

**TOWN OF DURHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009**

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DECEMBER 31, 2009

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PLODZIK & SANDERSON

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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 fiscal year ended December 31, 2009, 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 of Durham'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, 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 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 respective financial position of the governmental activities of the Town of Durham at December 31, 2009, 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.

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, 2009, 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.

As discussed in Note 10 to the financial statements, Town of Durham implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as of and for the year ended December 31, 2009. This statement results in the Town reporting a liability for post-employment benefits other than pensions that the Town provides to its employees.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010 on our consideration of the Town of Durham's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Town of Durham
Independent Auditor's Report

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 as a whole. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Durham. The combining and individual fund schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 8, 2010

Gregory A. Collyer, CPA

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, 2009 the Town of Durham's net assets are recorded at \$5,730,290.
- The Town's unreserved, undesignated fund balance for the General Fund at year-end of \$992,486 reflects an increase of \$40,411 compared to the prior fiscal year's end of \$952,075.
- The Sewer Fund's unreserved fund balance at year-end reflects a deficit of \$64,341 which is an increase of \$44,625 compared to the prior fiscal year's end deficit of \$19,716.
- The Town's long-term obligations saw a net decrease of \$1,095,147 during the year due to payments on outstanding bonds.

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 2009. 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, 2008 and 2009 follows.

Town of Durham's Net Assets

(all figures are in U.S. dollars)

	2008	2009	Increase (Decrease)	% Increase (Decrease)
Current and other assets	19,988,131	18,427,055	(1,561,076)	(8%)
Capital assets, net	7,592,953	7,490,879	(102,074)	(1%)
Total assets	27,581,084	25,917,934	(1,663,150)	(6%)
Long-term liabilities outstanding	13,249,977	12,154,830	(1,095,147)	(8%)
Other liabilities	9,335,973	8,032,814	(1,303,159)	(14%)
Total liabilities	22,585,950	20,187,644	(2,398,306)	(11%)
Net assets:				
Invested in capital assets, net of related debt	(654,387)	833,171	1,487,558	127%
Restricted	375,857	1,283,618	907,761	342%
Unrestricted	5,273,664	3,613,501	(1,660,163)	(31%)
Total net assets	4,995,134	5,730,290	735,156	15%

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 \$12 million. The non-land portion of improvements is being depreciated. The net value of assets and liabilities as of December 30, 2009 is \$5,730,290. 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, 2009 AND 2008:**

(all figures are in U.S. dollars)

	2008	2009	Increase (Decrease)	% Increase (Decrease)
REVENUES:				
Program Revenues:				
Charges for services	1,986,587	1,897,087	(89,500)	(4%)
Operating Grants & Contributions	3,357,262	2,644,135	(713,127)	(21%)
Capital Grants and Contributions	897,489	400,329	(497,160)	(55%)
General Revenues:				
Taxes	5,758,313	5,980,874	222,561	4%
Licenses and Permits	899,957	1,004,867	104,910	12%
Unrestricted Grants	789,179	1,074,470	285,291	36%
Miscellaneous	194,848	89,784	(105,064)	(54%)
Total Revenues	13,883,635	13,091,546	(792,089)	(6%)
EXPENSES:				
General Government	1,763,175	2,010,556	247,381	14%
Public Safety	5,638,877	5,199,508	(439,369)	(8%)
Highways and Streets	1,355,482	1,398,491	43,009	3%
Sanitation	1,779,322	1,724,948	(54,374)	(3%)
Water	272,577	249,320	(23,257)	(9%)
Health	14,504	19,694	5,190	36%
Welfare	9,079	6,617	(2,462)	(27%)
Culture and Recreation	566,271	597,600	31,329	6%
Conservation	29,568	3,910	(25,658)	(87%)
Economic Development	0	39	39	39%
Capital Outlay	80,256	206,522	126,266	157%
Interest in Long-Term Debt	450,628	469,141	18,513	4%
Total Governmental Activities	11,959,739	11,886,346	(73,393)	(1%)
Change in Net Assets	1,923,896	1,205,200	(718,696)	(37%)
Beginning Net Assets	3,050,923	4,525,090	1,474,167	48%
Ending Net Assets	4,974,819	5,730,290	756,471	15%

**GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2009**

With a few minor exceptions, including the decrease in public safety due to the elimination of a patrol officer in 2009 and vacancies in the Police and Fire Department which were unfilled for extended periods of time, governmental program expenses remain similar to the prior year.

