

**TOWN OF DURHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council
Town of Durham
Durham, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Durham as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The government-wide statement of net assets does not include any of the Town's capital assets acquired in years prior to 2004 nor the accumulated depreciation on those assets; and the government-wide statement of activities does not include depreciation expense related to those assets. These amounts have not been determined. Therefore, in our opinion, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Durham at December 31, 2008 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Durham, as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Durham's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 24, 2009

*Plodzik & Sanderson
Professional Association*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) is intended to be an easily readable analysis of the Town of Durham's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended December 31, 2008 the Town of Durham's net assets are recorded at \$4,974,819.
- The Town's unreserved, undesignated fund balance for the General Fund at year-end of \$952,075 reflects a decrease of \$456,370 compared to the prior fiscal year's end of \$1,408,445.
- The Sewer Fund's unreserved fund balance at year-end reflects a deficit of \$19,716 which is an increase of \$2,705 compared to the prior fiscal year's end deficit of \$17,011.
- The Town's long-term obligations saw a net increase of \$1,834,846 during the year due to the bonding of \$3,115,000 of capital improvements and equipment.

REPORT LAYOUT

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Durham's finances in a manner similar to a private sector business. Besides the Management's Discussion and Analysis (MD&A), the annual financial report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and required supplementary information (RSI). The first two statements are highly condensed and present a government-wide view of the Town's finances. In the next several statements all Town operations are categorized and reported by the various funds.

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. The annual financial report also provides for significant major funds financial statements, which provide more detail than the government-wide statements. Where combined information has been presented, later statements will provide combining information. Budgetary information is provided for major funds. The notes to the financial statements are an integral part of this report. Finally, there is required supplemental information provided relating to the financial activity of the Town.

STATEMENT OF NET ASSETS

The focus of the Statement of Net Assets is to present all of the Town of Durham's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Durham is improving or deteriorating.

STATEMENT OF ACTIVITIES

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants and direct charges, it is paid from general taxes and other resources. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. Following the government-wide statements is a section containing fund financial statements. The Town's major funds are presented in their own columns and the remaining funds are combined into a column titled "Other Governmental Funds." For the general and sewer department funds, a Budgetary Comparison Statement is presented. Readers who wish to obtain information on non-major funds can find it in the Combining Schedules of Non-Major Funds.

Finally, completing the document is the report by the independent auditor, as required by statute, which is located at the beginning of this document. This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

TOWN AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In 2004 the Town began reporting on governmental activities using the new standard. The Statement of Net Assets reflects changes in net assets during 2008. Since the Town is not reporting capital assets and infrastructure acquired prior to 2004, 2006 was the first year the overall Total Net Assets showed a surplus and it continues to do so. In subsequent years, this statement will continue to show a more accurate picture of the Town's net assets.

A condensed version of the Statement of Net Assets at December 31, 2007 and 2008 follows.

Town of Durham's Net Assets

(all figures are in U.S. dollars)

	2008	2007	Increase (Decrease)	% Increase (Decrease)
Current and other assets	19,988,131	15,950,392	4,037,739	25%
Capital assets, net	7,592,953	6,280,223	1,312,730	21%
Total assets	27,581,084	22,230,615	5,350,469	24%
Long-term liabilities outstanding	13,249,977	11,415,131	1,834,846	16%
Other liabilities	9,356,288	8,953,199	403,089	5%
Total liabilities	22,606,265	20,368,330	2,237,935	11%
Net assets:				
Invested in capital assets, net of related debt	(654,387)	(1,564,212)	909,825	58%
Restricted	375,857	379,544	(3,687)	(1%)
Unrestricted	5,253,349	3,030,419	2,222,930	73%
Total net assets	4,974,819	1,845,751	3,129,068	169%

Under GASB 34 for Phase III reporting entities, the Town is not required to inventory and report on capital infrastructure. The Town elected to not undertake the time and cost commitment to "book" these infrastructure items, and, as a result, the Statement of Net Assets will not accurately reflect the Town's net worth for many years to come. For this reason, the Town also elected to not inventory and report on other historical assets such as land, buildings, vehicles, and equipment. Although this decision goes against Generally Accepted Accounting Principles (GAAP), we believed that the cost versus the benefit of researching every Town owned asset and properly reporting them would not bring the reader of these financial statements any additional worthwhile information without full infrastructure reporting as well.

Infrastructure and other improvements total approximately \$11.7 million. The non-land portion of improvements is being depreciated. The net value of assets and liabilities as of December 30, 2008 is \$4,974,819. As discussed in prior years, due to the modified approach of only reporting assets and infrastructure added during 2004 and moving forward, it will be several years before the Statement of Net Assets will project a more representative picture for the Town of Durham.

**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED
DECEMBER 31, 2008 AND 2007:**

(all figures are in U.S. dollars)

