

**TOWN OF DURHAM, CONNECTICUT  
FINANCIAL REPORT  
JUNE 30, 2013**

---

**TOWN OF DURHAM, CONNECTICUT  
FINANCIAL REPORT**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 - 10
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities	16
Statement of Net Position - Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Statement of Net Position - Fiduciary Funds	20
Statement of Changes in Net Position - Fiduciary Funds	21
Notes to Financial Statements	22 - 46
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund and Note to Schedule	47 - 52
Schedules of Funding Progress and Employer Contributions - Retirement Plan for the Employees of the Town of Durham	53
Schedules of Funding Progress and Employer Contributions - Other Post-Employment Benefits	54

**TOWN OF DURHAM, CONNECTICUT  
FINANCIAL REPORT**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>SUPPLEMENTARY INFORMATION</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	55 - 56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57 - 58
Fiduciary Funds	
Statement of Changes in Assets and Liabilities - Agency Fund	59
Schedule of Changes in Fund Balances - Reserve Fund for Capital and Nonrecurring Expenditures	60
Schedule of Property Taxes Levied, Collected and Outstanding	61
Schedule of Debt Limitation	62
<b>STATE SINGLE AUDIT</b>	
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 <i>Government Auditing Standards</i>	63 - 64
Independent Auditors' Report on Compliance For Each Major State Program and on Internal Control over Compliance in Accordance with the State Single Audit Act	65 - 66
Schedule of Expenditures of State Financial Assistance	67
Note to Schedule of Expenditures of State Financial Assistance	68
Schedule of Findings and Questioned Costs	69 - 70

# SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Durham, Connecticut, as of June 30, 2013, 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 47 to 52, and the Schedules of Funding Progress and Employer Contributions - Retirement Plan for the Employees of the Town of Durham and Other Post-Employment Benefit Plan on pages 53 and 54, respectively 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 6, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Seward and Monde*

North Haven, Connecticut  
November 6, 2013

**TOWN OF DURHAM, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Town's financial performance.

**Financial Highlights**

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$44,813,672. Of this amount, \$3,829,138 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- On a government-wide basis, the Town's total net position increased by \$196,442 or .44%.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,438,976, a decrease of \$181,338 in comparison with the prior year. Approximately 54.6% of this amount (\$1,878,849) 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 \$168,568 which was for carryover to the subsequent budget year. Unassigned fund balance for the General Fund was \$1,898,716, or approximately 6.5% 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 and liabilities, 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 funds are divided into three categories; governmental, proprietary and fiduciary.

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

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

The Town maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Reserve Fund for Capital and Nonrecurring Expenditures which are considered to be major funds. Data from twelve other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements on pages 55-58.

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 funds financial statements can be found on pages 13-16 of this report.

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

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

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

The basic fiduciary fund financial statements can be found on pages 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 22-46 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 budget and progress in funding its obligation to provide pension and other post-employment benefits (OPEB) benefits to its employees. Required supplementary information can be found on pages 47-54 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 55-62 of this report.

### Government-wide Financial Analysis

The table below provides a summary of the Town's net position for 2012 and 2013.

#### Town of Durham's Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 4,386,645	\$ 4,229,380	\$ 21,518	\$ 25,424	\$ 4,408,163	\$ 4,254,804
Capital assets	39,637,237	39,470,112	1,437,853	1,456,100	41,075,090	40,926,212
Total assets	<u>44,023,882</u>	<u>43,699,492</u>	<u>1,459,371</u>	<u>1,481,524</u>	<u>45,483,253</u>	<u>45,181,016</u>
<b>Liabilities</b>						
Current liabilities	270,627	269,465	8,267	12,042	278,894	281,507
Long-term liabilities:						
Due within one year	59,371	25,193	-	-	59,371	25,193
Due in more than one year	282,562	257,086	-	-	282,562	257,086
Total liabilities	<u>612,560</u>	<u>551,744</u>	<u>8,267</u>	<u>12,042</u>	<u>620,827</u>	<u>563,786</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	<u>48,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,754</u>	<u>-</u>
<b>Net Position</b>						
Net investment in capital assets	39,515,153	39,391,518	1,437,853	1,456,100	40,953,006	40,847,618
Restricted	31,528	31,528	-	-	31,528	31,528
Unrestricted	3,815,887	3,724,702	13,251	13,382	3,829,138	3,738,084
Total net position	<u>\$ 43,362,568</u>	<u>\$ 43,147,748</u>	<u>\$ 1,451,104</u>	<u>\$ 1,469,482</u>	<u>\$ 44,813,672</u>	<u>\$ 44,617,230</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, the Town's assets exceeded liabilities by \$44,813,672. At year-end, net position was \$43,362,568 and \$1,451,104 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 91.4% of total net position. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure.

The table below shows the change in net position between fiscal 2012 and 2013.

**Town of Durham's Changes in Net Position**

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>	<b>2013</b>	<b>2102</b>	<b>Change</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 392,105	\$ 704,707	(\$ 312,602)	\$ 54,579	\$ 52,199	\$ 2,380
Operating grants and contributions	4,330,402	4,463,081	( 132,679)	-	-	-
Capital grants and contributions	184,532	85,194	99,338	-	-	-
General revenues:						
Property taxes	23,838,900	22,271,464	1,567,436	-	-	-
Grants and contributions not restricted to specific purposes	271,284	171,995	99,289	-	-	-
Unrestricted investment earnings	21,006	8,400	12,606	8	13	( 5)
Total revenues	<u>29,038,229</u>	<u>27,704,841</u>	<u>1,333,388</u>	<u>54,587</u>	<u>52,212</u>	<u>2,375</u>
Program expenses:						
General government	2,417,878	2,309,633	108,245	-	-	-
Public safety	601,135	589,550	11,585	-	-	-
Public works	1,966,269	1,784,154	182,115	-	-	-
Health and welfare	131,310	130,113	1,197	-	-	-
Recreation	184,713	193,111	( 8,398)	-	-	-
Education	22,547,560	21,710,114	837,446	-	-	-
Library	574,459	563,035	11,424	-	-	-
Environmental services	320,131	317,156	2,975	-	-	-
Capital outlay	79,954	253,761	( 173,807)	-	-	-
Water services and operations	-	-	-	72,965	64,558	8,407
Total program expenses	<u>28,823,409</u>	<u>27,850,627</u>	<u>972,782</u>	<u>72,965</u>	<u>64,558</u>	<u>8,407</u>
Change in net position	<u>\$ 214,820</u>	<u>(\$ 145,786)</u>	<u>\$ 360,606</u>	<u>(\$ 18,378)</u>	<u>(\$ 12,346)</u>	<u>(\$ 6,032)</u>

**Governmental Activities**

Governmental activities increased in 2013. The main reason for the increase in net position of the Town is the increase in tax collections for the year offset by the increase in education spending.

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

	Year Ended June 30, 2013		Year Ended June 30, 2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Education	\$ 22,547,560	\$ 18,560,817	\$ 21,710,114	\$ 17,755,302
General government	2,417,878	2,096,490	2,309,633	2,052,573
Public works	1,966,269	1,554,273	1,784,154	987,938
Public safety	601,135	547,897	589,550	499,704
Library	574,459	533,431	563,035	515,511
All others	716,108	623,462	894,141	786,617
	<u>\$ 28,823,409</u>	<u>\$ 23,916,370</u>	<u>\$ 27,850,627</u>	<u>\$ 22,597,645</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, 2013, the water company reported program revenues of \$54,579, interest income of \$8, and expenses of \$72,965. This program ended fiscal 2013 with an operating loss of \$18,386. The operating loss is mainly due to depreciation. The water company made final payment to the Town on the balance of an outstanding loan.

