

**TOWN OF DURHAM, CONNECTICUT
FINANCIAL REPORT
JUNE 30, 2019**

**TOWN OF DURHAM, CONNECTICUT
FINANCIAL REPORT**

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SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 10, the budgetary comparison information on pages 53 to 58, the retirement system schedules on pages 59 - 61 and the other post-employment benefits (OPEB) schedule on pages 62 - 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
November 12, 2019

TOWN OF DURHAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

This discussion and analysis of the Town of Durham, Connecticut's (the "Town") financial performance is provided by management as an overview of the Town's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- On a government-wide basis, the assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$46,405,458. Of this amount, \$7,658,959 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,437,014 an increase of \$727,615 in comparison with the prior year. Approximately 56% of this amount (\$4,668,838) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, assigned fund balance for the General Fund was \$843,610 which was for carryover to the subsequent budget year. Unassigned fund balance for the General Fund was \$4,695,550 or approximately 15% of total general fund expenditures and transfers out.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The Town maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Reserve Fund for Capital and Nonrecurring Expenditures and State and Federal Grants which are considered to be major funds. Data from ten other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements on pages 64-67.

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

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

Enterprise funds - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in Enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. The Town's enterprise fund (the component of Enterprise 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 Enterprise funds.

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

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

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

Notes to the Financial Statements - The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found on pages 59-63 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and other schedules are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and other schedules can be found on pages 64-67 of this report.

Government-wide Financial Analysis

The table below provides a summary of the Town's net position for 2018 and 2019.

Town of Durham's Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Assets						
Current and other assets	\$ 8,649,639	\$ 12,077,810	\$ 36,942	\$ 39,708	\$ 8,686,581	\$ 12,117,518
Capital assets	37,564,303	37,386,600	1,346,618	1,328,371	38,910,921	38,714,971
Total assets	<u>46,213,942</u>	<u>49,464,410</u>	<u>1,383,560</u>	<u>1,368,079</u>	<u>47,597,502</u>	<u>50,832,489</u>
Deferred Outflow s of Resources	418,024	294,191	-	-	418,024	294,191
Liabilities						
Current liabilities	236,561	2,998,270	6,588	4,031	243,149	3,002,301
Long-term liabilities:						
Due w ithin one year	32,665	32,953	-	-	32,665	32,953
Due in more than one year	1,404,870	1,287,778	-	-	1,404,870	1,287,778
Total liabilities	<u>1,674,096</u>	<u>4,319,001</u>	<u>6,588</u>	<u>4,031</u>	<u>1,680,684</u>	<u>4,323,032</u>
Deferred Inflow s of Resources	<u>465,563</u>	<u>398,190</u>	<u>-</u>	<u>-</u>	<u>465,563</u>	<u>398,190</u>
Net Position						
Net investment in capital						
assets	37,564,303	37,386,600	1,346,618	1,328,371	38,910,921	38,714,971
Restricted	31,528	31,528	-	-	31,528	31,528
Unrestricted	6,896,476	7,623,282	30,354	35,677	6,926,830	7,658,959
Total net position	<u>\$ 44,492,307</u>	<u>\$ 45,041,410</u>	<u>\$ 1,376,972</u>	<u>\$ 1,364,048</u>	<u>\$ 45,869,279</u>	<u>\$ 46,405,458</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46,405,458. At year-end, net position was \$45,041,410 and \$1,364,048 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the Town's net position. At year-end, capital assets represented 76.16% of total assets for governmental activities. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure.

The table below shows the change in net position between fiscal 2018 and 2019.

Town of Durham's Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2019	Change	2018	2019	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 363,301	\$ 451,096	\$ 87,795	\$ 57,237	\$ 55,737	(\$ 1,500)
Operating grants and contributions	4,344,206	4,949,716	605,510	-	-	-
Capital grants and contributions	60,615	244,198	183,583	-	-	-
General revenues:						
Property taxes	26,296,877	26,093,156	(203,721)	-	-	-
Grants and contributions not restricted to specific purposes	54,867	24,734	(30,133)	-	-	-
Unrestricted investment earnings	49,811	133,939	84,128	2	4	2
Total revenues	<u>31,169,677</u>	<u>31,896,839</u>	<u>727,162</u>	<u>57,239</u>	<u>55,741</u>	<u>(1,498)</u>
Program expenses:						
General government	2,760,758	2,762,347	1,589	-	-	-
Public safety	862,261	837,060	(25,201)	-	-	-
Public works	2,306,669	2,276,545	(30,124)	-	-	-
Health and welfare	138,194	143,924	5,730	-	-	-
Recreation	715,023	944,068	229,045	-	-	-
Education	23,504,194	23,333,958	(170,236)	-	-	-
Library	608,379	624,345	15,966	-	-	-
Environmental services	328,553	267,175	(61,378)	-	-	-
Capital outlay	136,496	158,314	21,818	-	-	-
Water services and operations	-	-	-	67,075	68,665	1,590
Total program expenses	<u>31,360,527</u>	<u>31,347,736</u>	<u>(12,791)</u>	<u>67,075</u>	<u>68,665</u>	<u>1,590</u>
Change in net position	<u>(\$ 190,850)</u>	<u>\$ 549,103</u>	<u>\$ 739,953</u>	<u>(\$ 9,836)</u>	<u>(\$ 12,924)</u>	<u>(\$ 3,088)</u>

Governmental Activities

Governmental activities net position increased in 2019. The main reasons for the increase in net position of the Town is the increase in operating and capital grant revenue and decrease in education expenses.

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

	Year Ended June 30, 2018		Year Ended June 30, 2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Education	\$ 23,504,194	\$ 20,116,262	\$ 23,333,958	\$ 19,876,755
General government	2,760,758	2,506,701	2,762,347	2,406,856
Public works	2,306,669	1,844,864	2,276,545	1,409,466
Public safety	862,261	808,055	837,060	762,343
Culture & recreation	715,023	175,156	944,068	112,855
All others	1,211,622	1,141,367	1,193,758	1,134,451
	<u>\$ 31,360,527</u>	<u>\$ 26,592,405</u>	<u>\$ 31,347,736</u>	<u>\$ 25,702,726</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, 2019, the water company reported program revenues of \$55,737 interest income of \$4, and expenses of \$68,665. This program ended fiscal 2019 with an operating loss of \$12,928. The operating loss is due to depreciation expenses applied to the water company's capital assets for the year.

Financial Analysis of Governmental Funds

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

As June 30, 2019, the Town's governmental funds reported combined fund balances of \$8,437,014, an increase of \$727,615 in comparison with the prior year. The most significant reason for the increase, is an increase in the number of major projects not completed by year end and therefore the expenditures will occur in the next fiscal year. The total fund balance amount is broken down as follows: \$34,028 is non-spendable, \$254,140 is restricted by governmental grants or other legal restrictions, \$2,540,790 is committed to various capital projects, \$939,218 is assigned and \$4,668,838 is unassigned.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was \$5,541,660. Approximately 84.7% of this amount (\$4,695,550) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is either non-spendable or assigned to indicate that it is 1) not in a spendable form (\$2,500), or 2) assigned for a particular purpose (\$843,610).

At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,695,550 while total fund balance increased to \$5,541,660. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 15.2%, while total fund balance represents approximately 17.9%.

The fund balance of the Town's general fund increased by \$1,152,281 during the current fiscal year. The increase was primarily due to ongoing capital projects, and state and federal grants that will be completed in the next fiscal year.

The reserve fund for capital and nonrecurring expenditures, a major fund, had an \$387,478 decrease in fund balance during the current fiscal year mainly due to timing of capital projects.

The state and federal grants, a major fund, had a decrease of \$31,571 in fund balance during the current fiscal year.

Enterprise Funds

Net position of the Town's Enterprise fund decreased \$12,924 attributable mainly to depreciation. The Town's Enterprise fund is the Water Company.

General Fund budgetary highlights

Original budget compared to final budget

Additional appropriations to the general fund approved during the year totaled \$1,596,348 including \$1,202,425 in transfers in from reserve, \$393,923 in carryover from the prior fiscal year budget. There was a need to make an amendment to reallocate appropriations among departments. Generally, the movement of the appropriations was not significant.

Final budget compared to actual results

General property taxes - property tax revenue was \$280,481 less than budgeted. This was primarily due to adjustments made to assessments during the year. Intergovernmental revenues were \$680,838 more than budgeted primarily due to additional funds received from the State for the municipal stabilization grant and educational cost sharing in the current year. Local revenues were \$161,331 higher than budgeted, primarily due to increased conveyance tax, interest earnings and insurance claim reimbursements which offset the Town's expenses.

Many Town departments maintained spending within the budgetary limits. Overall, expenditures were \$982,433 under budget. Public works expenditures were under budget by \$43,838, public safety was under budget by \$24,145 and capital project expenditures were under budget by \$800,823. At a Town Meeting on October 7, 2019 it was voted to re-appropriate \$843,610 of the \$982,433 for fiscal year 2019-2020.

The Town's General Fund balance of \$5,541,660 reported on page 13 differed from the General Fund's budgetary fund balance. The nature of the difference is primarily attributable to accrued payroll that is not recognized for budgetary purposes and the use of fund balance to subsidize the operating budget is not recognized for GAAP purposes.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2019, the Town had a net balance of \$38,714,971 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, roads, bridges, and a water system. This represents a net decrease (including additions and deductions) of \$195,950 or approximately 0.5% from the prior year. The decrease is due primarily due to depreciation of capital assets. Additions during the year included public works vehicles and communications equipment. Disposals during the year included public works vehicles and equipment.