	2008	2007	Increase (Decrease)	% Increase (Decrease)
REVENUES:				
Program Revenues:				
Charges for services	1,986,587	1,900,354	86,233	5%
Operating Grants & Contributions	3,357,262	3,198,401	158,861	5%
Capital Grants and Contributions	897,489	99,899	797,590	798%
General Revenues:				
Taxes	5,758,313	5,759,375	(1,062)	(1%)
Licenses and Permits	899,957	946,897	(46,940)	(5%)
Unrestricted Grants	789,179	740,830	48,349	7%
Miscellaneous	194,848	417,794	(222,946)	(53%)
Total Revenues	13,883,635	13,063,550	820,085	6%
EXPENSES:				
General Government	1,763,175	1,666,275	96,900	6%
Public Safety	5,638,877	5,453,912	184,965	4%
Highways and Streets	1,355,482	1,316,292	39,190	3%
Sanitation	1,779,322	1,648,180	131,142	8%
Water	272,577	296,936	(24,359)	(8%)
Health	14,504	14,573	(69)	(1%)
Welfare	9,079	17,549	(8,470)	(48%)
Culture and Recreation	566,271	477,168	89,103	19%
Conservation	29,568	27,888	1,680	6%
Capital Outlay	80,256	375,013	(294,757)	(79%)
Interest in Long-Term Debt	450,628	464,015	(13,387)	(3%)
Total Governmental Activities	11,959,739	11,757,801	201,938	2%
Change in Net Assets	1,923,896	1,305,749	618,147	47%
Beginning Net Assets	3,050,923	52,702	2,998,221	5689%
Ending Net Assets	4,974,819	1,845,751	3,129,068	170%

**GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2008**

With a few minor exceptions, including the decrease in capital outlay and general assistance (welfare), governmental program expenses remain similar to the prior year.

**BUDGETARY HIGHLIGHTS
FOR FISCAL YEAR ENDING DECEMBER 31, 2008**

There were no changes to the Town Council's approved and adopted budget during 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Town has invested \$11,732,496 in capital assets (net of depreciation), which represents an increase of \$1,473,626 as detailed in Note 2-C.

OUTSTANDING DEBT

As of year-end, the Town had \$13.2 million in debt outstanding compared to \$11.4 million last year. The \$1.8 million increase is a result of the Town issuing new debt in 2008. Additional detailed information on long-term obligations is available in the notes to the financial statements.

Moody's rated our most recent bond issue at Aa3, which was the second highest rating of any entity in the State of NH. For more detailed information on the Town's debt and amortization terms refer to the Notes to the Financial Statements.

ECONOMIC FACTORS

Property taxes are an important factor in funding Town operations, representing 57.8% of total governmental resources. Inter-governmental revenues from the State of New Hampshire, as well as the University of New Hampshire (UNH), grants and a FEMA reimbursement make up just over 28.9% of total resources, while motor vehicle, building permit and other permit fees comprise approximately 9.0%. Interest on investments, rental of property, fines and forfeits and other miscellaneous charges amount to the remaining 4.3%.

With the economy still recovering after an extended downturn, these sources of revenues appear consistent with last year's figures. The Town continues to monitor all of its resources and determines the need for program adjustment or fee increases as necessary.

NEXT YEAR'S BUDGETS AND RATES

The 2009 fiscal year General Fund Budget projects a 0.1% decrease in resources and a 0.9% decrease in expenditures. It is projected that we will not need to use any funds from the fund balance to maintain the tax rate at the current amount of \$6.52 for 2009.

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's Business Manager at 15 Newmarket Road, Durham, NH 03824 or call (603) 868-8043.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF DURHAM, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 12,514,227
Investments	454,610
Intergovernmental receivable	171,684
Other receivables, net of allowances for uncollectible	2,702,910
Prepaid items	5,157
Capital assets, not being depreciated:	
Land	2,570,203
Construction in progress	1,569,340
Capital assets, net of accumulated depreciation:	
Land improvements	139,153
Buildings and building improvements	4,547,723
Equipment and vehicles	1,035,588
Infrastructure	1,870,489
Total assets	<u>27,581,084</u>
LIABILITIES	
Accounts payable	823,493
Accrued salaries and benefits	179,225
Intergovernmental payable	8,007,598
Accrued interest payable	145,342
Retainage payable	35,623
Unearned revenue	125,812
Other	18,880
Noncurrent obligations:	
Due within one year:	
Bonds and notes	1,191,705
Capital leases	37,233
Accrued landfill postclosure care costs	10,000
Due in more than one year:	
Bonds and notes	11,157,945
Compensated absences	603,094
Accrued landfill postclosure care costs	250,000
Total liabilities	<u>22,585,950</u>
NET ASSETS	
Invested in capital assets, net of related debt	(654,387)
Restricted for perpetual care	375,857
Unrestricted	5,273,664
Total net assets	<u>\$ 4,995,134</u>

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

EXHIBIT B
TOWN OF DURHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2008

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
	Expenses	for	Grants and	Grants and	Change in
		Services	Contributions	Contributions	Net Assets
Governmental activities:					
General government	\$ 1,763,175	\$ 32,467	\$ 516,576	\$ -	\$ (1,214,132)
Public safety	5,638,877	121,548	1,747,059	-	(3,770,270)
Highways and streets	1,355,482	1,372	267,297	-	(1,086,813)
Sanitation	1,779,322	1,280,463	457,943	17,685	(23,231)
Water distribution and treatment	272,577	392,465	12,021	-	131,909
Health	14,504	-	-	-	(14,504)
Welfare	9,079	-	-	-	(9,079)
Culture and recreation	566,271	158,272	282,248	-	(125,751)
Conservation	29,568	-	13,433	-	(16,135)
Interest on long-term debt	450,628	-	60,685	-	(389,943)
Capital outlay	59,941	-	-	879,804	819,863
Total governmental activities	<u>\$ 11,939,424</u>	<u>\$ 1,986,587</u>	<u>\$ 3,357,262</u>	<u>\$ 897,489</u>	<u>(5,698,086)</u>
General revenues:					
Taxes:					
Property					5,612,347
Other					145,966
Motor vehicle permit fees					813,052
Licenses and other fees					86,905
Grants and contributions not restricted to specific programs					789,179
Miscellaneous					194,848
Total general revenues					<u>7,642,297</u>
Change in net assets					1,944,211
Net assets, beginning, as restated (see Note 2-H)					3,050,923
Net assets, ending					<u>\$ 4,995,134</u>