### Financial Analysis of Governmental Funds

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

As June 30, 2013, the Town's governmental funds reported combined fund balances of \$3,438,976, a decrease of \$181,338 in comparison with the prior year. The most significant reasons for the decrease were the completion of the salt shed project and the use of reserve funds during the year. The total fund balance amount is broken down as follows: \$34,028 is non-spendable, \$233,417 is restricted by governmental grants or other legal restrictions, \$1,096,378 is committed to various capital projects, \$196,304 is assigned and \$1,878,849 is unassigned.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was \$2,069,784. Approximately 91.7% of this amount (\$1,898,716) constitutes unassigned fund balance, which is available for spending at the town's discretion. The remainder of the fund balance is either nonspendable or assigned to indicate that it is 1) not in a spendable form (\$2,500), or 2) assigned for a particular purpose (\$168,568).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,898,716, while total fund balance increased to \$2,069,784. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 6.5% of total general fund expenditures and transfers out, while total fund balance represents approximately 7.1% of that same amount.

The fund balance of the Town's general fund increased by \$145,740 during the current fiscal year. The increase was primarily due to savings in public works salaries and general health benefits. The savings in public works salaries was due to employees out on workman's compensation, and the savings in general health benefits was due to changes of status among participants in the plan.

The reserve fund for capital and nonrecurring expenditures, a major fund, had a \$120,366 decrease in fund balance during the current fiscal year. This was due in part to the purchase of new fire apparatus.

### **Proprietary Funds**

Net position of the proprietary fund, the Town's enterprise fund, reflected a decrease of \$18,378 attributable mainly to depreciation. The Town's proprietary fund is the Water Company.

### **General Fund budgetary highlights**

#### **Original budget compared to final budget**

Additional appropriations to the general fund approved during the year totaled \$740,323, including \$475,304 in transfers in from reserve, \$213,246 in carryover from the prior fiscal year budget and \$51,773 in FEMA grant revenue. 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 \$128,185 lower than budgeted. This is due to the reduction in taxes due from prior years. Intergovernmental revenues were \$77,128 higher than budgeted primarily due to reimbursements received from FEMA for storm related expenditures. Local revenues were \$84,526 higher than budgeted, due mostly to additional building fees brought in as part of the solar project in Durham and a grant for student workers during the summer.

Most of the Town's departments maintained spending within the budgetary limits. Overall, expenditures were \$327,365 under budget. Public works expenditures were under budget by \$136,238 and capital project expenditures were under budget by \$82,334. At a Town Meeting in September 2013 it was voted to re-appropriate \$168,568 of the \$327,365 for fiscal year 2013-2014.

The Town's General Fund fund balance of \$2,069,784 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, 2013, the Town had a net balance of \$41,075,090 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, roads, bridges, and a water system. This represents a net increase (including additions and deductions) of \$148,878 or approximately .4% from the prior year. The increase is due to major road improvements and the purchase of new vehicles for public works and the fire department.

**Capital Assets, Net of Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,300,100	\$ 5,123,185	\$ -	\$ -	\$ 5,300,100	\$ 5,123,185
Construction in progress	415,618	532,000	-	-	415,618	532,000
Buildings and improvements	3,502,065	2,861,868	-	-	3,502,065	2,861,868
Machinery, equipment and vehicles	1,250,403	1,216,551	-	-	1,250,403	1,216,551
Infrastructure	29,169,051	29,736,508	-	-	29,169,051	29,736,508
Water system	-	-	1,437,853	1,456,100	1,437,853	1,456,100
	<u>\$ 39,637,237</u>	<u>\$ 39,470,112</u>	<u>\$ 1,437,853</u>	<u>\$ 1,456,100</u>	<u>\$ 41,075,090</u>	<u>\$ 40,926,212</u>

**Long-term debt**

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

**Governmental Activities**

	2013	2012
Capital lease obligations	\$ 122,084	\$ 78,594
Compensated absences	174,392	166,011
Net pension obligation	12,220	12,325
Other post-employment benefits	33,237	25,349
	<u>\$ 341,933</u>	<u>\$ 282,279</u>

The capital lease is for public works dump trucks.

**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 2014 budget of \$29,005,440 has an increase of \$461,894 or 7.78% on the Town side and an increase of \$65,102 or 0.28% for Regional School District No. 13. The mill rate was increased to 32.66 from 32.19.

**Requests for Information**

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

**TOWN OF DURHAM, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,301,953	\$ 13,225	\$ 3,315,178
Investments	130,654	-	130,654
Property taxes, interest and liens receivable, net	704,325	-	704,325
Other receivables	215,685	8,293	223,978
Prepaid expenses	2,500	-	2,500
Permanently restricted cash	31,528	-	31,528
Capital assets:			
Capital assets, not being depreciated	5,715,718	-	5,715,718
Capital assets	50,905,746	1,620,324	52,526,070
Less: Accumulated depreciation	( 16,984,227)	( 182,471)	( 17,166,698)
Total capital assets	39,637,237	1,437,853	41,075,090
Total assets	44,023,882	1,459,371	45,483,253
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	270,627	8,267	278,894
Long-term liabilities:			
Due within one year:			
Capital lease obligations	59,371	-	59,371
Due in more than one year:			
Capital lease obligations	62,713	-	62,713
Net pension obligation	12,220	-	12,220
Other post-employment benefits	33,237	-	33,237
Compensated absences	174,392	-	174,392
Total liabilities	612,560	8,267	620,827
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	48,754	-	48,754
Total deferred inflows of resources	48,754	-	48,754
<b>NET POSITION</b>			
Net investment in capital assets	39,515,153	1,437,853	40,953,006
Restricted for:			
Animal welfare:			
Nonexpendable	31,528	-	31,528
Unrestricted	3,815,887	13,251	3,829,138
Total net position	\$ 43,362,568	\$ 1,451,104	\$ 44,813,672

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, 2013**

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
<b>Primary Government</b>							
Governmental Activities:							
General government	\$ 2,417,878	\$ 274,947	\$ 46,441	\$ -	(\$ 2,096,490)	\$ -	(\$ 2,096,490)
Public safety	601,135	34,095	19,143	-	( 547,897)	-	( 547,897)
Public works	1,966,269	-	227,464	184,532	( 1,554,273)	-	( 1,554,273)
Health and welfare	131,310	13,460	-	-	( 117,850)	-	( 117,850)
Culture and recreation	184,713	58,688	20,498	-	( 105,527)	-	( 105,527)
Education	22,547,560	-	3,986,743	-	( 18,560,817)	-	( 18,560,817)
Library	574,459	10,915	30,113	-	( 533,431)	-	( 533,431)
Environmental services	320,131	-	-	-	( 320,131)	-	( 320,131)
Capital outlay	79,954	-	-	-	( 79,954)	-	( 79,954)
Total Governmental Activities	<u>28,823,409</u>	<u>392,105</u>	<u>4,330,402</u>	<u>184,532</u>	<u>( 23,916,370)</u>	<u>-</u>	<u>( 23,916,370)</u>
Business-Type Activities							
Water	<u>72,965</u>	<u>54,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 18,386)</u>	<u>( 18,386)</u>
Total Business-Type Activities	<u>72,965</u>	<u>54,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 18,386)</u>	<u>( 18,386)</u>
Total Primary Government	<u>\$ 28,896,374</u>	<u>\$ 446,684</u>	<u>\$ 4,330,402</u>	<u>\$ 184,532</u>	<u>( 23,916,370)</u>	<u>( 18,386)</u>	<u>( 23,934,756)</u>
<b>General revenues:</b>							
Property taxes, levied for general purposes					23,838,900	-	23,838,900
Grants and contributions not restricted to specific programs					271,284	-	271,284
Unrestricted investment earnings					21,006	8	21,014
Total general revenues					<u>24,131,190</u>	<u>8</u>	<u>24,131,198</u>
Change in net position					214,820	( 18,378)	196,442
Net position, beginning					<u>43,147,748</u>	<u>1,469,482</u>	<u>44,617,230</u>
Net position, ending					<u>\$ 43,362,568</u>	<u>\$ 1,451,104</u>	<u>\$ 44,813,672</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, 2013**