**BUDGETARY HIGHLIGHTS
FOR FISCAL YEAR ENDING DECEMBER 31, 2009**

There were several resolutions passed in 2009 which changed the Town Council's approved and adopted Capital Improvements budget. These additional appropriations allowed the Town to take advantage of the funds available through the American Recovery and Reinvestment Act.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Town has invested \$11,991,116 in capital assets (net of depreciation), which represents an increase of \$728,664 as detailed in Note 5.

OUTSTANDING DEBT

As of year-end, the Town had \$12.1 million in debt outstanding compared to \$13.2 million last year. Additional detailed information on long-term obligations is available in the notes to the financial statements.

Moody's rated our recent bond issue in 2008 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 29.2% 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%.

With the economy continuing to recover 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 2010 fiscal year General Fund Budget projects a 1.9% decrease in resources and a 0.2% decrease in expenditures. It is projected that we will not need to use any funds from the fund balance to achieve a minimal increase of 1.2% to the tax rate from the current amount of \$6.52 for 2009 to \$6.60 for 2010.

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, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,822,297
Investments	465,133
Intergovernmental receivable	233,674
Other receivables, net of allowances for uncollectible	1,359,368
Prepaid items	46,346
Capital assets, not being depreciated:	
Land	2,276,891
Construction in progress	2,223,346
Capital assets, net of accumulated depreciation:	
Land improvements	128,438
Buildings and building improvements	4,442,170
Equipment and vehicles	1,028,404
Infrastructure	1,891,867
Total assets	<u>25,917,934</u>
LIABILITIES	
Accounts payable	468,622
Accrued salaries and benefits	183,889
Intergovernmental payable	7,101,565
Accrued interest payable	128,843
Retainage payable	4,710
Unearned revenue	12,134
Other	133,051
Noncurrent obligations:	
Due within one year:	
Bonds	1,023,467
Compensated absences	14,651
Accrued landfill postclosure care costs	10,000
Due in more than one year:	
Bonds	10,134,478
Other postemployment benefits	213,350
Compensated absences	518,884
Accrued landfill postclosure care costs	240,000
Total liabilities	<u>20,187,644</u>
NET ASSETS	
Invested in capital assets, net of related debt	833,171
Restricted for capital projects	897,475
Restricted for perpetual care	386,143
Unrestricted	3,613,501
Total net assets	<u>\$ 5,730,290</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, 2009

		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	\$ 2,010,556	\$ 88,253	\$ 126,807	\$ -	\$ (1,795,496)
Public safety	5,199,508	131,304	1,804,100	-	(3,264,104)
Highways and streets	1,398,491	23,205	263,328	-	(1,111,958)
Sanitation	1,724,948	1,168,135	341,511	-	(215,302)
Water distribution and treatment	249,320	321,958	68,493	-	141,131
Health	19,694	-	-	-	(19,694)
Welfare	6,617	-	-	-	(6,617)
Culture and recreation	597,600	164,232	38,373	-	(394,995)
Conservation	3,910	-	1,523	-	(2,387)
Economic development	39	-	-	-	(39)
Interest on long-term debt	469,141	-	-	-	(469,141)
Capital outlay	206,522	-	-	400,329	193,807
Total governmental activities	<u>\$ 11,886,346</u>	<u>\$ 1,897,087</u>	<u>\$ 2,644,135</u>	<u>\$ 400,329</u>	<u>(6,944,795)</u>
General revenues:					
Taxes:					
Property					5,758,808
Other					222,066
Motor vehicle permit fees					805,946
Licenses and other fees					198,921
Grants and contributions not restricted to specific programs					1,074,470
Miscellaneous					89,784
Total general revenues					<u>8,149,995</u>
Change in net assets					<u>1,205,200</u>
Net assets, beginning, as restated (see Note 11)					<u>4,525,090</u>
Net assets, ending					<u>\$ 5,730,290</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, 2009