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

EXHIBIT C-1
TOWN OF DURHAM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2008

	General	Expendable Trust	Sewer Department	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,037,607	\$ 1,607,224	\$ -	\$ 1,970,293	\$ 1,899,103	\$ 12,514,227
Investments	-	-	-	-	454,610	454,610
Receivables, net of allowance for uncollectible:						
Taxes	2,349,281	-	-	-	-	2,349,281
Accounts	190,875	-	95,638	24,800	42,316	353,629
Intergovernmental	40,495	17,685	-	113,504	-	171,684
Interfund receivable	44,431	22,315	-	-	9,768	76,514
Voluntary tax liens	34,461	-	-	-	-	34,461
Voluntary tax liens reserved until collected	(34,461)	-	-	-	-	(34,461)
Prepaid items	2,657	-	-	-	2,500	5,157
Total assets	<u>\$ 9,665,346</u>	<u>\$ 1,647,224</u>	<u>\$ 95,638</u>	<u>\$ 2,108,597</u>	<u>\$ 2,408,297</u>	<u>\$ 15,925,102</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 385,834	\$ -	\$ 43,235	\$ 349,364	\$ 45,060	\$ 823,493
Accrued salaries and benefits	160,967	-	9,754	-	8,504	179,225
Intergovernmental payable	8,007,598	-	-	-	-	8,007,598
Interfund payable	9,768	781	47,990	-	17,975	76,514
Retainage payable	-	-	-	35,623	-	35,623
Escrow and performance deposits	18,880	-	-	-	-	18,880
Deferred revenue	39,145	-	-	83,930	2,737	125,812
Total liabilities	<u>8,622,192</u>	<u>781</u>	<u>100,979</u>	<u>468,917</u>	<u>74,276</u>	<u>9,267,145</u>

Fund balances:

Reserved for encumbrances	91,079	-	14,375	312,369	66,468	484,291
Reserved for endowments	-	-	-	-	341,341	341,341
Reserved for special purposes	-	-	-	1,327,311	182,282	1,509,593
Unreserved, undesignated, reported in:						
General fund	952,075	-	-	-	-	952,075
Debt service fund	-	-	-	-	(66,468)	(66,468)
Special revenue funds	-	1,646,443	(19,716)	-	1,810,398	3,437,125
Total fund balances	<u>1,043,154</u>	<u>1,646,443</u>	<u>(5,341)</u>	<u>1,639,680</u>	<u>2,334,021</u>	<u>6,657,957</u>
Total liabilities and fund balances	<u>\$ 9,665,346</u>	<u>\$ 1,647,224</u>	<u>\$ 95,638</u>	<u>\$ 2,108,597</u>	<u>\$ 2,408,297</u>	<u>\$ 15,925,102</u>

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

EXHIBIT C-2
TOWN OF DURHAM, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2008

Total fund balances of governmental funds (Exhibit C-1)		\$ 6,657,957
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 12,918,442	
Less accumulated depreciation	<u>(1,185,946)</u>	
		11,732,496
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (76,514)	
Payables	<u>76,514</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(145,342)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds and notes	\$ 12,349,650	
Capital leases	603,094	
Compensated absences	37,233	
Accrued landfill postclosure care costs	<u>260,000</u>	
		(13,249,977)
Total net assets of governmental activities (Exhibit A)		<u>\$ 4,995,134</u>

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

EXHIBIT C-3
TOWN OF DURHAM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2008

	General	Expendable Trust	Sewer Department	Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,758,313	\$ -	\$ -	\$ -	\$ -	\$ 5,758,313
Licenses and permits	899,957	-	-	-	-	899,957
Intergovernmental	3,109,733	17,685	424,613	876,956	-	4,428,987
Charges for services	214,070	-	1,221,780	-	550,737	1,986,587
Miscellaneous	216,848	37,285	17,288	2,848	535,522	809,791
Total revenues	10,198,921	54,970	1,663,681	879,804	1,086,259	13,883,635
Expenditures:						
Current:						
General government	1,664,876	-	-	-	71,048	1,735,924
Public safety	5,536,934	-	-	-	105	5,537,039
Highways and streets	1,220,753	-	-	-	-	1,220,753
Water distribution and treatment	-	-	-	-	248,369	248,369
Sanitation	571,224	-	973,547	-	-	1,544,771
Health	14,504	-	-	-	-	14,504
Welfare	9,079	-	-	-	-	9,079
Culture and recreation	190,279	781	-	-	361,248	552,308
Conservation	5,133	-	-	-	24,435	29,568
Debt service:						
Principal	761,104	-	455,866	-	129,059	1,346,029
Interest	245,620	-	141,846	-	56,241	443,707
Capital outlay	-	-	-	2,004,234	-	2,004,234
Total expenditures	10,219,506	781	1,571,259	2,004,234	890,505	14,686,285
Excess (deficiency) of revenues over (under) expenditures	(20,585)	54,189	92,422	(1,124,430)	195,754	(802,650)
Other financing sources (uses):						
Transfers in	329,758	56,250	4,290	1,044,909	227,386	1,662,593
Transfers out	(725,403)	(72,029)	(85,042)	(407,149)	(372,970)	(1,662,593)
Debt proceeds	-	-	-	3,115,000	-	3,115,000
Total other financing sources and uses	(395,645)	(15,779)	(80,752)	3,752,760	(145,584)	3,115,000
Net change in fund balances	(416,230)	38,410	11,670	2,628,330	50,170	2,312,350
Fund balances, beginning	1,459,384	1,608,033	(17,011)	(988,650)	2,283,851	4,345,607
Fund balances, ending	\$ 1,043,154	\$ 1,646,443	\$ (5,341)	\$ 1,639,680	\$ 2,334,021	\$ 6,657,957