	<u>General Fund</u>	<u>Reserve Fund For Capital and Nonrecurring Expenditures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,105,960	\$ 1,072,940	\$ 154,581	\$ 3,333,481
Investments	-	-	130,654	130,654
Property taxes, interest and liens receivable, net of allowance for doubtful accounts of \$10,000	704,325	-	-	704,325
Due from other funds	75,539	13,266	4,196	93,001
Other receivables	110,599	-	105,086	215,685
Prepaid expenses	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total assets	<u>\$ 2,998,923</u>	<u>\$ 1,086,206</u>	<u>\$ 394,517</u>	<u>\$ 4,479,646</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 197,272	\$ -	\$ 35,992	\$ 233,264
Due to other funds	17,462	-	75,539	93,001
Accrued expenses	35,683	-	-	35,683
Other payables	<u>1,680</u>	<u>-</u>	<u>-</u>	<u>1,680</u>
Total liabilities	<u>252,097</u>	<u>-</u>	<u>111,531</u>	<u>363,628</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>677,042</u>	<u>-</u>	<u>-</u>	<u>677,042</u>
<b>FUND BALANCE (DEFICITS):</b>				
Nonspendable	2,500	-	31,528	34,028
Restricted	-	-	233,417	233,417
Committed	-	1,096,378	-	1,096,378
Assigned	168,568	-	27,736	196,304
Unassigned	<u>1,898,716</u>	<u>( 10,172)</u>	<u>( 9,695)</u>	<u>1,878,849</u>
Total fund balances (deficits)	<u>2,069,784</u>	<u>1,086,206</u>	<u>282,986</u>	<u>3,438,976</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,998,923</u>	<u>\$ 1,086,206</u>	<u>\$ 394,517</u>	<u>\$ 4,479,646</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, 2013**

---

Total fund balance - governmental funds	\$	3,438,976
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		39,637,237
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Property taxes, interest and liens		628,288
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.		
Capital lease obligations	(	122,084)
Net pension obligation	(	12,220)
Other post-employment benefit liability	(	33,237)
Compensated absences	(	174,392)
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities	\$	<u><u>43,362,568</u></u>

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

**TOWN OF DURHAM, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Property taxes	\$ 23,550,213	\$ -	\$ -	\$ 23,550,213
Fees and fines	424,072	-	-	424,072
Licenses and permits	-	-	3,568	3,568
Intergovernmental	4,575,747	-	155,461	4,731,208
Investment earnings	12,777	1,916	6,313	21,006
Miscellaneous	-	600	18,875	19,475
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>28,562,809</u>	<u>2,516</u>	<u>184,217</u>	<u>28,749,542</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,332,965	-	1,891	2,334,856
Public safety	483,497	-	-	483,497
Public works	1,458,465	-	118,479	1,576,944
Health and welfare	124,395	-	3,707	128,102
Culture and recreation	176,879	-	3,252	180,131
Education	22,540,262	-	7,298	22,547,560
Library	468,860	-	38,250	507,110
Environmental services	320,131	-	-	320,131
Capital Outlay	742,023	-	217,175	959,198
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>28,647,477</u>	<u>-</u>	<u>390,052</u>	<u>29,037,529</u>
Excess (deficiency) of revenues over expenditures	<u>( 84,668)</u>	<u>2,516</u>	<u>( 205,835)</u>	<u>( 287,987)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease	106,649	-	-	106,649
Transfers in	476,181	352,422	-	828,603
Transfers out	<u>( 352,422)</u>	<u>( 475,304)</u>	<u>( 877)</u>	<u>( 828,603)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	<u>230,408</u>	<u>( 122,882)</u>	<u>( 877)</u>	<u>106,649</u>
Net change in fund balances	145,740	( 120,366)	( 206,712)	( 181,338)
Fund balances, beginning	<u>1,924,044</u>	<u>1,206,572</u>	<u>489,698</u>	<u>3,620,314</u>
Fund balances, ending	<u>\$ 2,069,784</u>	<u>\$ 1,086,206</u>	<u>\$ 282,986</u>	<u>\$ 3,438,976</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, 2013**

---

Net change in fund balances - total governmental funds: (\$ 181,338)

Amounts reported for governmental activities in the statement of activities are different because of the following:

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

Capital outlay		1,202,848
Depreciation expense	(	1,035,723)

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

Property tax, interest and liens - accrual basis change		288,687
---	--	---------

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.

Issuance of capital lease obligation		106,649)
Principal payments on capital lease obligations	(	63,159

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension obligation		105
Change in other postemployment benefits	(	7,888)
Change in compensated absences	(	<u>8,381)</u>

Change in net position of governmental activities		<u>\$ 214,820</u>
---	--	-------------------

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, 2013**

---

		<u>Enterprise Fund</u>
		<u>Water Company</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	13,225
Accounts receivable, net		8,293
Total current assets		<u>21,518</u>
Capital assets:		
Utility system		1,620,324
Less: Accumulated depreciation	(	182,471)
Total capital assets, net		<u>1,437,853</u>
Total assets	\$	<u><u>1,459,371</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		8,267
Total current liabilities		<u>8,267</u>
<b>NET POSITION</b>		
Net investment in capital assets		1,437,853
Unrestricted		<u>13,251</u>
Total net position		<u>1,451,104</u>
Total liabilities and net assets	\$	<u><u>1,459,371</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, 2013**

---

	<u>Enterprise Fund</u>
	<u>Water Company</u>
<b>REVENUES</b>	
Charges for services	\$ 54,579
Total operating revenues	54,579
<b>OPERATING EXPENSES</b>	
Utilities	7,457
Repairs and maintenance	11,840
Other supplies and expenses	35,421
Depreciation	18,247
Total operating expenses	72,965
Operating loss	( 18,386)
<b>NONOPERATING REVENUES</b>	
Interest	8
Total nonoperating revenue	8
Change in net position	( 18,378)
Net position, beginning	1,469,482
Net position, ending	\$ 1,451,104

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, 2013**

---

	Business-Type Activities <u>Water Company</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 51,644
Payments to suppliers	( 46,781)
Payments to other funds	<u>( 11,712)</u>
Net cash used by operating activities	<u>( 6,849)</u>
<b>Cash Flows from Investing Activities</b>	
Interest	<u>8</u>
Net change in cash and cash equivalents	( 6,841)
Cash and cash equivalents, beginning	<u>20,066</u>
Cash and cash equivalents, ending	<u><u>\$ 13,225</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(\$ 18,386)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	18,247
Increase in accounts receivable	( 2,935)
Increase in accounts payable	7,937
Decrease in due to other funds	<u>( 11,712)</u>
Total adjustments	<u>11,537</u>
Net cash used by operating activities	<u><u>(\$ 6,849)</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, 2013**

---

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 141,881	\$ 202,202
Accrued interest receivable	3,923	-
Investments	<u>1,714,533</u>	<u>-</u>
Total assets	<u>1,860,337</u>	<u>\$ 202,202</u>
<b>LIABILITIES</b>		
Amounts held for others	<u>-</u>	<u>\$ 202,202</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 1,860,337</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, 2013**

---

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 143,226
Plan members	<u>64,090</u>
Total contributions	207,316
Net investment earnings	<u>187,624</u>
Total additions	<u>394,940</u>
<b>DEDUCTIONS</b>	
Benefits	237,097
Administrative expenses	<u>150</u>
Total deductions	<u>237,247</u>
Change in net position	157,693
Net position, beginning	<u>1,702,644</u>
Net position, ending	<u><u>\$ 1,860,337</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, 2013**

---

**1. Summary of Significant Accounting Policies**

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

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

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

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

**A. Financial Reporting Entity**

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 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.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

**B. Basis of Presentation**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

The Town reports the following major governmental funds:

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

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

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

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. Certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

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, 2013, the Town's cash equivalents represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut. The pool is rated AAAM by Standard & Poor's.

**Investments**

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

**Property Taxes and Other Receivables**

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

The 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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

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, 2013, the allowance for uncollectible property taxes is \$10,000.

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

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

### **Prepaid Expenses**

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

### **Capital Assets**

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

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.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

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

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the government-wide statement of net position and the governmental funds balance sheet. The governmental activities and 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, 2013 by those employees who are currently

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

### **Long-Term Obligations**

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

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

### **Net Position/Fund Balance**

#### **Government-wide Statements**

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

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:

- a. Nonspendable Fund Balance - represents amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- b. Restricted Fund Balance - represents amounts that are constrained for a specific purpose by either (a) external parties, such as grantors, creditors, contributors, or laws and regulation of their governments or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed Fund Balance - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Durham Town Meeting).
- d. Assigned Fund Balance - for all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, includes amounts constrained for the intent to be used for a specific purpose by the Board of Finance.
- e. Unassigned Fund Balance - represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Town does not have a minimum fund balance policy.