	General	Sewer Department	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,287,455	\$ -	\$ 1,676,815	\$ 2,858,027	\$ 11,822,297
Investments	-	-	-	465,133	465,133
Receivables, net of allowance for uncollectible:					
Taxes	1,217,116	-	-	-	1,217,116
Accounts	39,911	43,038	-	59,303	142,252
Intergovernmental	45,263	-	19,627	168,784	233,674
Interfund receivable	40,043	-	14,873	47,380	102,296
Voluntary tax liens	34,461	-	-	-	34,461
Voluntary tax liens reserved until collected	(34,461)	-	-	-	(34,461)
Prepaid items	9,557	-	-	36,789	46,346
Total assets	<u>\$ 8,639,345</u>	<u>\$ 43,038</u>	<u>\$ 1,711,315</u>	<u>\$ 3,635,416</u>	<u>\$ 14,029,114</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 141,658	\$ 34,385	\$ -	\$ 292,579	\$ 468,622
Accrued salaries and benefits	160,710	11,988	-	11,191	183,889
Intergovernmental payable	7,098,352	3,213	-	-	7,101,565
Interfund payable	62,253	18,039	-	22,004	102,296
Retainage payable	-	-	-	4,710	4,710
Escrow and performance deposits	133,051	-	-	-	133,051
Deferred revenue	-	-	-	12,134	12,134
Total liabilities	<u>7,596,024</u>	<u>67,625</u>	<u>-</u>	<u>342,618</u>	<u>8,006,267</u>
Fund balances					
Reserved for encumbrances	50,835	39,754	-	2,269,203	2,359,792
Reserved for endowments	-	-	-	351,280	351,280
Reserved for special purposes	-	-	-	(1,120,006)	(1,120,006)
Unreserved, undesignated, reported in:					
General fund	992,486	-	-	-	992,486
Debt service fund	-	-	-	(66,468)	(66,468)
Special revenue funds	-	(64,341)	1,711,315	1,858,789	3,505,763
Total fund balances	<u>1,043,321</u>	<u>(24,587)</u>	<u>1,711,315</u>	<u>3,292,798</u>	<u>6,022,847</u>
Total liabilities and fund balances	<u>\$ 8,639,345</u>	<u>\$ 43,038</u>	<u>\$ 1,711,315</u>	<u>\$ 3,635,416</u>	<u>\$ 14,029,114</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, 2009

Total fund balances of governmental funds (Exhibit C-1)		\$ 6,022,847
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	\$ 13,602,613	
Less accumulated depreciation	<u>(1,611,497)</u>	
		11,991,116
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (102,296)	
Payables	<u>102,296</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(128,843)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 11,157,945	
Other postemployment benefits payable	213,350	
Compensated absences payable	533,535	
Accrued landfill postclosure care costs	<u>250,000</u>	
		(12,154,830)
Total net assets of governmental activities (Exhibit A)		<u>\$ 5,730,290</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, 2009