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

EXHIBIT C-4
TOWN OF DURHAM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2008

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 2,312,350
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 1,944,293	
Depreciation expense	<u>(470,667)</u>	
		1,473,626
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (1,662,593)	
Transfers out	<u>1,662,593</u>	
		-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Proceeds of long-term bonds	\$ (3,115,000)	
Repayment of bond and note principal	1,259,655	
Repayment of capital lease principal	<u>86,372</u>	
		(1,768,973)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (6,919)	
Increase in compensated absences payable	<u>(65,873)</u>	
		(72,792)
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 1,944,211</u>

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

EXHIBIT D-1
TOWN OF DURHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2008

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 222,313	\$ 618,647
LIABILITIES		
Due to other governmental units	-	618,647
Due to others	402	-
Total liabilities	402	618,647
NET ASSETS		
Held in trust for special purposes	\$ 221,911	\$ -

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

EXHIBIT D-2
TOWN OF DURHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended December 31, 2008

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 2,970
New funds	40,558
Total additions	<u>43,528</u>
DEDUCTIONS	
Trust income distributions	<u>(402)</u>
Change in net assets	43,126
Net assets, beginning	178,785
Net assets, ending	<u><u>\$ 221,911</u></u>

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

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

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TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Durham, New Hampshire (the Town) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Durham is a municipal corporation governed by an elected Town Council and Town Administrator. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

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

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental activities.

The statement of net assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities and net assets, with the exception of some of the capital assets and related accumulated depreciation which have been omitted because they have not been inventoried at historical cost.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Fund Financial Statements - During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and fiduciary funds.

Fund Accounting - The Town uses funds to maintain its financial records during the year. The Town uses two categories of funds: governmental and fiduciary.

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

General Fund - The general fund is the primary operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Sewer Department Fund - The sewer department fund is used to account for revenues, expenditures, assets, liabilities and balances associated with providing sewer services.

Expendable Trust Fund - The expendable trust fund is used to account for funds established by Town Meeting as capital reserve of other expendable funds.

Capital Project Fund - The capital project fund is used to account for activities related to the acquisition or construction of capital assets.

The Town also reports nine nonmajor governmental funds.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets. The Town's fiduciary funds consist of two types of funds, private purpose trust and agency funds. The agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets, with the exception of some of the capital assets and related accumulated depreciation which have been omitted because they have not been valued at historical cost. The statement of activities reports revenues, expenses and changes in net assets except for depreciation expense on the omitted assets.

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

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets of the private purpose trust funds.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

1-D Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures.

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

Revenues - Nonexchange Transactions - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E Assets, Liabilities and Net Assets, or Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

New Hampshire statutes require that the Town treasurer have custody of all moneys belonging to the Town and pay out the same only upon orders of the Town Administrator. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

Investments - Wherever the treasurer has in custody an excess of funds, which is not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the Town Council, invest the excess funds.

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices.

1-E-2 Receivables

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established for any taxes considered uncollectible by management. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Ainterfund receivables/payables." These amounts are eliminated on the statement of net assets.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

1-E-5 Capital Assets

Capital assets are those assets of a capital nature which the Town owns. These assets are reported in the government-wide financial statements. However, only those assets put in service during or since 2004 have been reported. The Town has not inventoried the rest of its capital assets at historical cost.

The 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. The Town maintains a capitalization threshold of \$5,000 and more than one year of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	Years
Land improvements	10 - 15
Buildings and building improvements	10
Equipment and vehicles	5 - 15
Infrastructure	15

1-E-6 Compensated Absences

Sick and 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. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1-E-7 Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

1-E-8 Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-9 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

1-E-10 Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

2-A Taxes Receivable

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2008, upon which the 2008 property tax levy was based is:

For the New Hampshire education tax	\$875,742,249
For all other taxes	\$886,671,149

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Oyster River Cooperative School District, and Strafford County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2008, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.52	\$ 5,782,268
School portion:		
State of New Hampshire	\$2.26	1,979,934
Local	\$15.74	13,953,064
County portion	\$2.15	1,907,554
Total		<u>\$ 23,622,820</u>

During the current fiscal year, the tax collector executed a lien on August 21 for all uncollected 2007 property taxes.

Taxes receivable at December 31, 2008, are as follows:

Property:	
Levy of 2008	\$ 2,198,201
Unredeemed (under tax lien):	
Levy of 2007	172,366
Levy of 2006	32,184
Less: allowance for estimated uncollectible taxes	(53,470)
Net taxes receivable	<u>\$ 2,349,281</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

2-B Other Receivables

Other receivables at December 31, 2008, consisted of accounts (billings for water, sewer and other user charges), and intergovernmental amounts arising from grants.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectibility.