**E. Estimates**

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

**F. Subsequent Events**

Management has evaluated subsequent events through November 6, 2013, the date the financial statements were available to be issued.

**2. Stewardship, Compliance and Accountability**

**Budgetary Information**

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

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

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

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

**Application of Accounting Standards**

For the year ended June 30, 2013, the Town implemented:

- GASB Statement 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - This statement incorporates certain authoritative literature into the GASB codification.
- GASB Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - This statement discusses transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods and provides guidance for reporting them.
- GASB Statement 65 - *Items Previously Reported as Assets and Liabilities* - This statement further clarifies that appropriate use of the financial statement elements of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting.

**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, 2013 was \$3,797,697.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . 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	\$ 2,582,928
Cash equivalents:	
State Short-Term Investment Fund (STIF)	1,072,940
ISA Bank of America	74,502
BIF Money Fund	34,488
Bank of America Government Reserves	32,839
Total cash and cash equivalents	\$ 3,797,697
 Book balances	
Governmental funds	\$ 3,333,481
Enterprise funds	13,225
Pension trust fund	141,881
Agency fund	202,202
Total cash and cash equivalents	\$ 3,690,789

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, 2013 bank balance, \$514,434 was covered by Federal Depository Insurance. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. Additionally, the Town has an agreement with its primary financial institution whereby one hundred percent of the Town deposits which exceed the FDIC limits are collateralized with assets segregated from the financial institutions assets at the Federal Reserve Bank and identified as being pledged to the Town. The Town does not have a deposit policy for custodial risk.

### **Investments**

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

As of June 30, 2013, the Town's investments consisted of the following:

Mary J. Camp Fund:	
Equity mutual funds	\$ 79,045
Fixed income mutual funds	20,492
Hedge fund mutual funds	14,764
REIT mutual fund	7,834
Tangible asset mutual funds	8,519
Total	\$ 130,654
Pension Trust Fund:	
U.S. Treasury notes	\$ 343,270
U.S. Agency obligations	91,361
Corporate bonds	238,852
Common stocks	1,041,050
Total	\$ 1,714,533

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury notes	\$ 343,270	\$ -	\$ 223,264	\$ 120,006	\$ -
U.S. Agency obligations	91,361	-	91,361	-	-
Corporate bonds	238,852	6,262	151,929	80,661	-
	673,483	\$ 6,262	\$ 466,554	\$ 200,667	\$ -
Common stocks **	1,041,050				
Mutual funds **	130,654				
	\$ 1,845,187				

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

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2013, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

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

**4. Interfund Transactions**

**Interfund Balances**

Interfund balances consisted of the following at June 30, 2013, as reported in the fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	
General Fund	\$ 75,539	\$ 17,462	
Reserve Fund for Capital and Nonrecurring Expenditures	13,266	-	
Nonmajor Governmental Funds:			
State and Federal Grants	-	65,756	
Town Trust	4,196	-	
Mary Weber	-	9,783	
	<u>\$ 93,001</u>	<u>\$ 93,001</u>	

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, 2013**  
**. . . Continued . . .**

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported in the fund financial statements:

	Transfers In	Transfers Out
General Fund	\$ 476,181	\$ 352,422
Reserve Fund for Capital and Nonrecurring Expenditures	352,422	475,304
Salt Shed Construction	-	877
Total	\$ 828,603	\$ 828,603

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

**5. Property Taxes and Other Receivables**

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

	Property Taxes	Interest and Liens	Grants	Other	Allowance for Uncollectibles	Total
General Fund	\$545,563	\$168,762	\$ 58,829	\$ 51,770	(\$ 10,000)	\$814,924
Town Clerk Records Preservation	-	-	-	276	-	276
State and Federal Grants	-	-	104,810	-	-	104,810
Net total receivables	\$545,563	\$168,762	\$163,639	\$ 52,046	(\$ 10,000)	\$920,010

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2013</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 5,123,185	\$ 176,915	\$ -	\$ 5,300,100
Construction in progress	<u>532,000</u>	<u>415,618</u>	<u>532,000</u>	<u>415,618</u>
Total capital assets not being depreciated	<u>5,655,185</u>	<u>592,533</u>	<u>532,000</u>	<u>5,715,718</u>
Capital assets, being depreciated:				
Buildings and improvements	4,517,202	753,521	-	5,270,723
Machinery, equipment and vehicles	3,678,770	262,102	111,578	3,829,294
Land improvements	48,740	-	-	48,740
Infrastructure	<u>41,630,297</u>	<u>126,692</u>	<u>-</u>	<u>41,756,989</u>
Total capital assets, being depreciated	<u>49,875,009</u>	<u>1,142,315</u>	<u>111,578</u>	<u>50,905,746</u>
Total accumulated depreciation	<u>16,060,082</u>	<u>1,035,723</u>	<u>111,578</u>	<u>16,984,227</u>
Total capital assets, being depreciated, net	<u>33,814,927</u>	<u>106,592</u>	<u>-</u>	<u>33,921,519</u>
Total Government-Wide Capital Assets, net	<u>\$ 39,470,112</u>	<u>\$ 699,125</u>	<u>\$ 532,000</u>	<u>\$ 39,637,237</u>
	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Water system	\$ 1,620,324	\$ -	\$ -	\$ 1,620,324
Total capital assets, being depreciated	<u>1,620,324</u>	<u>-</u>	<u>-</u>	<u>1,620,324</u>
Total accumulated depreciation	<u>164,224</u>	<u>18,247</u>	<u>-</u>	<u>182,471</u>
Total capital assets, being depreciated, net	<u>1,456,100</u>	<u>( 18,247)</u>	<u>-</u>	<u>1,437,853</u>
Business-Type activities capital assets, net	<u>\$ 1,456,100</u>	<u>(\$ 18,247)</u>	<u>\$ -</u>	<u>\$ 1,437,853</u>

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

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

	Total
General government	\$ 66,858
Highway	776,088
Health and welfare	3,208
Library	67,349
Recreation	4,582
Public safety	117,638
Totals	\$ 1,035,723

**7. Long-Term Obligations**

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

Governmental Activities	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Capital lease obligations	\$ 78,594	\$ 106,649	\$ 63,159	\$ 122,084	\$ 59,371
Net pension obligation	12,325	-	105	12,220	-
Other post-employment benefits	25,349	7,888	-	33,237	-
Compensated absences	166,011	8,381	-	174,392	-
Total Governmental	\$ 282,279	\$ 122,918	\$ 63,264	\$ 341,933	\$ 59,371

The capital leases consist of equipment that has been capitalized in the amount of \$310,149. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 was \$50,958, leaving a current book value of \$259,191. A corresponding liability is recorded in the government-wide financial statements. Principal payments are made by the general fund.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

Fiscal Year Ended June 30,	
2014	\$ 66,256
2015	66,256
Total minimum lease payments	132,512
Less, amount representing interest	( 10,428)
Present value of minimum lease payments	\$ 122,084

There are no authorized, unissued bonds at June 30, 2013.

Durham is a member of Regional School District No. 13, which provides education facilities for grades K through twelve for the towns of Durham and Middlefield. As of June 30, 2013, the outstanding bonded indebtedness of the District was \$12,935,000 (\$12,367,400 after anticipated State reimbursements) with Durham's share being 66.1% or \$8,174,851. These are general obligations of Regional School District No. 13 and its member towns.