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 5,369,819	\$ 5,369,819	\$ -	\$ -	\$ 5,369,819	\$ 5,369,819
Work in Progress	-	576,171	-	-	-	576,171
Buildings & Improvements	2,961,428	2,828,181	-	-	2,961,428	2,828,181
Equipment & Furnishings	2,244,491	2,238,005	-	-	2,244,491	2,238,005
Land Improvements	117,602	220,232	-	-	117,602	220,232
Infrastructure	26,870,963	26,154,192	-	-	26,870,963	26,154,192
Water system	-	-	1,346,618	1,328,371	1,346,618	1,328,371
	<u>\$ 37,564,303</u>	<u>\$ 37,386,600</u>	<u>\$ 1,346,618</u>	<u>\$ 1,328,371</u>	<u>\$ 38,910,921</u>	<u>\$ 38,714,971</u>

Long-term debt

The Town had the following long-term obligations outstanding as of 2018 and 2019:

Governmental Activities

	2018	2019
Capital lease obligations	\$ 74,393	\$ 41,728
Net pension liability	1,090,926	1,006,243
Compensated absences	206,668	199,086
Net OPEB liability	65,548	73,674
	<u>\$ 1,437,535</u>	<u>\$ 1,320,731</u>

Economic Factors and Next Year's Budgets and Rates

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

The fiscal year 2020 budget of \$30,452,663 had an increase of \$323,330 or 4.6% on the Town side and a decrease of \$214,667 or 0.9% for Regional School District No. 13. The mill rate was decreased from 36.50 for real estate, personal property and motor vehicle to 35.89.

Requests for Information

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,112,319	\$ 36,756	\$ 11,149,075
Investments	136,797	-	136,797
Property taxes, interest and liens receivable, net	727,297	-	727,297
Other receivables	58,970	11,351	70,321
Internal balances	8,399	(8,399)	-
Prepaid items	2,500	-	2,500
Permanently restricted cash	31,528	-	31,528
Capital assets:			
Capital assets, not being depreciated	5,945,990	-	5,945,990
Capital assets	54,597,518	1,620,324	56,217,842
Less: Accumulated depreciation	(23,156,908)	(291,953)	(23,448,861)
Total capital assets	37,386,600	1,328,371	38,714,971
 Total assets	49,464,410	1,368,079	50,832,489
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges related to pension	293,466	-	293,466
Deferred charges related to OPEB	725	-	725
 Total deferred outflows of resources	294,191	-	294,191
LIABILITIES			
Accounts payable and accrued expenses	514,316	4,031	518,347
Unearned revenue	2,483,954	-	2,483,954
Long-term liabilities:			
Due within one year:			
Capital leases	32,953	-	32,953
Due in more than one year:			
Capital leases	8,775	-	8,775
Net pension liability	1,006,243	-	1,006,243
Other post-employment benefits liability	73,674	-	73,674
Compensated absences	199,086	-	199,086
 Total liabilities	4,319,001	4,031	4,323,032
DEFERRED INFLOWS OF RESOURCES			
Advance collection of property taxes	24,265	-	24,265
Deferred credits related to pension	370,195	-	370,195
Deferred credits related to OPEB	3,730	-	3,730
 Total deferred inflows of resources	398,190	-	398,190
NET POSITION			
Net investment in capital assets	37,386,600	1,328,371	38,714,971
Restricted for:			
Animal welfare:			
Nonexpendable	31,528	-	31,528
Unrestricted	7,623,282	35,677	7,658,959
 Total net position	\$ 45,041,410	\$ 1,364,048	\$ 46,405,458

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, 2019**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 2,762,347	\$ 312,274	\$ 43,217	\$ -	(\$ 2,406,856)	\$ -	(\$ 2,406,856)
Public safety	837,060	38,351	36,366	-	(762,343)	-	(762,343)
Public works	2,276,545	-	622,881	244,198	(1,409,466)	-	(1,409,466)
Health and welfare	143,924	11,955	300	-	(131,669)	-	(131,669)
Culture and recreation	944,068	78,116	753,097	-	(112,855)	-	(112,855)
Education	23,333,958	-	3,457,203	-	(19,876,755)	-	(19,876,755)
Library	624,345	10,400	36,652	-	(577,293)	-	(577,293)
Environmental services	267,175	-	-	-	(267,175)	-	(267,175)
Capital outlay	158,314	-	-	-	(158,314)	-	(158,314)
Total Governmental Activities	<u>31,347,736</u>	<u>451,096</u>	<u>4,949,716</u>	<u>244,198</u>	<u>(25,702,726)</u>	<u>-</u>	<u>(25,702,726)</u>
Business-Type Activities							
Water	<u>68,665</u>	<u>55,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,928)</u>	<u>(12,928)</u>
Total Business-Type Activities	<u>68,665</u>	<u>55,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,928)</u>	<u>(12,928)</u>
Total Primary Government	<u>\$ 31,416,401</u>	<u>\$ 506,833</u>	<u>\$ 4,949,716</u>	<u>\$ 244,198</u>	<u>(25,702,726)</u>	<u>(12,928)</u>	<u>(25,715,654)</u>
General revenues:							
Property taxes, levied for general purposes					26,093,156	-	26,093,156
Grants and contributions not restricted to specific programs					24,734	-	24,734
Unrestricted investment earnings					133,939	4	133,943
Total general revenues					<u>26,251,829</u>	<u>4</u>	<u>26,251,833</u>
Change in net position					549,103	(12,924)	536,179
Net position, beginning					<u>44,492,307</u>	<u>1,376,972</u>	<u>45,869,279</u>
Net position, ending					<u>\$ 45,041,410</u>	<u>\$ 1,364,048</u>	<u>\$ 46,405,458</u>

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

**TOWN OF DURHAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	State and Federal Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,355,032	\$ 2,596,084	\$ -	\$ 192,731	\$ 11,143,847
Investments	-	-	-	136,797	136,797
Property taxes, interest and liens receivable, net of allowance for doubtful accounts of \$10,000	727,297	-	-	-	727,297
Due from other funds	16,141	-	2,479,190	4,196	2,499,527
Other receivables	58,970	-	-	-	58,970
Prepaid items	2,500	-	-	-	2,500
Total assets	<u>\$ 9,159,940</u>	<u>\$ 2,596,084</u>	<u>\$ 2,479,190</u>	<u>\$ 333,724</u>	<u>\$ 14,568,938</u>
LIABILITIES					
Accounts payable	\$ 453,616	\$ -	\$ 21,948	\$ -	\$ 475,564
Due to other funds	2,483,386	2,563	-	5,179	2,491,128
Accrued expenses	38,752	-	-	-	38,752
Unearned revenue	-	-	2,483,954	-	2,483,954
Total liabilities	<u>2,975,754</u>	<u>2,563</u>	<u>2,505,902</u>	<u>5,179</u>	<u>5,489,398</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	618,261	-	-	-	618,261
Advance collection of property taxes	24,265	-	-	-	24,265
Total deferred inflows of resources	<u>642,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,526</u>
FUND BALANCE					
Nonspendable	2,500	-	-	31,528	34,028
Restricted	-	-	-	254,140	254,140
Committed	-	2,473,438	-	-	2,473,438
Assigned	843,610	120,083	-	42,877	1,006,570
Unassigned	4,695,550	-	(26,712)	-	4,668,838
Total fund balances	<u>5,541,660</u>	<u>2,593,521</u>	<u>(26,712)</u>	<u>328,545</u>	<u>8,437,014</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,159,940</u>	<u>\$ 2,596,084</u>	<u>\$ 2,479,190</u>	<u>\$ 333,724</u>	<u>\$ 14,568,938</u>

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

**TOWN OF DURHAM, CONNECTICUT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balance - governmental funds	\$ 8,437,014
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	37,386,600
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	
Property taxes, interest and liens	618,261
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the governmental funds.	
Capital leases	(41,728)
Net pension liability	(1,006,243)
Total other post-employment benefits liability	(73,674)
Compensated absences	(199,086)
Deferred outflows and inflows of resources resulting from changes in the components of the Town's net pension and total OPEB liabilities are reported in the statement of net position.	<u>(79,734)</u>
Net position of governmental activities	<u>\$ 45,041,410</u>

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

TOWN OF DURHAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	State and Federal Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 26,083,646	\$ -	\$ -	\$ -	\$ 26,083,646
Fees and fines	487,184	-	-	-	487,184
Licenses and permits	-	-	-	3,916	3,916
Intergovernmental	4,269,567	-	884,316	5,400	5,159,283
Investment earnings	65,291	67,352	-	1,296	133,939
Miscellaneous	-	300	-	30,227	30,527
	<u>30,905,688</u>	<u>67,652</u>	<u>884,316</u>	<u>40,839</u>	<u>31,898,495</u>
EXPENDITURES					
Current:					
General government	2,659,247	-	-	2,206	2,661,453
Public safety	606,831	-	526	-	607,357
Public works	1,391,824	-	-	-	1,391,824
Health and welfare	143,924	-	-	-	143,924
Culture and recreation	198,669	-	725,377	17,808	941,854
Education	23,331,445	-	-	2,513	23,333,958
Library	543,390	-	10,143	23,929	577,462
Environmental services	267,175	-	-	-	267,175
Capital Outlay	1,066,032	-	179,841	-	1,245,873
	<u>30,208,537</u>	<u>-</u>	<u>915,887</u>	<u>46,456</u>	<u>31,170,880</u>
Excess (deficiency) of revenues over expenditures	<u>697,151</u>	<u>67,652</u>	<u>(31,571)</u>	<u>(5,617)</u>	<u>727,615</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,202,425	747,295	-	-	1,949,720
Transfers out	<u>(747,295)</u>	<u>(1,202,425)</u>	<u>-</u>	<u>-</u>	<u>(1,949,720)</u>
Total other financing sources (uses)	<u>455,130</u>	<u>(455,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,152,281	(387,478)	(31,571)	(5,617)	727,615
Fund balances, beginning	<u>4,389,379</u>	<u>2,980,999</u>	<u>4,859</u>	<u>334,162</u>	<u>7,709,399</u>
Fund balances, ending	<u>\$ 5,541,660</u>	<u>\$ 2,593,521</u>	<u>(\$ 26,712)</u>	<u>\$ 328,545</u>	<u>\$ 8,437,014</u>

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

**TOWN OF DURHAM, CONNECTICUT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds: \$ 727,615

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,079,371
Depreciation expense	(	1,245,908)
Gain/(loss) on disposals	(	11,166)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as deferred inflows of resources in governmental funds.