Amounts receivable at December 31, 2008 are as follows:

	General Fund	Expendable Trust Fund	Sewer Department Fund	Capital Project Fund	Nonmajor Fund	Total
Accounts	\$ 190,875	\$ -	\$ 95,638	\$ 24,800	\$ 42,316	\$ 353,629
Intergovernmental	40,495	17,685	-	113,504	-	171,684
Liens	34,461	-	-	-	-	34,461
Less: allowance for uncollectible amounts	(34,461)	-	-	-	-	(34,461)
Net receivables	<u>\$ 231,370</u>	<u>\$ 17,685</u>	<u>\$ 95,638</u>	<u>\$ 138,304</u>	<u>\$ 42,316</u>	<u>\$ 525,313</u>

2-C Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance, beginning	Changes	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 2,400,203	\$ 170,000	\$ 2,570,203
Construction in progress	373,272	1,196,068	1,569,340
Total capital assets not being depreciated	<u>2,773,475</u>	<u>1,366,068</u>	<u>4,139,543</u>
Being depreciated:			
Land improvements	184,347	-	184,347
Buildings and building improvements	5,019,472	-	5,019,472
Equipment and vehicles	1,217,625	206,762	1,424,387
Infrastructure	1,779,230	371,463	2,150,693
Total capital assets being depreciated	<u>8,200,674</u>	<u>578,225</u>	<u>8,778,899</u>
Total all capital assets	<u>10,974,149</u>	<u>1,944,293</u>	<u>12,918,442</u>
Less accumulated depreciation:			
Land improvements	(34,480)	(10,714)	(45,194)
Buildings and building improvements	(279,396)	(192,353)	(471,749)
Equipment and vehicles	(238,165)	(150,634)	(388,799)
Infrastructure	(163,238)	(116,966)	(280,204)
Total accumulated depreciation	<u>(715,279)</u>	<u>(470,667)</u>	<u>(1,185,946)</u>
Net book value, capital assets being depreciated	<u>7,485,395</u>	<u>107,558</u>	<u>7,592,953</u>
Net book value, all capital assets	<u>\$ 10,258,870</u>	<u>\$ 1,473,626</u>	<u>\$ 11,732,496</u>

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

General government	\$ 19,838
Public safety	51,032
Highways and streets	135,274
Sanitation	233,673
Water distribution and treatment	17,716
Total	<u>\$ 470,667</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

2-D Interfund Balances and Transfers

Interfund balances at December 31, 2008 consisted of overdrafts in the pooled cash and investments and budgetary transfers not yet made as follows:

Receivable Fund	Payable Fund	Amount
General	Sewer department	\$ 25,675
	Expendable trust	781
	Nonmajor	17,975
Expendable trust	Sewer department	22,315
Nonmajor	General	9,768
		<u>\$ 76,514</u>

Interfund transfers during the year were comprised of voted appropriations, capital project closeouts, and the distribution of trust income as follows:

	Transfers in:					Total
	General Fund	Expendable Trust Fund	Sewer Department Fund	Capital Project Fund	Nonmajor Funds	
Transfers out:						
General fund	\$ -	\$ 23,935	\$ -	\$ 474,082	\$ 227,386	\$ 725,403
Expendable trust fund	-	-	-	72,029	-	72,029
Sewer department fund	62,727	22,315	-	-	-	85,042
Capital project fund	100,226	-	4,290	302,633	-	407,149
Nonmajor funds	166,805	10,000	-	196,165	-	372,970
Total	<u>\$ 329,758</u>	<u>\$ 56,250</u>	<u>\$ 4,290</u>	<u>\$ 1,044,909</u>	<u>\$ 227,386</u>	<u>\$ 1,662,593</u>

2-E Intergovernmental Payable

The amount due to other governments at December 31, 2008 consists of \$8,007,598 due to the Oyster River Cooperative School District for the balance of the 2008-2009 district assessment.

2-F Deferred/Unearned Revenue

Deferred/unearned revenue at December 31, 2008 consists of \$36,547 of property taxes received in advance; \$5,335 of rent received for January 2009 and \$83,930 in FEMA grant funds for flood damages that have not yet been repaired.

2-G Long-Term Liabilities

Changes in the Town's long-term obligations during the year ended December 31, 2008, consisted of the following:

	General Obligation Bonds/ Notes Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 10,494,305	\$ 123,605	\$ 537,221	\$ 260,000	\$ 11,415,131
Additions	3,115,000	-	65,873	-	3,180,873
Reductions	(1,259,655)	(86,372)	-	-	(1,346,027)
Balance, ending	<u>\$ 12,349,650</u>	<u>\$ 37,233</u>	<u>\$ 603,094</u>	<u>\$ 260,000</u>	<u>\$ 13,249,977</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2008	Current Portion
General obligation bonds/notes payable:						
Capital improvements	\$ 2,305,000	1997	2009	4.25-2.60	\$ 170,000	\$ 170,000
Capital improvements	\$ 3,279,458	2002	2019	3.00-4.50	1,685,000	235,000
Water improvements	\$ 828,554	2002	2016	3.4725	494,108	54,641
Landfill closure	\$ 802,756	2004	2024	3.6880	642,204	40,138
Wastewater treatment plant improvements	\$ 3,290,757	2005	2024	3.6880	2,808,338	131,926
Capital improvements	\$ 3,800,154	2006	2026	3.9494	3,225,000	300,000
Capital improvements	\$ 315,364	2006	2013	5.7499	210,000	50,000
Capital improvements	\$ 3,115,000	2008	2028	3.00-4.50	3,115,000	210,000
					<u>12,349,650</u>	<u>1,191,705</u>
Capital lease payable:						
Fire engine	\$ 303,076	2000	2009	6.5600	37,233	37,233
Compensated absences payable:						
Vested sick leave					287,374	-
Accrued vacation leave					315,720	-
					<u>603,094</u>	<u>-</u>
Accrued landfill postclosure care costs					260,000	10,000
Total					<u>\$ 13,249,977</u>	<u>\$ 1,238,938</u>

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2008, including interest payments, are as follows:

Annual Requirements to Amortize General Obligation Bonds/Notes Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	\$ 1,191,705	\$ 480,759	\$ 1,672,464
2010	1,023,467	432,370	1,455,837
2011	1,025,476	395,369	1,420,845
2012	952,738	357,969	1,310,707
2013	875,264	322,498	1,197,762
2014-2018	3,538,027	1,153,729	4,691,756
2019-2023	2,520,715	544,917	3,065,632
2024-2028	1,222,258	115,956	1,338,214
Totals	<u>\$ 12,349,650</u>	<u>\$ 3,803,567</u>	<u>\$ 16,153,217</u>

Annual Requirements to Amortize Capital Lease Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	<u>\$ 37,233</u>	<u>\$ 2,442</u>	<u>\$ 39,675</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit and will be repaid from general governmental revenues.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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DECEMBER 31, 2008

Accrued Landfill Postclosure Care Costs

The Town ceased operating its landfill and has closed it. Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. A liability is being recognized for the postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$260,000 as of December 31, 2008, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2008. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by annual appropriation.