**8. Fund Balance**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Non-major Governmental Funds	Total
Fund balances:				
Nonspendable	\$ 2,500	\$ -	\$ 31,528	\$ 34,028
Restricted for:				
General government	-	-	9,612	9,612
Public safety	-	-	30,016	30,016
Health and welfare	-	-	5,062	5,062
Education	-	-	130,654	130,654
Library	-	-	58,073	58,073
Committed to:				
Capital projects	-	1,096,378	-	1,096,378
Assigned to:				
General government	4,000	-	-	4,000
Public works	86,220	-	-	86,220
Library	-	-	27,736	27,736
Capital projects	78,348	-	-	78,348
Unassigned	1,898,716	( 10,172)	( 9,695)	1,878,849
Total fund balances	\$ 2,069,784	\$ 1,086,206	\$ 282,986	\$ 3,438,976

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

A fund balance deficit of \$1,377 exists in the State and Federal Grants Fund resulting from expenditure of funds without accruing intergovernmental revenues for reimbursement. The Town accrues intergovernmental revenues only when all eligibility requirements have been met.

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

**Plan Description**

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

**Summary of Significant Accounting Policies**

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

**Plan Membership**

Membership in the Plan consisted of the following at July 1, 2012, the date of the most recent actuarial valuation:

Active plan participants	24
Terminated vested participants	7
Participants in payment status	<u>12</u>
	<u><u>43</u></u>

**Benefit Provisions**

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

**TOWN OF DURHAM, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
. . . Continued . . .**

---

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

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

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%

**Funding Policy**

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

**Annual Pension Cost and Net Pension Obligation**

The annual pension cost and net pension obligation to the Retirement Plan for the Employees of the Town of Durham as of June 30, 2013 were as follows:

Annual required contribution	\$ 143,226
Interest in net pension obligation	924
Adjustment to annual required contribution	( 1,029)
Annual pension cost	<u>143,121</u>
Contributions made	<u>143,226</u>
Decrease in net pension obligation	( 105)
Net pension obligation, beginning of year	<u>12,325</u>
Net pension obligation, end of year	<u><u>\$ 12,220</u></u>

**Three-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 136,923	\$ 137,029	100.1 %	\$ 12,431
6/30/2012	138,991	139,097	100.1	12,325
6/30/2013	143,121	143,226	100.1	12,220

**Funding Status and Funding Progress**

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As a Percentage of Covered Payroll</u>
7/1/2012	\$ 1,800,286	\$ 2,738,363	\$ 938,077	65.7 %	\$ 1,269,554	73.9 %

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation. The actuarial assumptions included:

A. Investment rate of return	7.50%
B. Projected salary increase (per year)	4.50%
C. Inflation rate	2.50%
D. Cost of living adjustment	None
E. Actuarial cost method	Entry Age Normal
F. Amortization method	Level dollar closed
G. Remaining amortization period	23 Years

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

**Plan Description**

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

**Benefit Provisions**

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

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

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

**Plan Membership**

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

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

**Funding Policy**

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

Eligible retirees age 55 with 25 years of service pay 90% of the premium; all others pay 100%. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Selectmen. For the year ended June 30, 2013, the Town of Durham contributed \$0 to the Plan.

**Annual OPEB Cost and Net OPEB Obligation**

The annual OPEB cost and net OPEB obligation to the plan as of June 30, 2013 were as follows:

Annual required contribution (ARC)	\$ 7,500
Interest on net OPEB obligation	1,302
Adjustment to ARC	( 914)
Annual OPEB cost (AOC)	7,888
Contributions made	-
Change in net OPEB obligation	7,888
Net OPEB obligation, beginning of year	25,349
Net OPEB obligation, end of year	\$ 33,237

**TOWN OF DURHAM, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
. . . Continued . . .**

---

**Three-Year Trend Information**

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 6,450	\$ -	0.0 %	\$ 18,976
6/30/2012	6,373	-	0.0	25,349
6/30/2013	7,888	-	0.0	33,237

**Funding Status and Funding Progress**

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

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

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

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

**Actuarial Methods and Assumptions**

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

**TOWN OF DURHAM, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**. . . Continued . . .**

---

The actuarial assumptions included:

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

**11. 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, 2013, deductibles paid by the Town were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Property Taxes	\$ 23,678,398	\$ 23,678,398	\$ 23,550,213	(\$ 128,185)
Local Revenues:				
Copy fees	500	500	681	181
Board of Selectmen	10,000	10,000	4,814	( 5,186)
Regional Water Authority	688	688	364	( 324)
Town clerk fees and receipts	51,000	51,000	58,161	7,161
Conveyance tax	50,000	50,000	63,963	13,963
LOCIP town clerk	3,500	3,500	6,284	2,784
CIRMA dividend	6,681	6,681	6,651	( 30)
Trust funds	4,200	4,200	4,468	268
Interest on investments	2,500	2,500	1,658	( 842)
Passport execution fee	10,000	10,000	8,255	( 1,745)
Building and sanitation	66,980	66,980	110,016	43,036
Inland wetlands and watercourse	2,000	2,000	1,426	( 574)
Zoning board of appeals	400	400	-	( 400)
Planning and zoning	800	800	1,525	725
Conservation commission	5,400	5,400	5,410	10
Insurance reimbursements	22,862	22,862	17,767	( 5,095)
Insurance claim payments	-	-	17,274	17,274
Workforce Alliance grant	-	-	20,869	20,869
Highway department	500	500	-	( 500)
State trooper reimbursement - Regional School District #13	2,000	2,000	3,371	1,371
Animal control officers - fines	1,500	1,500	975	( 525)
ENS Regional School District #13 reimbursement	3,038	3,038	4,367	1,329
Durham volunteer fire department	-	-	4,861	4,861
Valley shore tower reimbursement	2,800	2,800	2,700	( 100)
Animal control officer - licenses	8,000	8,000	9,766	1,766
Fire Marshal	2,900	2,900	565	( 2,335)
Library	10,000	10,000	10,915	915
Recreation	65,000	65,000	44,668	( 20,332)
Recreation - summer	6,500	6,500	6,865	365
EDC expo	1,000	1,000	550	( 450)
Farmer's market vendor fee	1,100	1,100	810	( 290)
Transfer in from Reserve Fund	-	475,304	475,304	-
Transfer in from Salt Shed Construction	-	-	877	877
DEP fees	1,800	1,800	2,160	360
State trooper - pistol permits	1,800	1,800	7,490	5,690
Senior board activity fee	815	815	52	( 763)
Durham/Middlefield senior/disabled van	6,936	6,936	7,103	167
NSF fees	-	-	45	45
<b>Total Local Revenues</b>	<b>353,200</b>	<b>828,504</b>	<b>913,030</b>	<b>84,526</b>