Property tax, interest and liens - accrual basis change		9,510
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Payments on capital lease obligations		32,665
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension liability		84,683
Change in total OPEB liability	(	8,126)
Change in compensated absences	(	7,582

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liability are amortized as components of pension and OPEB expense in the statement of activities.		(127,123)
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Change in net position of governmental activities		<u>\$ 549,103</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF DURHAM, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

		<u>Enterprise Fund</u>	
			<u>Water Company</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$	36,756	
Accounts receivable		11,351	
Total current assets		<u>48,107</u>	
Capital assets:			
Utility system		1,620,324	
Less: Accumulated depreciation	(	291,953)	
Total capital assets, net		<u>1,328,371</u>	
Total assets	\$	<u><u>1,376,478</u></u>	
LIABILITIES			
Current liabilities:			
Accounts payable	\$	4,031	
Due to other funds		8,399	
Total current liabilities		<u>12,430</u>	
NET POSITION			
Net investment in capital assets		1,328,371	
Unrestricted		<u>35,677</u>	
Total net position		<u>1,364,048</u>	
Total liabilities and net position	\$	<u><u>1,376,478</u></u>	

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

**TOWN OF DURHAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Enterprise Fund</u>
	<u>Water Company</u>
OPERATING REVENUES	
Charges for services	\$ 55,737
Total operating revenues	55,737
OPERATING EXPENSES	
Utilities	8,736
Repairs and maintenance	5,823
Other supplies and expenses	35,859
Depreciation	18,247
Total operating expenses	68,665
Operating loss	(12,928)
NONOPERATING REVENUES	
Interest	4
Total nonoperating revenue	4
Change in net position	(12,924)
Net position, beginning	1,376,972
Net position, ending	\$ 1,364,048

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

**TOWN OF DURHAM, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Enterprise Fund</u>
	<u>Water Company</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 53,728
Payments to suppliers	<u>(52,975)</u>
Net cash provided by operating activities	<u>753</u>
Cash Flows from Investing Activities	
Interest	<u>4</u>
Net change in cash and cash equivalents	757
Cash and cash equivalents, beginning	<u>35,999</u>
Cash and cash equivalents, ending	<u><u>\$ 36,756</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(\$ 12,928)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	18,247
Increase in accounts receivable	(2,009)
Decrease in accounts payable	<u>(2,557)</u>
Total adjustments	<u>13,681</u>
Net cash provided by operating activities	<u><u>\$ 753</u></u>

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

**TOWN OF DURHAM, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 112,568	\$ 216,913
Accrued interest receivable	6,777	-
Investments	<u>3,270,466</u>	<u>-</u>
Total assets	<u>3,389,811</u>	<u>\$ 216,913</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>\$ 216,913</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 3,389,811</u>	

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

**TOWN OF DURHAM, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 157,050
Plan members	<u>69,345</u>
Total contributions	<u>226,395</u>
Investment return:	
Interest and dividends	69,523
Net increase in fair value of investments	<u>255,017</u>
Total investment return	324,540
Less investment expense	<u>33,653</u>
Net investment return	<u>290,887</u>
Total additions	<u>517,282</u>
DEDUCTIONS	
Benefits	165,494
Administrative expenses	<u>1,885</u>
Total deductions	<u>167,379</u>
Change in net position	349,903
Net position restricted for pensions, beginning	<u>3,039,908</u>
Net position restricted for pensions, ending	<u><u>\$ 3,389,811</u></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, 2019**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

The Town reports the following major governmental funds:

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

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

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

The government reports the following major enterprise fund:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

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

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

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

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

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investment, and government repurchase agreements. At June 30, 2019, the Town's cash equivalents represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut. The pool is rated AAAM by Standard & Poor's.

Investments

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Property Taxes and Other Receivables

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

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

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes, which are deemed to be uncollectible. Accordingly, an allowance for uncollectible property taxes has been established. As of June 30, 2019, the allowance for uncollectible property taxes is \$10,000.

State statutes require that a revaluation be done every five years. The last revaluation completed and enacted was for the list of October 1, 2015.

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

Prepaid Items

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

Capital Assets

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
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Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 with an estimated useful life in excess of one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

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

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

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
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assumptions and differences between projected and actual earnings. A deferred outflow of resources related to OPEB results from changes in assumptions. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension or OPEB plan (active and inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance collection of property taxes in the government-wide statement of net position and in the governmental funds balance sheet. The Town also reports deferred inflows of resources related to pension and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience and changes in assumptions. A deferred inflow of resources related to OPEB results from differences between expected and actual experience and changes in assumptions. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension or OPEB plan (active and inactive employees). Also, for the governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, 2019 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net position liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Net Other Postemployment Benefit (OPEB) Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Town does not currently have funds set aside in an OPEB Trust. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Long-Term Obligations

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
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Net Position/Fund Balance

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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. . . Continued . . .

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

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

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

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

The Town adopted a formal fund balance policy for the General Fund. This policy sets a target range from 5% to 10% overall fund balance when compared to the annual General Fund expenditure budget.

E. Estimates

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

F. Subsequent Events

Management has evaluated subsequent events through November 12, 2019, the date the financial statements were available to be issued.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

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

3. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

The deposit of public funds is controlled by Connecticut General Statutes. Cash equivalents are defined as those liquid investments having original maturities of three months or less. The carrying amount of the Town's deposits with financial institutions at June 30, 2019 was \$11,983,807.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

Deposits and cash on hand	\$ 9,373,490
Cash equivalents:	
State Short-Term Investment Fund (STIF)	2,596,084
Northern Institutional Diversified Assets	14,233
Total cash and cash equivalents	\$ 11,983,807
Book balances	
Governmental funds	\$ 11,143,847
Enterprise funds	36,756
Pension trust fund	112,568
Agency fund	216,913
Total cash and cash equivalents	\$ 11,510,084

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Of the June 30, 2019 bank balance, \$612,568 was covered by Federal Depository Insurance. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. Additionally, the Town has an agreement with its primary financial institution whereby one hundred percent of the Town deposits which exceed the FDIC limits are collateralized with assets segregated from the financial institutions assets at the Federal Reserve Bank and identified as being pledged to the Town. The Town has a deposit policy for custodial risk.

Investments

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
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As of June 30, 2019, the Town's investments consisted of the following:

Mary J. Camp Fund:	
Equity mutual funds	\$ 108,774
Fixed income mutual funds	<u>28,023</u>
Total	<u>\$ 136,797</u>
Pension Trust Fund:	
U.S. Treasury notes	\$ 491,316
Corporate bonds	490,223
Common stocks	<u>2,288,927</u>
Total	<u>\$ 3,270,466</u>

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10
U.S. Treasury notes	\$ 491,316	\$ 24,894	\$ 246,817	\$ 219,605
Corporate bonds	<u>490,223</u>	<u>68,374</u>	<u>246,642</u>	<u>175,207</u>
	981,539	<u>\$ 93,268</u>	<u>\$ 493,459</u>	<u>\$ 394,812</u>
Common stocks **	2,288,927			
Mutual funds **	<u>136,797</u>			
	<u>\$ 3,407,263</u>			

** Equity securities and mutual funds do not mature.

Interest Rate Risk - The Town has a formal investment policy that minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Credit risk - The Town has a formal investment policy that minimizes credit risk by pre-qualifying institutions with which the Town may do business, limiting the type of acceptable investments to those permitted by Connecticut General Statutes except for types and kinds of investments prohibited by the Town, diversifying the investment portfolio and placing deposits in financial institutions that maintain a risk based capital ratio of 10% or higher. The provisions of State statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Town has a policy for custodial credit risk that minimizes custodial credit risk by ensuring all trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to release of funds and securities will be held by an independent third party custodian selected by or accepted by the Town, evidenced by safekeeping receipts in the Town. At June 30, 2019, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

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

Fair Value Measures - The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets measured at fair value at June 30, 2019, mutual funds and common stocks are based on quoted prices in active markets (Level 1). Assets measured at fair value at June 30, 2019, U.S. Treasury notes and corporate bonds are based on significant other observable inputs (Level 2).