Bonds and notes authorized and unissued at December 31, 2008 are as follow:

Per Town Council vote of	Purpose	Unissued Amount
December 15, 2003	Capital improvements	\$ 800,000
January 19, 2006	Capital improvements	\$ 18,000
December 17, 2007	Capital improvements	\$ 1,457,753

2-H Restatement of Net Assets

Net assets at January 1, 2008 were restated to record capital assets and related accumulated depreciation, not previously recorded as follows:

Adjustment	\$ 1,205,172
Net assets, as previously reported	1,845,751
Net assets, as restated	<u>\$ 3,050,923</u>

NOTE 3 - OTHER MATTERS

3-A Pensions

The Town of Durham participates in the New Hampshire Retirement System (the System) which consists of a cost-sharing, multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of gross earnings. Police officers and firefighters are required to contribute 9.3% of gross earnings. For 2008, the Town contributed 11.84% for police, 15.92% for fire and 8.74% for other employees. The contribution requirements for the Town of Durham for the fiscal years 2006, 2007, and 2008 were \$472,332, \$556,888, and \$619,342, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. This amount, \$231,733 is reported as an "on-behalf payment," as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statement of activities.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

3-B Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2008, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. The workers' compensation and employer's liability policy provides statutory coverage for workers' compensation and up to \$2,000,000 of employer's liability coverage. Primex retained \$500,000 of each workers' compensation and liability loss, and \$200,000 of each property loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage run from January 1 through December 31. The estimated net contribution from the Town of Durham billed and paid for the year ended December 31, 2008 was \$135,732 for workers' compensation and \$107,748 for property/liability. The member participation agreements permit Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

3-C Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E-1
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 5,764,594	\$ 5,758,313	\$ (6,281)
Licenses and permits	1,008,000	899,957	(108,043)
Intergovernmental	2,888,023	2,878,000	(10,023)
Charges for services	170,000	214,070	44,070
Miscellaneous	314,351	216,848	(97,503)
Total revenues	<u>10,144,968</u>	<u>9,967,188</u>	<u>(177,780)</u>
Expenditures:			
Current:			
General government	1,744,551	1,683,946	60,605
Public safety	5,196,965	5,315,900	(118,935)
Highways and streets	1,164,696	1,236,699	(72,003)
Sanitation	513,555	576,419	(62,864)
Health	18,004	14,504	3,500
Welfare	10,000	9,079	921
Culture and recreation	187,936	185,279	2,657
Conservation	5,111	(637)	5,748
Debt service:			
Principal	761,104	761,104	-
Interest	276,506	245,620	30,886
Total expenditures	<u>9,878,428</u>	<u>10,027,913</u>	<u>(149,485)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>266,540</u>	<u>(60,725)</u>	<u>(327,265)</u>
Other financing sources (uses):			
Transfers in	268,705	329,758	61,053
Transfers out	(649,245)	(725,403)	(76,158)
Total other financing sources and uses	<u>(380,540)</u>	<u>(395,645)</u>	<u>(15,105)</u>
Net change in fund balances	<u>\$ (114,000)</u>	<u>(456,370)</u>	<u>\$ (342,370)</u>
Unreserved fund balance, beginning		1,408,445	
Unreserved fund balance, ending		<u>\$ 952,075</u>	

The notes to the required supplementary information are an integral part of this schedule.

EXHIBIT E-2
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Sewer Department Fund
For the Fiscal Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 424,614	\$ 424,613	\$ (1)
Charges for services	1,210,637	1,221,780	11,143
Miscellaneous	6,450	17,288	10,838
Total revenues	<u>1,641,701</u>	<u>1,663,681</u>	<u>21,980</u>
Expenditures:			
Current:			
Sanitation	916,261	987,922	(71,661)
Debt service:			
Principal	455,866	455,866	-
Interest	141,851	141,846	5
Total expenditures	<u>1,513,978</u>	<u>1,585,634</u>	<u>(71,656)</u>
Excess of revenues over expenditures	<u>127,723</u>	<u>78,047</u>	<u>(49,676)</u>
Other financing sources (uses):			
Transfers in	-	4,290	4,290
Transfers out	(127,723)	(85,042)	42,681
Total other financing sources and uses	<u>(127,723)</u>	<u>(80,752)</u>	<u>46,971</u>
Net change in fund balances	<u>\$ -</u>	<u>(2,705)</u>	<u>\$ (2,705)</u>
Unreserved fund balance, beginning		<u>(17,011)</u>	
Unreserved fund balance, ending		<u>\$ (19,716)</u>	

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

General Budget Policies.....	1
Budgetary Reconciliation.....	2
Excess of Expenditures over Appropriations.....	3

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. The Town Council adopts a budget for the current year for the general and sewer department funds, as well as the nonmajor water department, parking, Depot Road, Churchill Rink, Library and TIFD funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2008, \$114,000 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

The following reconciles the general fund budgetary basis to the GAAP basis.