. . . Continued . . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Intergovernmental Revenues:				
Town aid roads	\$ 112,451	\$ 112,451	\$ 111,632	(\$ 819)
Telecommunications personal property	40,478	40,478	21,929	( 18,549)
Payment in lieu of taxes - state property	18,469	18,469	18,377	( 92)
Local capital improvement program	55,109	55,109	55,109	-
Elderly and disabled tax relief	670	670	899	229
Educational cost sharing	3,954,812	3,954,812	3,986,743	31,931
State of Connecticut receipts	10,000	10,000	-	( 10,000)
Mashantucket Pequot grant	24,045	24,045	22,545	( 1,500)
Municipal revenue sharing	122,637	122,637	153,725	31,088
Town clerk - records restoration	4,000	4,000	4,000	-
FEMA grant	-	51,773	109,548	57,775
Youth service bureau grant	19,000	19,000	18,888	( 112)
Judicial Branch receipts	2,500	2,500	1,480	( 1,020)
Homeowners tax relief	44,000	44,000	40,036	( 3,964)
Veterans tax relief	13,000	13,000	13,173	173
Trooper DUI grant	19,275	19,275	15,600	( 3,675)
Public safety grant	5,700	5,700	2,063	( 3,637)
Boating safety grant	700	700	-	( 700)
	<u>4,446,846</u>	<u>4,498,619</u>	<u>4,575,747</u>	<u>77,128</u>
Total Intergovernmental Revenues				
Budgeted Use of Fund Balance	-	213,246	-	( 213,246)
Total Revenues	<u>\$ 28,478,444</u>	<u>\$ 29,218,767</u>	<u>\$ 29,038,990</u>	<u>(\$ 179,777)</u>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Elected Officials and Boards</b>				
Board of Finance	\$ 24,875	\$ 29,375	\$ 28,676	\$ 699
Board of Selectmen	34,596	36,596	34,561	2,035
First Selectman's salary	80,519	80,519	80,519	-
Selectmen's salary	7,724	7,724	7,724	-
Office of the First Selectmen	59,675	59,675	59,490	185
Board of Assessment Appeals	211	211	178	33
Office of the Tax Collector	12,189	12,189	10,985	1,204
Tax Collector's salary	59,405	59,405	59,405	-
Tax Collector's office staff salaries	25,334	25,334	25,334	-
Office of the Town Clerk	27,571	26,416	26,977	( 561)
Town Clerk's salary	60,523	60,523	60,523	-
Town Clerk's office salaries	52,517	53,672	53,672	-
Town Treasurer's salary	9,931	9,931	9,931	-
<b>Total Elected Officials and Board</b>	<b>455,070</b>	<b>461,570</b>	<b>457,975</b>	<b>3,595</b>
<b>Professional Services</b>				
Assessor	12,100	12,100	10,452	1,648
Assessor's office salaries	66,819	66,819	66,665	154
Midstate Regional Planning Agency	4,888	4,888	5,415	( 527)
Middlesex soil and water	1,698	1,698	1,698	-
Probate court	7,711	7,711	7,682	29
Town Counsel	30,000	30,000	29,412	588
Town engineering	35,000	81,151	81,151	-
Building and health department	8,820	8,820	6,027	2,793
Building and health department salaries	222,344	222,344	222,345	( 1)
Finance department	9,375	9,375	10,145	( 770)
Finance department salaries	113,431	113,431	113,430	1
Planning and zoning legal council	7,000	7,000	9,990	( 2,990)
Information technology	51,018	51,018	49,944	1,074
Computer equipment	14,145	14,145	14,121	24
<b>Total Professional Services</b>	<b>584,349</b>	<b>630,500</b>	<b>628,477</b>	<b>2,023</b>
<b>Other Town Commissions</b>				
Inland wetlands	1,150	1,150	1,099	51
Zoning board of appeals	840	840	1,919	( 1,079)
Planning and Zoning	67,650	67,650	49,897	17,753
Economic development	2,100	2,100	957	1,143
Conservation	8,700	8,700	5,689	3,011
Historic District Commission	540	540	278	262
Ethics Commission	800	800	44	756
Clean Energy Task Force	-	1,412	1,002	410
Agricultural Commission	800	800	-	800
<b>Total Other Town Commissions</b>	<b>82,580</b>	<b>83,992</b>	<b>60,885</b>	<b>23,107</b>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
General Expenses				
Elections	\$ 36,835	\$ 36,835	\$ 38,727	(\$ 1,892)
Social Security	139,668	139,668	132,195	7,473
Unemployment compensation	10,930	13,410	13,410	-
Employee retirement plan	153,226	153,226	153,847	( 621)
Insurance	94,427	94,427	104,368	( 9,941)
Employee health benefits	538,943	538,943	498,223	40,720
Tree warden	22,575	22,575	21,783	792
Drug and alcohol test	1,164	1,164	1,283	( 119)
Town hall expenses	40,357	40,357	41,367	( 1,010)
Municipal heating fuel	42,997	42,997	43,034	( 37)
Municipal custodial services	47,522	47,522	46,569	953
Facilities management	47,921	47,921	67,284	( 19,363)
<b>Total General Expenses</b>	<b>1,176,565</b>	<b>1,179,045</b>	<b>1,162,090</b>	<b>16,955</b>
Public Works				
Street lights	47,000	47,000	48,523	( 1,523)
Capital equipment	68,597	121,568	116,256	5,312
Highway department wages	440,295	440,295	409,074	31,221
Highway department seasonal wages	17,500	17,500	35,372	( 17,872)
Highway department vehicle maintenance	54,000	74,000	83,570	( 9,570)
Town garage maintenance	10,715	10,715	12,297	( 1,582)
Public works department	59,750	66,358	71,203	( 4,845)
Snow removal	145,000	185,036	185,037	( 1)
Catch basin cleaning/repair	26,808	26,808	4,870	21,938
Vehicle fuel	68,122	76,073	67,441	8,632
Chip sealing	227,000	227,000	212,617	14,383
Highway sweeping	25,300	25,300	24,536	764
Highway projects	109,500	165,097	75,716	89,381
<b>Total Public Works</b>	<b>1,299,587</b>	<b>1,482,750</b>	<b>1,346,512</b>	<b>136,238</b>
Public Safety				
Emergency management	3,500	3,500	3,482	18
Emergency operations center	4,440	4,440	4,006	434
Animal control salaries	17,171	17,171	17,171	-
Animal control expenses	13,170	13,170	13,170	-
Public safety vehicle maintenance	15,000	15,000	5,930	9,070
Emergency Expenditures	25,000	12,883	-	12,883
Volunteer fire company	64,680	64,680	62,114	2,566
Fire company trustees	11,860	11,860	13,881	( 2,021)
Volunteer ambulance company	27,985	27,985	27,851	134
Public safety data system	15,760	15,760	11,703	4,057
Town wide radio communications	23,331	27,035	29,500	( 2,465)
Fire Marshal department	2,423	2,423	2,160	263
Fire Marshal wages	23,544	23,544	23,544	-
Valley Shore communications	77,155	77,155	77,155	-
Fire pond fund	5,000	5,000	5,504	( 504)
Resident State Trooper department	34,704	34,704	42,220	( 7,516)
Resident State Trooper contract	108,760	108,760	113,666	( 4,906)
Resident State Trooper/Fair House	2,400	2,400	2,400	-
Burning permits	1,000	1,000	1,000	-
Emergency services facility	-	33,123	27,040	6,083
<b>Total Public Safety</b>	<b>476,883</b>	<b>501,593</b>	<b>483,497</b>	<b>18,096</b>

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**. . .Continued. . .**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Health and Welfare				
Human services salary	\$ 25,834	\$ 25,834	\$ 25,840	(\$ 6)
Department of Human Services	17,519	17,519	16,637	882
Social services	600	600	184	416
Transportation	32,793	32,793	23,247	9,546
Youth services	44,230	44,230	44,118	112
Durham senior citizens board	14,350	14,350	14,369	( 19)
Total Health and Welfare	<u>135,326</u>	<u>135,326</u>	<u>124,395</u>	<u>10,931</u>
Library				
Library	480,164	480,164	466,138	14,026
Recreation				
Recreation	199,089	199,089	179,313	19,776
Miscellaneous				
Tax refunds	32,876	32,876	26,385	6,491
Contingency	109,500	-	-	-
Farmers market	1,100	1,100	897	203
Total Miscellaneous	<u>143,476</u>	<u>33,976</u>	<u>27,282</u>	<u>6,694</u>
Reserve Funds				
Transfer to Reserve Fund	352,422	352,422	352,422	-
Total Reserve Funds	<u>352,422</u>	<u>352,422</u>	<u>352,422</u>	<u>-</u>
Capital Projects				
Capital improvements	238,950	824,357	742,023	82,334
Total Capital Projects	<u>238,950</u>	<u>824,357</u>	<u>742,023</u>	<u>82,334</u>
Environmental Services				
DMIAAB	302,721	302,721	302,721	-
Landfill water systems	4,000	4,000	4,000	-
Household hazardous waste	7,000	7,000	13,410	( 6,410)
Total Environmental Services	<u>313,721</u>	<u>313,721</u>	<u>320,131</u>	<u>( 6,410)</u>
Education	22,540,262	22,540,262	22,540,262	-
Total Expenditures	<u>\$ 28,478,444</u>	<u>\$ 29,218,767</u>	<u>\$ 28,891,402</u>	<u>327,365</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,588</u>	<u>\$ 147,588</u>

**TOWN OF DURHAM, CONNECTICUT**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2013**

---

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 29,145,639	\$ 28,999,899
Proceeds from capital lease	( 106,649)	( 106,649)
Accrued payroll is not budgeted. This amount represents the change in accrued payroll.	<u>-</u>	<u>( 1,848)</u>
Budgetary Basis	<u>\$ 29,038,990</u>	<u>\$ 28,891,402</u>