4. Interfund Transactions

Interfund Balances

Interfund balances consisted of the following at June 30, 2019, as reported in the fund financial statements:

	Due From Other Funds	Due to Other Funds
Major funds:		
General Fund	\$ 16,141	\$ 2,483,386
Reserve Fund for Capital and Nonrecurring Expenditures	-	2,563
State and Federal Grants	2,479,190	-
Nonmajor Governmental Funds:		
Carl Otte Natural Resources	-	5,179
Town Trust	4,196	-
Water Company	-	8,399
	\$ 2,499,527	\$ 2,499,527

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

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Interfund Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported in the fund financial statements:

	Transfers In	Transfers Out
General Fund	\$ 1,202,425	\$ 747,295
Reserve Fund for Capital and Nonrecurring Expenditures	747,295	1,202,425
Total	\$ 1,949,720	\$ 1,949,720

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

5. Property Taxes and Other Receivables

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

	Property Taxes	Interest and Liens	Other	Allowance for Uncollectibles	Total
General Fund	\$ 513,152	\$ 224,145	\$ 58,970	(\$ 10,000)	\$ 786,267
Water Company	-	-	11,351	-	11,351
Pension Trust Fund	-	-	6,777	-	6,777
Net total receivables	\$ 513,152	\$ 224,145	\$ 77,098	(\$ 10,000)	\$ 804,395

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

6. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2019</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 5,369,819	\$ -	\$ -	\$ 5,369,819
Work in progress	<u>-</u>	<u>576,171</u>	<u>-</u>	<u>576,171</u>
Total capital assets not being depreciated	<u>5,369,819</u>	<u>576,171</u>	<u>-</u>	<u>5,945,990</u>
Capital assets, being depreciated:				
Buildings and improvements	5,393,356	-	-	5,393,356
Machinery, equipment and vehicles	5,807,643	396,736	286,991	5,917,388
Land improvements	174,137	106,464	-	280,601
Infrastructure	<u>43,006,173</u>	<u>-</u>	<u>-</u>	<u>43,006,173</u>
Total capital assets, being depreciated	<u>54,381,309</u>	<u>503,200</u>	<u>286,991</u>	<u>54,597,518</u>
Total accumulated depreciation	<u>22,186,825</u>	<u>1,245,908</u>	<u>275,825</u>	<u>23,156,908</u>
Total capital assets, being depreciated, net	<u>32,194,484</u>	<u>(742,708)</u>	<u>11,166</u>	<u>31,440,610</u>
Total Government-Wide Capital Assets, net	<u>\$ 37,564,303</u>	<u>(\$ 166,537)</u>	<u>\$ 11,166</u>	<u>\$ 37,386,600</u>
	<u>Balance July 1, 2018</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2019</u>
Business-Type Activities				
Capital assets, being depreciated:				
Water system	<u>\$ 1,620,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,620,324</u>
Total capital assets, being depreciated	<u>1,620,324</u>	<u>-</u>	<u>-</u>	<u>1,620,324</u>
Total accumulated depreciation	<u>273,706</u>	<u>18,247</u>	<u>-</u>	<u>291,953</u>
Total capital assets, being depreciated, net	<u>1,346,618</u>	<u>(18,247)</u>	<u>-</u>	<u>1,328,371</u>
Business-Type activities capital assets, net	<u>\$ 1,346,618</u>	<u>(\$ 18,247)</u>	<u>\$ -</u>	<u>\$ 1,328,371</u>

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .**

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

	Total
General government	\$ 57,910
Public safety	229,703
Public works	884,721
Culture and recreation	73,574
	\$ 1,245,908

7. Long-Term Obligations

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

Governmental Activities	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Capital lease obligations	\$ 74,393	\$ -	\$ 32,665	\$ 41,728	\$ 32,953
Net pension liability	1,090,926	-	84,683	1,006,243	-
Other post-employment benefits	65,548	8,126	-	73,674	-
Compensated absences	206,668	-	7,582	199,086	-
Total Governmental	\$ 1,437,535	\$ 8,126	\$ 124,930	\$ 1,320,731	\$ 32,953

The capital leases consist of the financed portion of equipment that has been capitalized in the amount of \$219,810. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2019 was \$66,632, leaving a current book value of \$153,178. A corresponding liability is recorded in the government-wide financial statements. Principal payments are made by the General Fund.

There are no authorized, unissued bonds at June 30, 2019.

Durham is a member of Regional School District No. 13, which provides education facilities for grades Pre-K through twelve for the towns of Durham and Middlefield. As of June 30, 2019, the outstanding bonded indebtedness of the District was \$4,290,000 with Durham's share being 65.76% or \$2,821,104. These are general obligations of Regional School District No. 13 and its member towns.

Connecticut General Statutes provide that the total authorized debt of the Town shall not exceed seven times total tax collections immediate preceding year, or \$181,646,472. At June 30, 2019 the total outstanding debt applicable to the limit was \$2,821,104.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

8. Fund Balance

	<u>General Fund</u>	<u>Reserve Fund For Capital and Nonrecurring Expenditures</u>	<u>State and Federal Grants</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable	\$ 2,500	\$ -	\$ -	\$ 31,528	\$ 34,028
Restricted for:					
General government	-	-	-	10,021	10,021
Animal control	-	-	-	31,175	31,175
Conservation	-	-	-	2,024	2,024
Natural resources	-	-	-	1,756	1,756
Education	-	-	-	136,797	136,797
Library	-	-	-	72,367	72,367
Committed to:					
Capital projects	-	2,473,438	-	-	2,473,438
Assigned to:					
Library	-	-	-	42,877	42,877
Capital projects	843,610	120,083	-	-	963,693
Unassigned	<u>4,695,550</u>	<u>-</u>	<u>(26,712)</u>	<u>-</u>	<u>4,668,838</u>
Total fund balances	<u>\$ 5,541,660</u>	<u>\$ 2,593,521</u>	<u>(\$ 26,712)</u>	<u>\$ 328,545</u>	<u>\$ 8,437,014</u>

The State and Federal Grants Fund had a fund deficit at June 30, 2019 of \$26,712. The deficit will be funded by future bonding.

9. Pension Plans

Defined Benefit Plan

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

Effective July 1, 2017, the Plan is closed to new entrants. Current non-vested active members will be transferred to a new defined contribution plan.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Plan Description

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

At July 1, 2017, plan membership consisted of the following:

Active plan members	20
Inactive plan members entitled to but not yet receiving benefits	12
Inactive plan members or beneficiaries currently receiving benefits	<u>12</u>
	<u><u>44</u></u>

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

The annual accrued benefit of a member shall be equal to 1.75% of average annual earnings multiplied by years of credited service prior to July 1, 2009, plus 2.00% of average annual earnings multiplied by years of credited service between July 1, 2009 and July 1, 2014, plus 2.25% of average annual earnings multiplied by years of credited service between July 1, 2014 and July 1, 2017, plus 2.00% of average annual earnings multiplied by years of credited service after July 1, 2017.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .**

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

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

Contributions - Active plan members are required to contribute 5.99% of their regular earnings to the Plan. If an employee leaves covered employment or dies before meeting the vesting requirement, accumulated employee contributions and 4.0% interest thereon are refunded. The Town is required to contribute the remaining amounts necessary to finance the benefits for its employees as are actuarially determined.

Summary of Significant Accounting Policies

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

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

Administrative costs of the Plan are financed by the Town.

Investments

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

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

The following was the Board's adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Large cap core equity	42.50 %
Mid cap core equity	7.50
International equity	7.50
Emerging market equity	7.50
High yield/junk rated fixed income	3.75
US fixed income taxable	26.25
Cash	5.00
	100.00 %

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Town at June 30, 2019, were as follows:

Total pension liability	\$ 4,396,054
Plan fiduciary net position	3,389,811
Town's net pension liability	\$ 1,006,243
Plan fiduciary net position as a percentage of the total pension liability	77.11 %

Actuarial assumptions - the total pension liability was determined by an actuarial valuation as of July 1, 2017 and increased by service cost and interest and decreased by benefit payments to estimate the total pension liability as of June 30, 2019. Actuarial assumptions were as follows:

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Inflation	2.60%
Salary increases	3.50%
Investment rate of return	6.75%, net of investment-related and administrative expenses

Mortality rates were based on RP-2014 adjusted to 2006 total dataset mortality table projected to valuation date with Scale MP-2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap core equity	4.50 %
Mid cap core equity	5.00
International equity	5.25
Emerging market equity	6.25
High yield/junk rated fixed income	3.25
US fixed income taxable	2.50
Cash	0.25

Discount rate - the discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town contributions will be made at rates equal to the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances, June 30, 2018	\$ 4,130,834	\$ 3,039,908	\$ 1,090,926
Changes for the year:			
Service cost	152,955	-	152,955
Interest	294,171	-	294,171
Differences between expected and actual experience	(124,831)	-	(124,831)
Changes in assumptions	108,419	-	108,419
Contributions - employer	-	157,050	(157,050)
Contributions - member	-	69,345	(69,345)
Net investment income	-	290,887	(290,887)
Administrative expenses	-	(1,885)	1,885
Benefit payments, including refunds of member contributions	(165,494)	(165,494)	-
Net changes	265,220	349,903	(84,683)
Balances, June 30, 2019	<u>\$ 4,396,054</u>	<u>\$ 3,389,811</u>	<u>\$ 1,006,243</u>

Sensitivity of the net pension liability to changes in the discount rate – the following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's net pension liability	\$ 1,538,837	\$ 1,006,243	\$ 551,979

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2019, the Town recognized pension expense of \$197,761. The Town reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,827	(\$ 296,306)
Changes in assumptions	147,738	(73,889)
Net difference between projected and actual earnings on pension plan investments	46,901	-
Total	<u>\$ 293,466</u>	<u>(\$ 370,195)</u>