	General Fund	Sewer Department Fund
Revenues:		
Per Exhibits E-1 & E-2 (budgetary basis)	\$ 9,967,188	\$ 1,663,681
Adjustment:		
Basis difference:		
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	231,733	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,198,921</u>	<u>\$ 1,663,681</u>
Expenditures:		
Per Exhibits E-1 & E-2 (budgetary basis)	\$ 10,027,913	\$ 1,585,634
Adjustments:		
Basis difference:		
Encumbrances, beginning	50,939	-
Encumbrances, ending	(91,079)	(14,375)
On-behalf retirement contributions made by the State of New Hampshire recognized as the GAAP basis, but not on the budgetary basis	231,733	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,219,506</u>	<u>\$ 1,571,259</u>

3. Excess of Expenditures over Appropriations

The general and sewer department funds had an excess of expenditures over appropriations of \$225,643 and \$28,975 respectively, for the year ended December 31, 2008. Overexpenditures were primarily due to increased wages associated benefits in the fire department (due to unforeseen retirements), costs related to the transition to the Strafford County dispatch center, the increased costs for heating fuel and gasoline, and closeouts of capital related projects. In the sewer department, the cause was primarily increased electricity costs and closeouts of capital related projects.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF DURHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2008

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,640,282	\$ 5,612,347	\$ (27,935)
Yield	1,500	1,053	(447)
Other	582	519	(63)
Payment in lieu of taxes	47,230	54,434	7,204
Interest and penalties on taxes	75,000	89,960	14,960
Total taxes	<u>5,764,594</u>	<u>5,758,313</u>	<u>(6,281)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	920,000	813,052	(106,948)
Building permits	65,000	62,911	(2,089)
Other	23,000	23,994	994
Total licenses, permits, and fees	<u>1,008,000</u>	<u>899,957</u>	<u>(108,043)</u>
Intergovernmental:			
State:			
Shared revenue block grant	150,000	150,000	-
Meals and rooms distribution	625,284	625,284	-
Highway block grant	227,052	226,277	(775)
Water pollution grants	119,980	-	(119,980)
University of New Hampshire	1,675,618	1,723,854	48,236
Other	10,089	23,984	13,895
Federal:			
FEMA	-	41,020	41,020
Other	80,000	87,581	7,581
Total intergovernmental	<u>2,888,023</u>	<u>2,878,000</u>	<u>(10,023)</u>
Charges for services:			
Income from departments	<u>170,000</u>	<u>214,070</u>	<u>44,070</u>
Miscellaneous:			
Sale of municipal property	5,000	1,831	(3,169)
Interest on investments	90,000	51,023	(38,977)
Rent of property	42,500	42,379	(121)
Fines and forfeits	107,000	84,481	(22,519)
Other	69,851	37,134	(32,717)
Total miscellaneous	<u>314,351</u>	<u>216,848</u>	<u>(97,503)</u>
Other financing sources:			
Transfers in	<u>268,705</u>	<u>329,758</u>	<u>61,053</u>
Total revenues and other financing sources	<u>10,413,673</u>	<u>\$ 10,296,946</u>	<u>\$ (116,727)</u>
Unreserved fund balance used to reduce tax rate	114,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 10,527,673</u>		

SCHEDULE 2
TOWN OF DURHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2008

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 14,559	\$ 338,650	\$ 322,522	\$ 6,900	\$ 23,787
Election and registration	-	193,900	202,763	-	(8,863)
Financial administration	-	256,796	254,939	-	1,857
Revaluation of property	-	134,232	135,059	-	(827)
Legal	-	50,000	54,716	-	(4,716)
Planning and zoning	7,500	213,874	179,509	23,500	18,365
General government buildings	-	123,436	119,458	-	3,978
Cemeteries	-	17,848	14,915	-	2,933
Advertising and regional associations	-	10,200	10,200	-	-
Other	-	405,615	370,795	10,729	24,091
Total general government	22,059	1,744,551	1,664,876	41,129	60,605
Public safety:					
Police	-	2,083,455	2,055,753	1,183	26,519
Ambulance	-	37,509	37,483	-	26
Fire	13,114	2,841,270	2,922,799	21,830	(90,245)
Building inspection	-	144,281	134,390	800	9,091
Emergency management	-	5,500	10,600	-	(5,100)
Communications	-	84,950	144,176	-	(59,226)
Total public safety	13,114	5,196,965	5,305,201	23,813	(118,935)
Highways and streets:					
Administration	-	357,279	350,955	-	6,324
Highways and streets	4,896	807,417	869,798	20,842	(78,327)
Total highways and streets	4,896	1,164,696	1,220,753	20,842	(72,003)
Sanitation:					
Administration	100	144,417	152,288	-	(7,771)
Solid waste collection	-	256,504	318,325	2,000	(63,821)
Solid waste disposal	-	100,255	84,649	3,295	12,311
Solid waste clean-up	-	12,379	15,962	-	(3,583)
Total sanitation	100	513,555	571,224	5,295	(62,864)
Health:					
Administration	-	1,500	-	-	1,500
Health agencies and hospitals	-	16,504	14,504	-	2,000
Total health	-	18,004	14,504	-	3,500
Welfare:					
Direct assistance	-	10,000	9,079	-	921
Culture and recreation:					
Parks and recreation	5,000	186,436	178,414	-	13,022
Patriotic purposes	-	1,500	1,335	-	165
Other	-	-	10,530	-	(10,530)
Total culture and recreation	5,000	187,936	190,279	-	2,657
Conservation	5,770	5,111	5,133	-	5,748

