance for purposes of establishing a mil rate or assessment amounts as used to generate the tax bills. The assessment amounts were not reconciled and did not reconcile to one another.

Proper internal controls should be in place that provide reasonable assurance that the assessments as used to establish the mil rate are correct and that the assessments as used to generate the tax bills are correct.

Recommendation: Procedures must be implemented to ensure that timely reconciliations are performed between the grand list and the rate book and that all taxes as assessed are billed.

Section III- Findings and Questioned Costs- Major Federal Awards Programs

None

TOWN OF DURHAM, CONNECTICUT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2007

Status of Prior Year Findings:

All prior year audit findings have been adequately addressed and resolved.

**REPORT AND SCHEDULES REQUIRED
BY THE STATE OF CONNECTICUT
SINGLE AUDIT ACT**

ALBERT J. RUSILOWICZ
CERTIFIED PUBLIC ACCOUNTANT
8 WOLF HOLLOW LANE
KILLINGWORTH, CONNECTICUT 06419
(860) 663-2411

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

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

Compliance

I have audited the compliance of the Town of Durham, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2007. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Durham, Connecticut's management. My responsibility is to express an opinion on compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Durham, Connecticut's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Town of Durham, Connecticut's compliance with those requirements.

In my opinion, the Town of Durham, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Durham, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing my audit, I considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Durham, Connecticut's internal control over compliance.

(Continued)

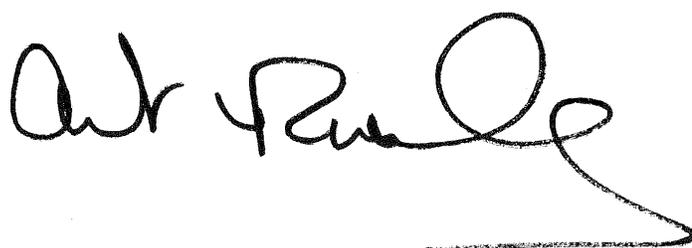
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of Durham, Connecticut's internal control.

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

Schedule of Expenditures of State Financial Assistance

I have audited the 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 as of and for the year ended June 30, 2007, and have issued my report thereon dated November 7, 2007. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Durham, Connecticut's financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long, sweeping tail that extends to the right and then loops back down.

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
November 7, 2007

TOWN OF DURHAM, CONNECTICUT
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2007

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
PILOT-Property Tax Relief For Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	\$ 121,491
Local Capital Improvement Program	12050-OPM20600-40254	54,338
Property Tax Relief For Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	40,555
Property Tax Relief For Veterans	11000-OPM20600-17024	12,641
Property Tax Relief for the Elderly	11000-OPM20600-17011	814
Property Tax Relief	11000-OPM20600-17086	25,831
Total Office of Policy and Management		<u>255,670</u>
Department of Environmental Protection:		
Whites Farm Skating Pond	12052-DEP44420-40519	20,580
Small Town Economic Assistance Program	12052-DEP43720-40531	205,735
Total Department of Environmental Protection		<u>226,315</u>
Department of Transportation:		
Town Aid Road Grant	12001-DOT57131-17036	114,791
Office of the State Comptroller:		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	40,183
Boat Grant	12027-OSC15910-40211	858
Payment In-Lieu of Taxes-State Owned Property	11000-OSC15910-17004	21,778
		<u>62,819</u>
Connecticut State Library:		
Historical Record Preservation Grant	12060-CSL66094-35150	7,000
State Grants to Free Public Libraries	11000-CSL66051-17003	1,527
Total Connecticut State Library		<u>8,527</u>
Department of Education:		
Youth Service Bureau	11000-SDE64370-17052	14,000
Judicial Branch:		
Judicial Restitution	34001-JUD95162-40001	1,590
Department of Emergency and Homeland Security:		
State Homeland Security	12060-EHS99530-21877	17,084
Total State Financial Assistance Before Exempt Programs		<u>700,796</u>
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	3,407,365
Total Exempt Programs		<u>3,407,365</u>
Total State Financial Assistance		<u>\$ 4,108,161</u>

TOWN OF DURHAM, CONNECTICUT

Notes to the Schedule of Expenditures of State Financial Assistance

For the Year Ended June 30, 2007

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Durham, Connecticut 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
- Capital Improvements
- Road Maintenance
- Property Tax Relief
- Youth Services

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Durham, Connecticut conform to generally accepted accounting principles accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the Town of Durham, Connecticut's annual audit report are generally prepared on the accrual basis of accounting. The following is a summary of such basis:

Revenues are normally recognized in the accounting period in which they are earned.

Expenditures are generally recorded when goods or services are received and actual liabilities are incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), 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

**State Financial Assistance Programs
Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2007

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes no

(Continued)

TOWN OF DURHAM, CONNECTICUT

**State Financial Assistance Programs
Schedule of Findings and Questioned Costs, Continued**

For the Year Ended June 30, 2007

I. Summary of Audit Results, Continued

State Financial Assistance, Continued

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

State Grantor, Pass-Through Grantor, Program Title	State Grant Program Core-CT Number	Expenditures
Department of Environmental Protection: Small Town Economic Assistance Program	12052-DEP43720-40531	\$ 205,735
Office of Policy and Management: Property Tax Relief For Manufacturing Machinery and Equipment	11000-OPM20600-17031	\$ 121,491
Department of Transportation: Town Aid Road Grant	12001-DOT57131-17036	\$ 114,791

II. Summary of Findings Related to Financial Statements Required Under Generally Accepted Government Auditing Standards

- I have issued my reports dated November 7, 2007 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*.
- My report on compliance and other matters indicated no reportable instances of noncompliance.
- My report on internal control over financial reporting identified 1 significant deficiency which was also considered to be a material weakness. This significant deficiency is described in the accompanying schedule of findings and questioned costs as item MW-2007-1.

III. Findings and Questioned Costs for State Financial Assistance

No findings or questioned costs are reported relating to State financial assistance programs.

TOWN OF DURHAM, CONNECTICUT
Summary Schedule of Prior Audit Findings
State Financial Assistance

For the Year Ended June 30, 2007

Status of Prior Year Findings:

All prior year audit findings have been adequately addressed and resolved.