Net differences between projected and actual earnings are amortized over 5 years. Differences between expected and actual experience and changes in assumptions are amortized over the average remaining service period of actives and inactive, which is 3.9 years.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2020	\$ 12,282
2021	(25,525)
2022	(34,549)
2023	(28,937)

Defined Contribution Plan

Effective July 1, 2017, the Town adopted a defined contribution 401(a) plan (the "Town DC Plan") for Town employees. Plan benefits and contribution requirements are established by plan documents and approved by the Board of Selectmen. The Board of Selectmen also administer the Plan. After one year of service, Town employees are required to contribute 6% of their earnings on a pre-tax basis. The Town will contribute 3% of the earnings. Total contributions by employees and the Town were \$24,046 and \$12,023, respectively for the fiscal year ended June 30, 2019.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

10. Other Post-Employment Benefits (OPEB)

Plan Description

The Town provides post-employment medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit healthcare OPEB plan. The Town does not issue a separate stand-alone financial statement for this program. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefit Provided

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

- Normal retirement at age 65 and 5 years of service or
- Early retirement at age 55 and 10 years of service

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

Plan Membership

Membership in the Plan consisted of the following at July 1, 2017, the date of the most recent actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to be but not yet receiving benefit payments	0
Active employees	<u>26</u>
	<u>28</u>

Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund. The Town has not established a trust fund to segregate irrevocable assets to fund the liability associated with postemployment benefits. The Town does not currently have a funding strategy to provide for normal cost and the amortization of the accrued liability. The Town currently contributes enough money to the Plan to satisfy the current obligations on a pay-as-you go basis.

Pre-65 eligible retirees age 55 with 25 years of service pay 90% of the premium; all others pay 100%. For the year ended June 30, 2019, the Town of Durham contributed \$-0- to the Plan.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Total OPEB Liability

The Town's total OPEB liability of \$73,674 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	2.60%
Discount rate	3.51%
Healthcare cost trend rates	7.50%, decreases .5% per year down to 4.60% in 2023

The discount rate was based on the 20-year AA municipal bond index. The discount rate used in this valuation is equal to the published Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2019.

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, July 1, 2018	\$ 65,548
Changes for the year:	
Service cost	7,329
Interest	2,821
Differences between expected and actual experience	(2,817)
Changes in assumptions or other inputs	<u>793</u>
Net change	<u>8,126</u>
Balance, June 30, 2019	<u><u>\$ 73,674</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.87% to 3.51%.

TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .

Sensitivity of the total OPEB liability to changes in the discount rate - the following presents the total OPEB liability of the Town, calculated using the discount rate of 3.51%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51%) or 1-percentage-point higher (4.51%) than the current rate:

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 75,756	\$ 73,674	\$ 71,436

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - the following presents the total OPEB liability of the Town, calculated using the healthcare cost trend rate of 7.5%, as well as what the Town's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5% decreasing 3.6%)	Healthcare Cost Trend Rates (7.5% decreasing 4.6%)	1% Increase (8.5% decreasing 5.6%)
Total OPEB liability	\$ 65,992	\$ 73,674	\$ 82,764

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$9,855. At June 30, 2019, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(\$ 3,293)
Changes in assumptions	725	(437)
Total	<u>\$ 725</u>	<u>(\$ 3,730)</u>

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .**

The net differences between expected and actual experiences are amortized over 11.6 years. The net differences from the effects of changes of assumptions are amortized over 11.6 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follow:

<u>Year ending June 30,</u>		
2020	(\$	295)
2021	(	295)
2022	(	295)
2023	(	295)
2024	(	295)
Thereafter	(	1,530)

11. Commitments and Contingencies

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

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

12. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. During the year ended June 30, 2019, deductibles paid by the Town were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

**TOWN OF DURHAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
. . . Continued . . .**

13. Tax Abatements

The Town maintains two property tax abatement programs designed to create new private investment in the commercial, retail and industrial areas of the town. These programs are based upon the value of assessments new to the Town as a result of business expansion or new construction. The programs are 1) a 10 year abatement on a residential project for low and moderate income senior citizens and 2) a 10 year abatement on a commercial development property pursuant to CGS Sec. 12-65b.

A summary of the property taxes forgone on the Town’s abatement programs for the year ended June 30, 2019 is as follows:

	Abatement Amount	Amount of Taxes Abated
Durham Trinity Corporation - residential property	\$ 958,230	\$ 34,975
The Gerry Group LLC - 422 Main St. commercial property	251,790	9,190

14. Jointly Governed Organization

The Town is a participant in the organization described below:

Durham Middlefield Interlocal Agreement Advisory Board (DMIAAB) - The Town and the Town of Middlefield Town Meetings each appoint four members to the governing board of DMIAAB, which operates a shared refuse transfer station. The Town expended \$255,370 for operations for the year ended June 30, 2019.

15. Subsequent Event

On July 10, 2019, the Town issued \$1,500,000 in general obligation bonds to be used to finance a portion of the \$2,100,000 appropriation for various road culvert replacement capital projects. The bonds will be due through June 15, 2034, with an interest rate of 2.607%.

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Property Taxes & Interest	\$ 26,364,127	\$ 26,364,127	\$ 26,083,646	(\$ 280,481)
Local Revenues:				
Building permits	71,980	71,980	77,932	5,952
Animal licenses	7,300	7,300	11,150	3,850
Animal population control	50	50	-	(50)
Pistol permit fees	4,500	4,500	3,430	(1,070)
LOCIP - Town Clerk	2,300	2,300	2,799	499
Regional Water Authority PILOT	750	750	761	11
Passport services	9,000	9,000	14,395	5,395
Returned check fees	200	200	-	(200)
Court fees & other charges	-	-	100	100
Recording fees	50,000	50,000	47,877	(2,123)
Zoning & subdivision fees	1,000	1,000	430	(570)
Printing & duplicating fees	1,100	1,100	942	(158)
Conveyance tax	70,000	70,000	95,002	25,002
Inland wetlands fee	600	600	1,308	708
Zoning Board of Appeals fees	200	200	345	145
Public works general revenue	500	500	6,993	6,493
Recording fees due to state	1,800	1,800	1,455	(345)
Police private duty	2,500	2,500	10,517	8,017
Fire Marshal revenue	500	500	2,220	1,720
Animal control/shelter fees	400	400	275	(125)
Summer recreation program fees	13,500	13,500	11,150	(2,350)
Senior activity fees	16,545	16,545	11,621	(4,924)
Recreation department fees	54,000	54,000	55,345	1,345
Farmer's market revenue	1,600	1,600	1,355	(245)
Durham Cemetery revenue	-	-	1,625	1,625
Library revenue	13,000	13,000	10,400	(2,600)
Health department fees	11,000	11,000	8,875	(2,125)
Interest earnings	500	500	49,628	49,128
Dividends - CIRMA	5,000	5,000	11,006	6,006
Investment income - Camp Fund	4,700	4,700	4,657	(43)
Rental income - open space	5,414	5,414	8,059	2,645
Rental income - tower lease	2,700	2,700	2,700	-
General revenues	7,000	7,000	19,934	12,934
Insurance reimbursements	14,875	14,875	58,284	43,409
Emergency notification system	3,275	3,275	6,550	3,275
Transfer in from Reserve	-	1,202,425	1,202,425	-
Total Local Revenues	377,789	1,580,214	1,741,545	161,331

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TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
. . .Continued. . .

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Intergovernmental Revenues:				
Telecommunications grant	\$ 21,000	\$ 21,000	\$ 14,540	(\$ 6,460)
Municipal revenue sharing grant	153,897	153,897	153,897	-
Miscellaneous state grants	1,000	1,000	-	(1,000)
Casino assistance grant	1,003	1,003	1,003	-
Disability tax relief grant	861	861	781	(80)
Veterans tax relief grant	17,000	17,000	12,264	(4,736)
Police services grant	25,000	25,000	32,181	7,181
Youth services grant	18,000	18,000	18,602	602
Debt rehab services	-	-	1,812	1,812
Workforce Alliance	3,550	3,550	13,355	9,805
Local capital improvement program	61,044	61,044	95,927	34,883
Town aid road grant	222,270	222,270	222,126	(144)
Preservation grant	4,500	4,500	4,500	-
Judicial Branch receipts	2,000	2,000	3,660	1,660
State property PILOT	113	113	7,012	6,899
Municipal stabilization grant	25,023	25,023	244,059	219,036
Educational cost sharing	3,045,823	3,045,823	3,457,203	411,380
Total Intergovernmental Revenues	3,602,084	3,602,084	4,282,922	680,838
Budgeted Use of Fund Balance	-	393,923	393,923	-
Total Revenues	\$ 30,344,000	\$ 31,940,348	\$ 32,502,036	\$ 561,688

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
. . .Continued. . .