**TOWN OF DURHAM, CONNECTICUT  
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
RETIREMENT PLAN FOR THE EMPLOYEES OF THE TOWN OF DURHAM  
JUNE 30, 2013**

---

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b - a)/ c)
July 1, 2007	\$ 356,866	\$ 538,002	\$ 181,136	66.33 %	\$ 943,016	19.21 %
July 1, 2008	396,202	689,840	293,638	57.43	1,133,455	25.91
July 1, 2009 *	1,459,369	2,408,106	948,737	60.60	1,148,859	82.58
July 1, 2010	1,683,903	2,651,388	967,485	63.51	1,167,831	82.84
July 1, 2011	1,755,122	2,721,345	966,223	64.49	1,113,931	86.74
July 1, 2012	1,800,286	2,738,363	938,077	65.74	1,269,554	73.89

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Employer Contributions	Annual Required Contributions	Percentage Contributed
2008	\$ 46,256	\$ 29,811	155.16 %
2009	33,877	59,835	56.62
2010	134,793	134,793	100.00
2011	137,029	137,029	100.00
2012	139,097	139,097	100.00
2013	143,226	143,226	100.00

**TOWN OF DURHAM, CONNECTICUT  
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
OTHER POST-EMPLOYMENT BENEFITS  
JUNE 30, 2013**

---

**SCHEDULE OF FUNDING PROGRESS**

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Special Revenue								
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation	State and Federal Grants	Gemma	Total Special Revenue
<b>ASSETS</b>									
Cash and cash equivalents	\$ 623	\$ 56,471	\$ 14,956	\$ 1,384	\$ -	\$ 3,756	\$ -	\$ 30,016	\$ 107,206
Due from other funds	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	130,654	-	-	-	130,654
Other receivables	-	-	-	-	-	276	104,810	-	105,086
Total assets	<u>\$ 623</u>	<u>\$ 56,471</u>	<u>\$ 14,956</u>	<u>\$ 1,384</u>	<u>\$ 130,654</u>	<u>\$ 4,032</u>	<u>\$ 104,810</u>	<u>\$ 30,016</u>	<u>\$ 342,946</u>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,992	\$ -	\$ 35,992
Due to other funds	-	-	-	-	-	-	65,756	-	65,756
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,748</u>	<u>-</u>	<u>101,748</u>
Fund Balance (Deficit)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	623	28,735	14,956	1,384	130,654	4,032	4,439	30,016	214,839
Assigned	-	27,736	-	-	-	-	-	-	27,736
Unassigned	-	-	-	-	-	-	( 1,377)	-	( 1,377)
Total fund balance (deficit)	<u>623</u>	<u>56,471</u>	<u>14,956</u>	<u>1,384</u>	<u>130,654</u>	<u>4,032</u>	<u>3,062</u>	<u>30,016</u>	<u>241,198</u>
Total liabilities and fund balance (deficit)	<u>\$ 623</u>	<u>\$ 56,471</u>	<u>\$ 14,956</u>	<u>\$ 1,384</u>	<u>\$ 130,654</u>	<u>\$ 4,032</u>	<u>\$ 104,810</u>	<u>\$ 30,016</u>	<u>\$ 342,946</u>

...Continued...

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013  
...Continued...**

	Capital Projects Funds		Permanent			Total Permanent	Total Nonmajor Governmental Funds
	Salt Shed Construction	Total Capital Projects Funds	Library Trust	Town Trust	Mary Weber		
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ 14,382	\$ -	\$ 32,993	\$ 47,375	\$ 154,581
Due from other funds	-	-	-	4,196	-	4,196	4,196
Investments	-	-	-	-	-	-	130,654
Other receivables	-	-	-	-	-	-	105,086
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,382</u>	<u>\$ 4,196</u>	<u>\$ 32,993</u>	<u>\$ 51,571</u>	<u>\$ 394,517</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,992
Due to other funds	-	-	-	-	9,783	9,783	75,539
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,783</u>	<u>9,783</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,783</u>	<u>9,783</u>	<u>111,531</u>
Fund Balance (Deficit)							
Nonspendable	-	-	-	-	31,528	31,528	31,528
Restricted	-	-	14,382	4,196	-	18,578	233,417
Assigned	-	-	-	-	-	-	27,736
Unassigned	-	-	-	-	( 8,318)	( 8,318)	( 9,695)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 8,318)</u>	<u>( 8,318)</u>	<u>( 9,695)</u>
Total fund balance (deficit)	<u>-</u>	<u>-</u>	<u>14,382</u>	<u>4,196</u>	<u>23,210</u>	<u>41,788</u>	<u>282,986</u>
Total liabilities and fund balance (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,382</u>	<u>\$ 4,196</u>	<u>\$ 32,993</u>	<u>\$ 51,571</u>	<u>\$ 394,517</u>

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue								Total Special Revenue
	Friends of Conservation	Library Fund	Library Development Fund	Gazebo on the Green	Mary J. Camp	Town Clerk Record Preservation	State and Federal Grants	Gemma	
<b>Revenues</b>									
Intergovernmental	\$ -	\$ 19,348	\$ -	\$ -	\$ -	\$ -	\$ 136,113	\$ -	\$ 155,461
Licenses and permits	-	-	-	-	-	3,568	-	-	3,568
Investment earnings	-	9	2	1	6,262	1	-	7	6,282
Miscellaneous	-	10,765	-	-	6,605	-	-	-	17,370
Total revenues	-	30,122	2	1	12,867	3,569	136,113	7	182,681
<b>Expenditures</b>									
Current:									
General government	-	-	-	-	-	1,891	-	-	1,891
Public works	-	-	-	-	-	-	118,479	-	118,479
Health and welfare	608	-	-	-	-	-	3,099	-	3,707
Culture and recreation	-	-	-	-	-	-	3,252	-	3,252
Education	-	-	-	-	7,298	-	-	-	7,298
Library	-	36,886	1,364	-	-	-	-	-	38,250
Capital Outlay	-	-	-	-	-	-	-	-	-
Total expenditures	608	36,886	1,364	-	7,298	1,891	124,830	-	172,877
Excess of revenues over (under) expenditures	( 608)	( 6,764)	( 1,362)	1	5,569	1,678	11,283	7	9,804
<b>Other Financing Sources (Uses)</b>									
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources	( 608)	( 6,764)	( 1,362)	1	5,569	1,678	11,283	7	9,804
Fund balance - beginning	1,231	63,235	16,318	1,383	125,085	2,354	( 8,221)	30,009	231,394
Fund balance - ending	\$ 623	\$ 56,471	\$ 14,956	\$ 1,384	\$ 130,654	\$ 4,032	\$ 3,062	\$ 30,016	\$ 241,198

. . .Continued. . .

**TOWN OF DURHAM, CONNECTICUT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013  
...Continued...**

	Capital Projects Funds		Permanent			Total Permanent	Total Nonmajor Governmental Funds
	Salt Shed Construction	Total Capital Projects Funds	Library Trust	Town Trust	Mary Weber		
<b>Revenues</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 155,461
Licenses and permits	-	-	-	-	-	-	3,568
Investment earnings	-	-	20	-	11	31	6,313
Miscellaneous	-	-	-	-	1,505	1,505	18,875
Total revenues	-	-	20	-	1,516	1,536	184,217
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	1,891
Public works	-	-	-	-	-	-	118,479
Health and welfare	-	-	-	-	-	-	3,707
Culture and recreation	-	-	-	-	-	-	3,252
Education	-	-	-	-	-	-	7,298
Library	-	-	-	-	-	-	38,250
Capital Outlay	217,175	217,175	-	-	-	-	217,175
Total expenditures	217,175	217,175	-	-	-	-	390,052
Excess of revenues over (under) expenditures	( 217,175)	( 217,175)	20	-	1,516	1,536	( 205,835)
<b>Other Financing Sources (Uses)</b>							
Operating transfers out	( 877)	( 877)	-	-	-	-	( 877)
Total other financing sources (uses)	( 877)	( 877)	-	-	-	-	( 877)
Excess of revenues and other financing sources over (under) expenditures and other financing sources	( 218,052)	( 218,052)	20	-	1,516	1,536	( 206,712)
Fund balance - beginning	218,052	218,052	14,362	4,196	21,694	40,252	489,698
Fund balance - ending	\$ -	\$ -	\$ 14,382	\$ 4,196	\$ 23,210	\$ 41,788	\$ 282,986