(continued)

SCHEDULE 2 (continued)
TOWN OF DURHAM, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2008

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	761,104	761,104	-	-
Interest on long-term debt	-	221,506	221,501	-	5
Other	-	55,000	24,119	-	30,881
Total debt service	-	1,037,610	1,006,724	-	30,886
Other financing uses:					
Transfers out	-	649,245	725,403	-	(76,158)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 50,939</u>	<u>\$ 10,527,673</u>	<u>\$ 10,713,176</u>	<u>\$ 91,079</u>	<u>\$ (225,643)</u>

SCHEDULE 3
TOWN OF DURHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2008

Unreserved, undesignated fund balance, beginning		\$ 1,408,445
Changes:		
Unreserved fund balance used to reduce 2008 tax rate		(114,000)
2008 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (116,727)	
Overdraft of appropriations (Schedule 2)	<u>(225,643)</u>	
2008 Budget deficit		<u>(342,370)</u>
Unreserved, undesignated fund balance, ending		<u>\$ 952,075</u>

SCHEDULE 4
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2008

	Special Revenue Funds							Debt Service Fund	Total	
	Conservation Commission	Parking	Police	Public Library	Depot Road	Churchill Rink	Water Department			Permanent Fund
ASSETS										
Cash and cash equivalents	\$ -	\$ 1,246	\$ 2,149	\$ 1,022,763	\$ 101,022	\$ 74,324	\$ 301,735	\$ 393,832	\$ 2,032	\$ 1,899,103
Investments	454,610	-	-	-	-	-	-	-	-	454,610
Accounts receivable	-	-	-	-	-	10,729	31,587	-	-	42,316
Interfund receivable	-	-	-	9,768	-	-	-	-	-	9,768
Prepaid items	-	-	-	2,500	-	-	-	-	-	2,500
Total general government	\$ 454,610	\$ 1,246	\$ 2,149	\$ 1,035,031	\$ 101,022	\$ 85,053	\$ 333,322	\$ 393,832	\$ 2,032	\$ 2,408,297
FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 12,451	\$ 144	\$ 11,075	\$ 19,358	\$ -	\$ 2,032	\$ 45,060
Accrued salaries and benefits	-	1,246	-	3,319	-	2,235	1,704	-	-	8,504
Interfund payable	-	-	-	-	-	-	-	17,975	-	17,975
Deferred revenue	-	-	-	-	-	-	2,737	-	-	2,737
Total liabilities	-	1,246	-	15,770	144	13,310	23,799	17,975	2,032	74,276
Fund balances:										
Reserved for encumbrances	-	-	-	-	-	-	-	-	66,468	66,468
Reserved for endowments	-	-	-	-	-	-	-	341,341	-	341,341
Reserved for special purposes	-	-	-	147,766	-	-	-	34,516	-	182,282
Unreserved, undesignated	454,610	-	2,149	871,495	100,878	71,743	309,523	-	(66,468)	1,743,930
Total fund balances	454,610	-	2,149	1,019,261	100,878	71,743	309,523	375,857	-	2,334,021
Total liabilities and fund balances	\$ 454,610	\$ 1,246	\$ 2,149	\$ 1,035,031	\$ 101,022	\$ 85,053	\$ 333,322	\$ 393,832	\$ 2,032	\$ 2,408,297

SCHEDULE 5
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2008

	Special Revenue Funds							Debt Service Fund	Total
	Conservation Commission	Parking	Police	Public Library	Depot Road	Churchill Rink	Water Department	Permanent Fund	TIFD
Revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,272	\$ 392,465	\$ -	\$ -
Miscellaneous	13,433	161,345	100	275,548	59,899	3,713	7,696	13,788	-
Total revenues	13,433	161,345	100	275,548	59,899	161,985	400,161	13,788	-
Expenditures:									
Current:									
General government	-	56,488	-	-	3,497	-	-	8,922	2,141
Public safety	-	-	105	-	-	-	-	-	-
Water distribution and treatment	-	-	-	-	-	-	248,369	-	-
Culture and recreation	-	-	-	248,775	-	112,473	-	-	-
Conservation	24,435	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	129,059	-	-
Interest	-	-	-	-	-	-	56,241	-	-
Total expenditures	24,435	56,488	105	248,775	3,497	112,473	433,669	8,922	2,141
Excess (deficiency) of revenues over (under) expenditures	(11,002)	104,857	(5)	26,773	56,402	49,512	(33,508)	4,866	(2,141)
Other financing sources (uses):									
Transfers in	-	-	-	225,245	-	-	-	-	2,141
Transfers out	(195,213)	(104,857)	-	-	(46,408)	-	(17,939)	(8,553)	-
Total other financing sources and uses	(195,213)	(104,857)	-	225,245	(46,408)	-	(17,939)	(8,553)	2,141
Net change in fund balances	(206,215)	-	(5)	252,018	9,994	49,512	(51,447)	(3,687)	-
Fund balances, beginning	660,825	-	2,154	767,243	90,884	22,231	360,970	379,544	-
Fund balances, ending	\$ 454,610	\$ -	\$ 2,149	\$ 1,019,261	\$ 100,878	\$ 71,743	\$ 309,523	\$ 375,857	\$ -



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

To the Members of the Town Council
Town of Durham
Durham, New Hampshire

In planning and reporting our audit of the financial statements of the Town of Durham as of and for the fiscal year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

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

This communication is intended solely for the information and use of management, the board of selectmen, others within the organization, and state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

November 24, 2009

*Plodzik & Sanderson
Professional Association*