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Elected Officials and Boards				
Board of Finance	\$ 29,450	\$ 29,450	\$ 28,527	\$ 923
Board of Selectmen	36,429	59,029	52,545	6,484
First Selectman's salary	86,497	90,355	90,355	-
Selectmen's salary	8,296	8,503	8,503	-
Office of the First Selectmen	57,741	57,741	57,741	-
Board of Assessment Appeals	300	300	131	169
Office of the Tax Collector	13,550	13,550	12,416	1,134
Tax Collector's salary	63,816	65,411	65,411	-
Tax Collector's office staff salaries	26,926	28,954	28,954	-
Office of the Town Clerk	25,650	28,060	28,060	-
Town Clerk's salary	63,816	65,411	65,411	-
Town Clerk's office salaries	61,123	62,619	61,699	920
Town Treasurer's salary	10,459	10,720	10,720	-
Total Elected Officials and Board	484,053	520,103	510,473	9,630
Professional Services				
Assessor department	7,970	7,970	7,607	363
Assessor's office salaries	83,021	85,104	85,094	10
Midstate Regional Planning Agency	10,214	10,214	10,214	-
Middlesex soil and water	1,698	1,698	1,698	-
Probate court	9,006	9,008	9,008	-
Town Counsel	35,000	41,529	41,529	-
Town engineering	55,050	44,578	44,578	-
Building Official salary	89,247	91,478	89,062	2,416
Land use administration salary	60,486	62,005	62,004	1
Building department	5,100	5,100	3,837	1,263
Public health administration	94,447	96,678	96,678	-
Finance department	6,225	6,246	6,246	-
Finance department salaries	128,594	130,622	130,622	-
Planning and Zoning legal council	12,000	46,432	46,432	-
Information technology	92,305	92,305	84,966	7,339
Computer equipment	16,000	16,000	12,746	3,254
Total Professional Services	706,363	746,967	732,321	14,646
Other Town Commissions				
Inland Wetlands	400	14,398	14,397	1
Zoning Board of Appeals	1,590	1,590	1,266	324
Planning and Zoning	42,300	54,300	33,135	21,165
Economic Development	9,575	14,575	10,764	3,811
Conservation	7,400	8,023	8,023	-
Historic District Commission	300	300	165	135
Personnel Policy Board	500	500	60	440
Ethics Commission	75	75	56	19
Clean Energy task force	-	15,000	-	15,000
Agricultural Commission	240	240	-	240
Professional tree services	2,600	2,600	2,456	144
Total Other Town Commissions	64,980	111,601	70,322	41,279

. . .Continued. . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
...Continued...

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
General Expenses				
Elections	\$ 47,470	\$ 53,104	\$ 48,845	\$ 4,259
Social security	153,161	153,161	149,172	3,989
Unemployment compensation	13,644	13,988	13,987	1
Employee retirement plan	184,427	190,443	190,443	-
Insurance	111,750	135,912	135,912	-
Employee health benefits	672,684	572,917	572,916	1
Cemetery company	-	1,775	1,775	-
Tree Warden	22,875	32,875	32,455	420
Drug and alcohol test	1,137	1,137	1,054	83
Town hall expenses	39,540	40,976	40,975	1
Municipal heating fuel	27,482	33,804	33,803	1
Municipal custodial services	35,136	35,136	34,382	754
Facilities management	58,719	62,503	62,503	-
Total General Expenses	1,368,025	1,327,731	1,318,222	9,509
Public Works				
Street lights	51,408	51,408	44,181	7,227
Highway department wages	484,721	490,659	479,714	10,945
Highway department seasonal wages	26,000	41,935	52,877	(10,942)
Highway department vehicle maintenance	75,000	83,342	83,341	1
Town garage maintenance	15,520	16,876	16,876	-
Public works department	84,250	84,250	65,643	18,607
Snow removal	204,000	249,505	249,503	2
Catch basin cleaning/repair	29,000	29,000	28,577	423
Vehicle fuel	59,000	47,137	47,137	-
Chip sealing	286,200	286,200	269,669	16,531
Highway sweeping	5,000	5,000	4,086	914
Highway projects	50,000	50,000	49,870	130
Total Public Works	1,370,099	1,435,312	1,391,474	43,838
Public Safety				
Emergency management	8,296	8,296	8,067	229
Animal control salaries	17,005	17,430	17,430	-
Animal control expenses	8,497	8,497	5,898	2,599
Public safety vehicle maintenance	5,000	5,000	-	5,000
Emergency expenditures	15,000	-	-	-
Volunteer fire company	91,702	110,478	110,477	1
Fire company trustees	18,603	19,435	19,434	1
Volunteer ambulance company	28,676	28,676	26,713	1,963
Middlesex paramedics	7,388	7,388	7,388	-
Public safety data system	11,107	11,638	11,638	-
Town wide radio communications	14,783	14,783	7,784	6,999
Fire Marshal department	2,695	2,845	2,845	-
Fire Marshal wages	27,107	27,784	27,784	-
Valley Shore communications	91,042	91,042	91,042	-
Fire pond fund	4,000	4,000	-	4,000
Resident State Trooper department	4,920	7,279	7,278	1
Resident State Trooper contract	323,135	265,405	262,053	3,352
Burning permits	1,000	1,000	1,000	-
Total Public Safety	679,956	630,976	606,831	24,145

...Continued...

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
. . .Continued. . .

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Health and Welfare				
Human services salary	\$ 34,700	\$ 35,126	\$ 29,201	\$ 5,925
Public health department	500	500	290	210
Human services department	15,544	15,811	15,810	1
Social services	330	406	406	-
Transportation	41,545	41,545	34,916	6,629
Youth services	47,000	47,002	47,002	-
Durham senior citizens board	17,030	17,030	16,299	731
Total Health and Welfare	156,649	157,420	143,924	13,496
Library				
Library	532,806	549,773	544,403	5,370
Recreation				
Recreation	200,293	210,074	200,444	9,630
Miscellaneous				
Tax refunds	38,518	38,518	26,128	12,390
Contingency	143,137	-	-	-
Farmers market	1,600	1,600	1,426	174
Total Miscellaneous	183,255	40,118	27,554	12,564
Transfers				
Transfer to Reserve Fund	744,795	744,795	747,295	(2,500)
Total Reserve Funds	744,795	744,795	747,295	(2,500)
Capital Projects				
Capital improvements	234,301	1,866,855	1,066,032	800,823
Total Capital Projects	234,301	1,866,855	1,066,032	800,823
Environmental Services				
DMIAAB	275,929	255,371	255,370	1
Landfill water systems	5,350	5,350	5,350	-
Household hazardous waste	5,700	6,456	6,455	1
Total Environmental Services	286,979	267,177	267,175	2
Education	23,331,446	23,331,446	23,331,445	1
Total Expenditures	\$ 30,344,000	\$ 31,940,348	\$ 30,957,915	\$ 982,433
Excess of Revenues over Expenditures	\$ -	\$ -	\$ 1,544,121	\$ 1,544,121

TOWN OF DURHAM, CONNECTICUT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (Budgetary Basis)	\$ 32,502,036	\$ 30,957,915
Use of fund balance is not a GAAP Basis item	(393,923)	-
Accrued payroll is not budgeted. This amount represents the change in accrued payroll.	-	(2,083)
GAAP Basis	<u>\$ 32,108,113</u>	<u>\$ 30,955,832</u>

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 152,955	\$ 154,650	\$ 173,431	\$ 164,149	\$ 157,503	\$ 153,960
Interest	294,171	274,602	285,889	282,781	242,340	224,488
Changes in benefit terms	-	(25,547)	-	-	-	-
Differences between expected and actual experience	(124,831)	117,981	(205,791)	(218,852)	93,913	-
Changes of assumptions	108,419	(93,434)	13,341	(51,581)	164,080	-
Benefit payments, including refunds of member contributions	(165,494)	(129,119)	(144,564)	(144,110)	(116,239)	(161,572)
Net change in total pension liability	265,220	299,133	122,306	32,387	541,597	216,876
Total pension liability - beginning	4,130,834	3,831,701	3,709,395	3,677,008	3,135,411	2,918,535
Total pension liability - ending (a)	<u>\$ 4,396,054</u>	<u>\$ 4,130,834</u>	<u>\$ 3,831,701</u>	<u>\$ 3,709,395</u>	<u>\$ 3,677,008</u>	<u>\$ 3,135,411</u>
Plan fiduciary net position						
Contributions - employer	\$ 157,050	\$ 172,672	\$ 192,865	\$ 202,591	\$ 188,652	\$ 153,294
Contributions - member	69,345	74,855	67,754	72,072	70,829	71,035
Net investment return	290,887	94,816	179,904	(3,914)	66,652	271,098
Benefit payments, including refunds of member contributions	(165,494)	(129,119)	(144,564)	(144,110)	(116,239)	(161,572)
Administrative expenses	(1,885)	-	-	-	-	-
Net change in plan fiduciary net position	349,903	213,224	295,959	126,639	209,894	333,855
Plan fiduciary net position - beginning	3,039,908	2,826,684	2,530,725	2,404,086	2,194,192	1,860,337
Plan fiduciary net position - ending (b)	<u>\$ 3,389,811</u>	<u>\$ 3,039,908</u>	<u>\$ 2,826,684</u>	<u>\$ 2,530,725</u>	<u>\$ 2,404,086</u>	<u>\$ 2,194,192</u>
Town's net pension liability - ending (a) - (b)	<u>\$ 1,006,243</u>	<u>\$ 1,090,926</u>	<u>\$ 1,005,017</u>	<u>\$ 1,178,670</u>	<u>\$ 1,272,922</u>	<u>\$ 941,219</u>
Plan fiduciary net position as a percentage of the total pension liability	77.11 %	73.59 %	73.77 %	68.22 %	65.38 %	69.98 %
Covered payroll	\$ 1,338,125	\$ 1,425,412	\$ 1,391,434	\$ 1,540,827	\$ 1,461,620	\$ 1,462,181
Net pension liability as a percentage of covered payroll	75.20 %	76.53 %	72.23 %	76.50 %	87.09 %	64.37 %