	General	Sewer Department	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,924,098	\$ -	\$ -	\$ 56,776	\$ 5,980,874
Licenses, permits and fees	916,066	-	-	88,801	1,004,867
Intergovernmental	3,033,775	298,283	19,627	424,321	3,776,006
Charges for services	192,940	1,168,135	-	536,012	1,897,087
Miscellaneous	218,004	20,161	20,372	174,175	432,712
Total revenues	<u>10,284,883</u>	<u>1,486,579</u>	<u>39,999</u>	<u>1,280,085</u>	<u>13,091,546</u>
Expenditures:					
Current:					
General government	1,700,923	-	-	65,337	1,766,260
Public safety	5,220,143	-	-	-	5,220,143
Highways and streets	1,247,130	-	-	-	1,247,130
Water distribution and treatment	-	-	-	240,857	240,857
Sanitation	577,083	990,127	-	-	1,567,210
Health	19,694	-	-	-	19,694
Welfare	6,617	-	-	-	6,617
Culture and recreation	198,957	-	-	383,513	582,470
Conservation	3,290	-	-	620	3,910
Economic development	39	-	-	-	39
Debt service:					
Principal	782,847	267,381	-	175,721	1,225,949
Interest	214,304	190,182	-	81,154	485,640
Capital outlay	-	-	-	1,360,737	1,360,737
Total expenditures	<u>9,971,027</u>	<u>1,447,690</u>	<u>-</u>	<u>2,307,939</u>	<u>13,726,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>313,856</u>	<u>38,889</u>	<u>39,999</u>	<u>(1,027,854)</u>	<u>(635,110)</u>
Other financing sources (uses):					
Transfers in	221,665	8,288	97,429	581,165	908,547
Transfers out	(535,354)	(66,423)	(72,556)	(234,214)	(908,547)
Total other financing sources and uses	<u>(313,689)</u>	<u>(58,135)</u>	<u>24,873</u>	<u>346,951</u>	<u>-</u>
Net change in fund balances	167	(19,246)	64,872	(680,903)	(635,110)
Fund balances, beginning	1,043,154	(5,341)	1,646,443	3,973,701	6,657,957
Fund balances, ending	<u>\$ 1,043,321</u>	<u>\$ (24,587)</u>	<u>\$ 1,711,315</u>	<u>\$ 3,292,798</u>	<u>\$ 6,022,847</u>

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, 2009

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (635,110)
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	\$ 1,154,215	
Depreciation expense	<u>(425,551)</u>	
		728,664
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (908,547)	
Transfers out	<u>908,547</u>	
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bond principal	\$ 1,191,705	
Repayment of capital lease principal	<u>37,233</u>	
		1,228,938
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.		
Decrease in accrued interest expense	\$ 16,499	
Increase in other postemployment benefits payable	(213,350)	
Decrease in compensated absences payable	69,559	
Decrease in accrued landfill postclosure care costs	<u>10,000</u>	
		(117,292)
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 1,205,200</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, 2009

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 224,823	\$ 723,320
LIABILITIES		
Due to other governmental units	-	723,320
NET ASSETS		
Held in trust for specific purposes	<u>\$ 224,823</u>	<u>\$ -</u>

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, 2009

	Private Purpose Trust
ADDITIONS	
Contributions:	
New funds	\$ 13,256
Investment earnings:	
Interest	1,556
Total additions	14,812
DEDUCTIONS	
Scholarships	(11,900)
Change in net assets	2,912
Net assets, beginning	221,911
Net assets, ending	\$ 224,823

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
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Durham, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

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 (*component units*) 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 organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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

Government-Wide Financial Statements – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The statement of net assets presents information on all of the entities assets and liabilities (with the exception of some of the capital assets and related accumulated depreciation, which has been omitted because they have not been inventoried at historical cost), with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized as major funds or nonmajor funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Governmental Activities – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

General Fund – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Fiduciary Fund Types – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary Fund types are not part of the reporting entity in the Government-wide financial statements, but are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are as follows:

Private Purpose Trust Funds – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Funds – The Town reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted 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.

Expendable Trust Fund – the expendable trust fund accounts for the legally established funds for future costs.

Sewer Department Fund – accounts for the operation of the sewer treatment plant, pumping station and sewer lines in the Town.