**TOWN OF DURHAM, CONNECTICUT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2013**

---

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Balance June 30, 2013</u>
<b><u>Performance Bonds:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 220,059</u>	<u>\$ 8,787</u>	<u>\$ 26,644</u>	<u>\$ 202,202</u>
Total Assets	<u><u>\$ 220,059</u></u>	<u><u>\$ 8,787</u></u>	<u><u>\$ 26,644</u></u>	<u><u>\$ 202,202</u></u>
<b>LIABILITIES</b>				
Due to Others	<u>\$ 220,059</u>	<u>\$ 8,787</u>	<u>\$ 26,644</u>	<u>\$ 202,202</u>
Total Liabilities	<u><u>\$ 220,059</u></u>	<u><u>\$ 8,787</u></u>	<u><u>\$ 26,644</u></u>	<u><u>\$ 202,202</u></u>

**TOWN OF DURHAM, CONNECTICUT  
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balance July 1, 2012	Additional Appropriations From Other	Transfer In From Other Funds	Interest and Other Income	Expenditures and Transfers Out	Fund Balance June 30, 2013
Committed:						
Ambulance	\$ 132,065	\$ -	\$ -	\$ -	\$ -	\$ 132,065
Ambulance OSHA Gear	-	-	7,750	-	-	7,750
Animal control vehicle	6,000	-	-	-	-	6,000
Cemetery stone repairs	11,300	300	-	-	-	11,600
OPEB GASB 45 report	1,500	-	3,000	-	( 4,500)	-
Conservation/open space	5,200	300	-	-	-	5,500
Conservation/barn maintenance	7,800	-	4,800	-	-	12,600
Conservation/Howd Road	-	-	600	-	-	600
Computers/servers	15,000	-	3,500	-	-	18,500
Clean Energy Task Force Grant	1,412	-	-	-	( 1,412)	-
Planning & Zoning - POCD	22,500	-	2,500	-	-	25,000
Emergency management	1,549	-	-	-	-	1,549
Emergency services facility	23,600	-	-	-	-	23,600
Fire equipment	818,184	-	172,272	-	( 455,523)	534,933
Fire pond reserve	35,000	-	5,000	-	-	40,000
Fire trustees - building maintenance	19,230	-	-	-	( 13,869)	5,361
Radios and pagers	9,343	-	20,500	-	-	29,843
Highway equipment	-	-	100,000	-	-	100,000
Shelter - trailer	3,750	-	-	-	-	3,750
Library roof	28,000	-	20,000	-	-	48,000
Revaluation	48,527	-	25,000	-	-	73,527
Voting equipment	500	-	500	-	-	1,000
Senior van	2,700	-	-	-	-	2,700
Old Indian Trail tank	12,500	-	-	-	-	12,500
<b>Total Committed Fund Balance</b>	<b>1,205,660</b>	<b>600</b>	<b>365,422</b>	<b>-</b>	<b>( 475,304)</b>	<b>1,096,378</b>
Unassigned Fund Balance	912	-	( 13,000)	1,916	-	( 10,172)
<b>Total Fund Balance</b>	<b>\$ 1,206,572</b>	<b>\$ 600</b>	<b>\$ 352,422</b>	<b>\$ 1,916</b>	<b>(\$ 475,304)</b>	<b>\$ 1,086,206</b>

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Current List Year	Uncollected Taxes July 1, 2012 and Current Levy	Lawful Corrections		Transfer to Suspense	Transfers To Deferred	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2013
		Additions	Deductions				Taxes	Interest	Lien and Other Fees	Total	
2011	\$ 23,679,088	\$ 20,583	(\$ 106,845)	(\$ 7,318)	(\$ 28,679)	\$ 23,556,829	\$ 23,244,987	\$ 63,902	\$ 49	\$ 23,308,938	\$ 311,842
2010	266,799	194	( 6,434)	( 3,908)	-	256,651	115,118	25,061	624	140,803	141,533
2009	79,071	-	( 1,156)	( 3,941)	-	73,974	28,121	10,068	192	38,381	45,853
2008	36,307	-	( 157)	( 3,872)	-	32,278	9,674	3,391	72	13,137	22,604
2007	5,372	1,977	( 158)	( 4,858)	-	2,333	476	368	-	844	1,857
2006	6,835	-	-	( 387)	-	6,448	77	69	-	146	6,371
2005	5,691	-	-	( 17)	-	5,674	-	-	-	-	5,674
2004	7,613	-	-	-	-	7,613	-	-	-	-	7,613
2003	1,430	-	-	-	-	1,430	-	-	-	-	1,430
2002	786	-	-	-	-	786	-	-	-	-	786
2001	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 24,088,992</u>	<u>\$ 22,754</u>	<u>(\$ 114,750)</u>	<u>(\$ 24,301)</u>	<u>(\$ 28,679)</u>	<u>\$ 23,944,016</u>	<u>\$ 23,398,453</u>	<u>\$ 102,859</u>	<u>\$ 937</u>	<u>\$ 23,502,249</u>	<u>\$ 545,563</u>



# SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## 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, 2013, 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 6, 2013.

### ***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 over 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 6, 2013

# SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## 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 of 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, 2013. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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



### ***Opinion on Each Major State Program***

In our opinion, the Town of Durham, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

### ***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 attentions by those charged with governance.

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

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

*Seward and Monde*

North Haven, Connecticut  
November 6, 2013

**TOWN OF DURHAM, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the year ended June 30, 2013**

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018	\$ 40,039
Property tax relief for veterans	11000-OPM20600-17024	13,173
Property tax relief for disabled homeowners	11000-OPM20600-17011	899
Local capital improvement program	12050-OPM20600-40254	55,109
Payment in lieu of taxes on state-owned property	11000-OPM20600-17004	18,377
<b><u>Department of Transportation:</u></b>		
Town aid road grants transportation fund	13033-DOT57131-43459	111,632
<b><u>Department of Environmental Protection:</u></b>		
Small town economic assistance program	12052-DEP43740-40531	38,707
Potable water program	12052-DEP43750-40490	9,548
<b><u>Department of Public Health:</u></b>		
Childrens Health Initiative	11000-DPH48766-12126	2,500
<b><u>Connecticut State Library:</u></b>		
Historic documents preservation grants	12060-CSL66094-35150	4,000
State grants to public libraries	11000-CSL66051-17003	1,210
Connecticard payments	11000-CSL66051-17010	17,806
<b><u>Judicial Branch:</u></b>		
Parking fines	34001-JUD95162-40001	1,225
<b><u>Department of Education:</u></b>		
Youth service bureau	11000-SDE64370-17052	14,000
Youth service bureau enhancement	11000-SDE64370-16201	4,888
Total State Financial Assistance Before Exempt Programs		<u>333,113</u>
<b>EXEMPT PROGRAMS</b>		
<b><u>Office of Policy and Management:</u></b>		
Municipal revenue sharing	12060-OPM20600-35458	153,724
Municipal video competition	12060-OPM20600-35362	13
<b><u>Office of the State Comptroller:</u></b>		
Mashantucket Pequot and Mohegan fund grant	12009-OSC15910-17005	22,545
<b><u>Department of Education:</u></b>		
Educational cost sharing	11000-SDE64000-17041	<u>3,986,743</u>
Total Exempt Programs		<u>4,163,025</u>
Total State Financial Assistance		<u><u>\$ 4,496,138</u></u>

See notes to schedule of state financial assistance.

**TOWN OF DURHAM, CONNECTICUT**  
**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the year ended June 30, 2013**

---

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, 2013. 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, 2013**

---

**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:

<b>State Grantor and Program</b>	<b>State Core-CT Number</b>	<b>Expenditures</b>
Office of Policy and Management Local capital improvement program	12050-OPM20600-40254	\$ 55,109
Department of Transportation Town aid road grants transportation fund	13033-DOT57131-43459	111,632
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, 2013**  
**. . . 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.