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 157,050	\$ 172,672	\$ 192,865	\$ 202,591	\$ 188,652	\$ 153,283	\$ 143,226	\$ 139,097	\$ 137,029	\$ 134,793
Contribution in relation to the actuarially determined contribution	<u>157,050</u>	<u>172,672</u>	<u>192,865</u>	<u>202,591</u>	<u>188,652</u>	<u>153,294</u>	<u>143,226</u>	<u>139,097</u>	<u>137,029</u>	<u>134,793</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -	\$ -	\$ -	\$ -	(\$ 11)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,338,125	\$ 1,425,412	\$ 1,391,434	\$ 1,540,827	\$ 1,461,620	\$ 1,462,181	\$ 1,269,554	\$ 1,113,931	\$ 1,167,831	\$ 1,148,859
Contributions as a percentage of covered payroll	11.74 %	12.11 %	13.86 %	13.15 %	12.91 %	10.48 %	11.28 %	12.49 %	11.73 %	11.73 %

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2019
Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization period	Level percentage of salary, closed
Remaining amortization period	18 years
Asset valuation method	Expected asset value plus 20% of the difference between the expected value and the market value of assets
Inflation	2.60%
Salary increases	3.50% per annum
Investment rate of return	7.00%
Retirement age	Age 65 and 5 years of service
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017

**TOWN OF DURHAM, CONNECTICUT
 SCHEDULE OF INVESTMENT RETURNS
 RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF DURHAM
 LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expenses	9.68%	3.38%	7.22%	-0.16%	2.64%	14.79%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS**

	2019	2018
Total OPEB liability		
Service cost	\$ 7,329	\$ 7,285
Interest	2,821	2,314
Differences between expected and actual experience	(2,817)	(869)
Effect of assumptions changes or inputs	793	(527)
Net change in total OPEB liability	8,126	8,203
Total OPEB liability - beginning	65,548	57,345
Total OPEB liability - ending	\$ 73,674	\$ 65,548
Covered payroll	\$ 1,620,682	\$ 1,579,612
Net OPEB liability as a percentage of covered payroll	4.55 %	4.15 %

Notes to Schedule

Change in Benefits Terms	None
Change of Assumptions	
Investment rate of return	3.51% from 3.87%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFIT PLAN
LAST TWO FISCAL YEARS**

	2019	2018
Actuarially determined contribution	\$ 9,605	\$ 10,510
Contribution in relation to the actuarially determined contribution	9,605	10,510
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 1,620,682	\$ 1,579,612
Contributions as a percentage of covered payroll	0.59 %	0.67 %

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2019
Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization period	Level percentage of salary, closed
Remaining amortization period	18 years
Asset valuation method	N/A
Discount rate	3.51%
Inflation	2.60%
Salary increases	2.60% per annum
Investment rate of return	N/A
Cost of living adjustments	N/A
Retirement age	Age 65 and 5 years of service
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Special Revenue						
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation		Gemma
ASSETS							
Cash and cash equivalents	\$ 2,024	\$ 112,590	\$ 2,654	\$ 1,384	\$ -	\$ 4,441	\$ 29,952
Due from other funds	-	-	-	-	-	-	-
Investments	-	-	-	-	136,797	-	-
	<u>\$ 2,024</u>	<u>\$ 112,590</u>	<u>\$ 2,654</u>	<u>\$ 1,384</u>	<u>\$ 136,797</u>	<u>\$ 4,441</u>	<u>\$ 29,952</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance							
Nonspendable	-	-	-	-	-	-	-
Restricted	2,024	69,713	2,654	1,384	136,797	4,441	29,952
Assigned	-	42,877	-	-	-	-	-
	<u>2,024</u>	<u>112,590</u>	<u>2,654</u>	<u>1,384</u>	<u>136,797</u>	<u>4,441</u>	<u>29,952</u>
Total fund balance	<u>2,024</u>	<u>112,590</u>	<u>2,654</u>	<u>1,384</u>	<u>136,797</u>	<u>4,441</u>	<u>29,952</u>
Total liabilities and fund balance	<u>\$ 2,024</u>	<u>\$ 112,590</u>	<u>\$ 2,654</u>	<u>\$ 1,384</u>	<u>\$ 136,797</u>	<u>\$ 4,441</u>	<u>\$ 29,952</u>

...Continued...

**TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019
...Continued...**

	Special Revenue					Total Nonmajor Governmental Funds
	Carl Otte Natural Resources	Total Special Revenue	Town Trust	Mary Weber	Total Permanent	
ASSETS						
Cash and cash equivalents	\$ 6,935	\$ 159,980	\$ -	\$ 32,751	\$ 32,751	\$ 192,731
Due from other funds	-	-	4,196	-	4,196	4,196
Investments	-	136,797	-	-	-	136,797
 Total assets	<u>\$ 6,935</u>	<u>\$ 296,777</u>	<u>\$ 4,196</u>	<u>\$ 32,751</u>	<u>\$ 36,947</u>	<u>\$ 333,724</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Due to other funds	\$ 5,179	\$ 5,179	\$ -	\$ -	\$ -	\$ 5,179
 Total liabilities	<u>5,179</u>	<u>5,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,179</u>
Fund Balance						
Nonspendable	-	-	-	31,528	31,528	31,528
Restricted	1,756	248,721	4,196	1,223	5,419	254,140
Assigned	-	42,877	-	-	-	42,877
 Total fund balance	<u>1,756</u>	<u>291,598</u>	<u>4,196</u>	<u>32,751</u>	<u>36,947</u>	<u>328,545</u>
 Total liabilities and fund balance	<u>\$ 6,935</u>	<u>\$ 296,777</u>	<u>\$ 4,196</u>	<u>\$ 32,751</u>	<u>\$ 36,947</u>	<u>\$ 333,724</u>

**TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue						
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation		Gemma
Revenues							
Intergovernmental	\$ -	\$ 5,400	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	300	-	-	-	-	3,616	-
Investment earnings	-	-	-	-	1,289	-	3
Miscellaneous	-	21,109	-	-	-	-	-
Total revenues	<u>300</u>	<u>26,509</u>	<u>-</u>	<u>-</u>	<u>1,289</u>	<u>3,616</u>	<u>3</u>
Expenditures							
Current:							
General government	-	-	-	-	-	1,900	-
Culture and recreation	-	-	-	-	-	-	-
Education	-	-	-	-	2,513	-	-
Library	-	23,929	-	-	-	-	-
Total expenditures	<u>-</u>	<u>23,929</u>	<u>-</u>	<u>-</u>	<u>2,513</u>	<u>1,900</u>	<u>-</u>
Excess of revenues over (under) expenditures	300	2,580	-	-	(1,224)	1,716	3
Fund balance - beginning	<u>1,724</u>	<u>110,010</u>	<u>2,654</u>	<u>1,384</u>	<u>138,021</u>	<u>2,725</u>	<u>29,949</u>
Fund balance - ending	<u>\$ 2,024</u>	<u>\$ 112,590</u>	<u>\$ 2,654</u>	<u>\$ 1,384</u>	<u>\$ 136,797</u>	<u>\$ 4,441</u>	<u>\$ 29,952</u>

. . . Continued . . .

**TOWN OF DURHAM, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019
...Continued...**

	Carl Otte Natural Resources	Total Special Revenue	Town Trust	Mary Weber	Total Permanent	Total Nonmajor Governmental Funds
Revenues						
Intergovernmental	\$ -	\$ 5,400	\$ -	\$ -	\$ -	\$ 5,400
Licenses and permits	-	3,916	-	-	-	3,916
Investment earnings	1	1,293	-	3	3	1,296
Miscellaneous	9,118	30,227	-	-	-	30,227
Total revenues	<u>9,119</u>	<u>40,836</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>40,839</u>
Expenditures						
Current:						
General government	-	1,900	-	306	306	2,206
Culture and recreation	17,808	17,808	-	-	-	17,808
Education	-	2,513	-	-	-	2,513
Library	-	23,929	-	-	-	23,929
Total expenditures	<u>17,808</u>	<u>46,150</u>	<u>-</u>	<u>306</u>	<u>306</u>	<u>46,456</u>
Excess of revenues over (under) expenditures	(8,689)	(5,314)	-	(303)	(303)	(5,617)
Fund balance - beginning	<u>10,445</u>	<u>296,912</u>	<u>4,196</u>	<u>33,054</u>	<u>37,250</u>	<u>334,162</u>
Fund balance - ending	<u>\$ 1,756</u>	<u>\$ 291,598</u>	<u>\$ 4,196</u>	<u>\$ 32,751</u>	<u>\$ 36,947</u>	<u>\$ 328,545</u>

**TOWN OF DURHAM, CONNECTICUT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Balance June 30, 2019</u>
<u>Performance Bonds:</u>				
ASSETS				
Cash and cash equivalents	\$ 212,144	\$ 5,569	\$ 800	\$ 216,913
Other receivables	<u>1,620</u>	<u>-</u>	<u>1,620</u>	<u>-</u>
Total Assets	<u>\$ 213,764</u>	<u>\$ 5,569</u>	<u>\$ 2,420</u>	<u>\$ 216,913</u>
LIABILITIES				
Due to Others	<u>\$ 213,764</u>	<u>\$ 5,569</u>	<u>\$ 2,420</u>	<u>\$ 216,913</u>
Total Liabilities	<u>\$ 213,764</u>	<u>\$ 5,569</u>	<u>\$ 2,420</u>	<u>\$ 216,913</u>

TOWN OF DURHAM, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Fund Balance July 1, 2018	Additional Appropriations From Other	Transfer In From Other Funds	Interest and Other Income	Expenditures and Transfers Out	Fund Balance June 30, 2019
Committed:						
Ambulance	\$ 6,000	\$ -	\$ 15,000	\$ -	\$ -	\$ 21,000
Ambulance OSHA gear	7,744	-	-	-	(3,750)	3,994
Ambulance AEDS and heart monitors	10,000	-	7,050	-	-	17,050
Animal control vehicle	9,000	-	1,000	-	-	10,000
Building maintenance	66,876	-	30,000	-	(65,800)	31,076
Building repair (unanticipated)	45,070	-	10,000	-	-	55,070
Buildings	1,181,321	-	-	-	(14,100)	1,167,221
Cemetery stone repairs	6,050	-	5,000	300	(1,775)	9,575
Conservation/open space	11,400	-	-	-	-	11,400
Conservation/barn maintenance	760	-	5,488	-	-	6,248
Conservation/Howd Road	3,000	-	6,475	-	-	9,475
Computers/servers	10,400	-	3,500	-	-	13,900
IT Equipment - Public Safety	6,800	-	1,400	-	-	8,200
Emergency services facility	4,340	-	-	-	-	4,340
Fire department apparatus	312,687	-	105,000	-	-	417,687
Fire pond reserve	24,874	-	7,000	-	-	31,874
OPEB GASB 45 report	4,000	-	2,500	-	-	6,500
Radios and pagers	157,818	-	65,182	-	(223,000)	-
Highway equipment	164,233	-	196,000	-	(189,000)	171,233
Shelter - trailer	3,750	-	-	-	-	3,750
Road reconstruction	310,000	-	243,200	-	(495,000)	58,200
Major culvert repair	432,000	-	-	-	(210,000)	222,000
Revaluation	114,074	-	21,000	-	-	135,074
Voting equipment	3,500	-	500	-	-	4,000
Senior van	2,700	-	-	-	-	2,700
Town Green tree replacement	3,000	-	-	-	-	3,000
Prevention coordinator	21,871	-	-	-	-	21,871
Old Indian Trail water tank	5,000	-	5,000	-	-	10,000
Main street water system	-	-	17,000	-	-	17,000
Total Committed Fund Balance	<u>2,928,268</u>	<u>-</u>	<u>747,295</u>	<u>300</u>	<u>(1,202,425)</u>	<u>2,473,438</u>
Assigned Fund Balance	<u>52,731</u>	<u>-</u>	<u>-</u>	<u>67,352</u>	<u>-</u>	<u>120,083</u>
Total Fund Balance	<u>\$ 2,980,999</u>	<u>\$ -</u>	<u>\$ 747,295</u>	<u>\$ 67,652</u>	<u>(\$ 1,202,425)</u>	<u>\$ 2,593,521</u>

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2019

Current List Year	Uncollected Taxes July 1, 2018 and Current Levy	Lawful Corrections		Transfer to Suspense	Transfers To Deferred	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2019
		Additions	Deductions				Taxes	Interest	Lien and Other Fees	Total	
2017	\$ 26,020,409	\$ 21,979	\$ 117,192	\$ 18,874	\$ 18,865	\$ 25,887,457	\$ 25,639,992	\$ 70,494	\$ 48	\$ 25,710,534	\$ 247,465
2016	293,747	479	4,818	14,867	-	274,541	171,820	33,265	504	205,589	102,721
2015	129,118	-	180	5,897	-	123,041	65,117	22,089	192	87,398	57,924
2014	67,194	-	175	1,859	-	65,160	24,997	11,751	144	36,892	40,163
2013	26,186	-	177	1,889	-	24,120	(177)	230	-	53	24,297
2012	21,259	-	180	1,800	-	19,279	2,959	3,261	-	6,220	16,320
2011	11,829	-	-	532	-	11,297	1,157	443	-	1,600	10,140
2010	23,273	-	-	-	-	23,273	-	-	-	-	23,273
2009	(1,263)	-	-	-	-	(1,263)	-	-	-	-	(1,263)
2008	(5,409)	-	-	-	-	(5,409)	-	-	-	-	(5,409)
2007	(5,023)	-	-	-	-	(5,023)	-	-	-	-	(5,023)
2006	15	-	-	-	-	15	-	-	-	-	15
2005	14	-	-	-	-	14	-	-	-	-	14
2004	1,308	-	-	-	-	1,308	-	-	-	-	1,308
2003	1,207	-	-	-	-	1,207	-	-	-	-	1,207
2002	576	-	576	-	-	-	-	-	-	-	-
	<u>\$ 26,584,440</u>	<u>\$ 22,458</u>	<u>\$ 123,298</u>	<u>\$ 45,718</u>	<u>\$ 18,865</u>	<u>\$ 26,419,017</u>	<u>\$ 25,905,865</u>	<u>\$ 141,533</u>	<u>\$ 888</u>	<u>\$ 26,048,286</u>	<u>\$ 513,152</u>

**TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2019**

Total tax collections immediate preceding fiscal year,
including interest and lien fees \$ 25,949,496

Reimbursement for revenue loss on:
Tax relief for the elderly -

Tax Base \$ 25,949,496

The Connecticut General Statutes provide that the total authorized debt of the Town shall not exceed seven times the above cash receipts, or \$181,646,472, nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2-1/4 times base	\$ 58,386,366	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	116,772,732	-	-	-
3-3/4 times base	-	-	97,310,610	-	-
3-1/4 times base	-	-	-	84,335,862	-
3 times base	-	-	-	-	77,848,488
Total Debt Limitation	<u><u>\$ 58,386,366</u></u>	<u><u>\$ 116,772,732</u></u>	<u><u>\$ 97,310,610</u></u>	<u><u>\$ 84,335,862</u></u>	<u><u>\$ 77,848,488</u></u>
Indebtedness:					
Regional School District Number 13 bonds	<u>\$ -</u>	<u>\$ 2,821,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Indebtedness	<u><u>\$ -</u></u>	<u><u>\$ 2,821,104</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Debt Limitation in excess of Indebtedness	<u><u>\$ 58,386,366</u></u>	<u><u>\$ 113,951,628</u></u>	<u><u>\$ 97,310,610</u></u>	<u><u>\$ 84,335,862</u></u>	<u><u>\$ 77,848,488</u></u>

Note:

The Town of Durham is a member of Regional School District #13 which provides education facilities for grades kindergarten through twelve for the Towns of Durham and Middlefield. As of June 30, 2019, based on the most current and available information, the indebtedness of the District was \$4,290,000. The Town of Durham's share will be approximately 65.76%, or \$2,821,104. These are the general obligations of Regional School District #13 and its member towns.

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

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

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



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

Compliance and Other Matters

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

Purpose of this Report

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

Seward and Monde

North Haven, Connecticut
November 12, 2019

SEWARD AND MONDE

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

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

Report on Compliance for Each Major State Program

We have audited the Town of Durham, Connecticut's (the Town) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2019. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

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

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



Opinion on Each Major State Program

In our opinion, the Town of Durham, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Seward and Monde

North Haven, Connecticut
November 12, 2019

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2019

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<u>Office of Policy and Management:</u>		
Property tax relief for veterans	11000-OPM20600-17024	\$ 12,264
Property tax relief on property of totally disabled persons	11000-OPM20600-17011	781
Payment in lieu of taxes on state-owned property	11000-OPM20600-17004	6,251
Municipal grants-in-aid	11000-OPM20600-43587	153,897
Local capital improvement program	12050-OPM20600-40254	95,927
<u>Department of Transportation:</u>		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	111,063
Town aid road grants transportation fund	12052-DOT57131-43459-34005	111,063
Local transportation capital improvement program	13033-DOT57000-43584	<u>148,271</u>
		<u>370,397</u>
<u>Connecticut State Library:</u>		
Historic documents preservation grants	12060-CSL66094-35150	4,500
Connecticard payments	11000-CSL66051-17010	10,143
<u>Judicial Branch:</u>		
51-516a(d)	34001-JUD95162-40001	3,180
<u>Department of Education:</u>		
Vocational rehabilitation - disabled	11000-SDE63620-16004	184
Youth services bureau	11000-SDE64000-17052	14,000
Youth services bureau enhancement	11000-SDE64000-16201	<u>4,602</u>
Total State Financial Assistance Before Exempt Programs		<u>676,126</u>
EXEMPT PROGRAMS		
<u>Office of Policy and Management:</u>		
Mashantucket Pequot and Mohegan fund grant	12009-OPM20600-17005	1,003
Municipal stabilization grant	11000-OPM20600-17104	244,059
<u>Department of Education:</u>		
Education cost sharing	11000-SDE64000-17041	<u>3,457,203</u>
Total Exempt Programs		<u>3,702,265</u>
Total State Financial Assistance		<u>\$ 4,378,391</u>

See note to schedule of state financial assistance.

TOWN OF DURHAM, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2019

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Durham, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, youth services, and road and highway maintenance.

1. Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

**TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

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

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

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

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

<u>and Program</u>	<u>Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management		
Municipal grants-in-aid	11000-OPM20600-43587	\$ 153,897
Department of Transportation		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	111,063
Town aid road grants transportation fund	12052-DOT57131-43459-34005	111,063
Local transportation capital improvement program	13033-DOT57000-43584	148,271
Dollar threshold used to distinguish between Type A and Type B programs		\$ <u>100,000</u>

. . . Continued . . .

TOWN OF DURHAM, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019
. . . Continued . . .

II. FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There are no state financial assistance findings or questioned costs.