Nonmajor Funds – The Town reports the following nonmajor governmental funds:

Capital Projects Fund

Special Revenue Funds:

Public Library

Police

Water Department

Depot Road

Conservation Commission

Churchill Rink

Parking

Permanent Fund

Debt Service Fund

1-C Measurement Focus

Government-Wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Accounting and financial reporting for governmental activities is based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board (FASB) Statements and Interpretations;
- b. Accounting Principles Board Opinions;
- c. Accounting Research Bulletins of the Committee on Accounting Procedure.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town may also apply FASB pronouncements issued after November 30, 1989 to business-type activities and enterprise funds, unless these pronouncements conflict with or contradicts GASB pronouncements. The Town has elected not to follow subsequent private-sector pronouncements.

Governmental Fund Financial Statements – 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected 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 sixty days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 in the fiscal year in which the resources are measurable and become available.

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 sixty 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.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the Town treasurer have custody of all money 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
AS OF AND FOR THE FISCAL YEAR ENDED
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1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

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-F Receivables

Receivables in the government-wide financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, special assessments, interest and intergovernmental receivables.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. 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 two 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 serviced was provided. These receivables are reported net of any allowances for uncollectible accounts.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the statement of net assets.

1-H Prepaid Items

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

1-I Capital Assets

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. However, only those assets put in service during or since 2004 have been reported. The Town has not inventoried the remaining capital assets at historical cost. 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 useful 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
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Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	10-50
Buildings and building improvements	10-50
Equipment and vehicles	5-20
Infrastructure	15-25

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-J Allowances for Uncollectible Accounts

An allowance for uncollectible accounts has been recorded for the following purposes:

Taxes – an allowance has been established by management where collectability is in doubt.

Liens – an allowance has been established for the entire balance due to uncertainty of time of collection.

1-K Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

1-L Compensated Absences

The Town’s policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee’s length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the statement of net assets.

1-M Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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DECEMBER 31, 2009

1-O Equity Classifications

Government-Wide Statements – Equity is classified as net assets and displayed in three components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements – Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation, or is legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

1-P Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – 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). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the statement of net assets.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-Q Use of Estimates

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

NOTE 2 – INVESTMENTS

The Town’s investments of \$465,133 at December 31, 2009 consist of balances on deposit with the New Hampshire Public Deposit Investment Pool.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 3 – 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, 2009, upon which the 2009 property tax levy was based is:

For the New Hampshire education tax	\$ 883,308,029
For all other taxes	\$ 895,039,219

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 allowance 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, 2009 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.52	\$ 5,836,889
School portion:		
State of New Hampshire	\$2.07	1,826,059
Local	\$16.11	14,415,927
County portion	\$2.30	2,062,901
Total		<u>\$ 24,141,776</u>

During the current fiscal year, the tax collector executed a lien on August 17 for all uncollected 2008 property taxes.

Taxes receivable at December 31, 2009, are as follows:

Property:	
Levy of 2009	\$ 953,968
Unredeemed (under tax lien):	
Levy of 2008	226,022
Levy of 2007	61,658
Land use change	45,327
Less: allowance for estimated uncollectible taxes	(69,859)
Net taxes receivable	<u>\$ 1,217,116</u>

NOTE 4 – OTHER RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for police details, water, sewer, reimbursements 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 collectability.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Receivables as of December 31, 2009 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Sewer Department Fund	Expendable Trust Fund	Nonmajor Funds	Total
Liens	\$ 34,461	\$ -	\$ -	\$ -	\$ 34,461
Accounts	39,911	43,038	-	59,303	142,252
Intergovernmental	45,263	-	19,627	168,784	233,674
Less: allowance for uncollectible amounts	(34,461)	-	-	-	(34,461)
Net receivables	<u>\$ 85,174</u>	<u>\$ 43,038</u>	<u>\$ 19,627</u>	<u>\$ 228,087</u>	<u>\$ 375,926</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 consisted of the following:

	Balance, beginning	Restatement	Changes	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 2,570,203	\$ (293,312)	\$ -	\$ 2,276,891
Construction in progress	1,569,340	(176,732)	830,738	2,223,346
Total capital assets not being depreciated	<u>4,139,543</u>	<u>(470,044)</u>	<u>830,738</u>	<u>4,500,237</u>
Being depreciated:				
Land improvements	184,347	-	-	184,347
Buildings and building improvements	5,019,472	-	-	5,019,472
Equipment and vehicles	1,424,387	-	166,657	1,591,044
Infrastructure	2,150,693	-	156,820	2,307,513
Total capital assets being depreciated	<u>8,778,899</u>	<u>-</u>	<u>323,477</u>	<u>9,102,376</u>
Total all capital assets	<u>12,918,442</u>	<u>(470,044)</u>	<u>1,154,215</u>	<u>13,602,613</u>
Less accumulated depreciation:				
Land improvements	(45,194)	-	(10,715)	(55,909)
Buildings and building improvements	(471,749)	-	(105,553)	(577,302)
Equipment and vehicles	(388,799)	-	(173,841)	(562,640)
Infrastructure	(280,204)	-	(135,442)	(415,646)
Total accumulated depreciation	<u>(1,185,946)</u>	<u>-</u>	<u>(425,551)</u>	<u>(1,611,497)</u>
Net book value, capital assets being depreciated	<u>7,592,953</u>	<u>-</u>	<u>(102,074)</u>	<u>7,490,879</u>
Net book value, all capital assets	<u>\$ 11,732,496</u>	<u>\$ (470,044)</u>	<u>\$ 728,664</u>	<u>\$ 11,991,116</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 43,900
Public safety	57,223
Highways and streets	144,821
Sanitation	148,756
Water distribution and treatment	17,717
Culture and recreation	13,134
Total	<u>\$ 425,551</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2009, are as follows:

Receivable Fund	Payable Fund	Amount
General	Sewer department	\$ 18,039
	Nonmajor	22,004
Expendable trust	General	14,873
Nonmajor	General	47,380
		<u>\$ 102,296</u>

Interfund transfers during the year ended December 31, 2009 are as follows:

	Transfers In:				Total
	General Fund	Expendable Trust Fund	Sewer Department Fund	Nonmajor Funds	
Transfers out:					
General fund	\$ -	\$ 67,056	\$ -	\$ 468,298	\$ 535,354
Expendable trust fund	20,000	-	-	52,556	72,556
Sewer department fund	45,750	20,373	-	300	66,423
Nonmajor funds	155,915	10,000	8,288	60,011	234,214
Total	<u>\$ 221,665</u>	<u>\$ 97,429</u>	<u>\$ 8,288</u>	<u>\$ 581,165</u>	<u>\$ 908,547</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the general fund where the debt service payments are paid from when due; and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2009 consist of the following:

Balance of 2009-2010 district assessment due to the Oyster River Cooperative School District	\$ 7,098,352
Due from the sewer department fund to the University of New Hampshire	3,213
Total	<u>\$ 7,101,565</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2009:

	General Obligation Bonds Payable	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Other Postemployment Benefits Payable	Total
Balance, beginning	\$ 12,349,650	\$ 37,233	\$ 603,094	\$ 260,000	\$ -	\$ 13,249,977
Additions	-	-	-	-	257,068	257,068
Reductions	(1,191,705)	(37,233)	(69,559)	(10,000)	(43,718)	(1,352,215)
Balance, ending	<u>\$ 11,157,945</u>	<u>\$ -</u>	<u>\$ 533,535</u>	<u>\$ 250,000</u>	<u>\$ 213,350</u>	<u>\$ 12,154,830</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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, 2009	Current Portion
General obligation bonds payable:						
Capital improvements	\$ 3,279,458	2002	2019	3.00-4.50	\$ 1,450,000	\$ 235,000
Water improvements	\$ 828,554	2002	2016	3.4725	439,467	56,538
Landfill closure	\$ 802,756	2004	2024	3.6880	602,066	40,138
Wastewater treatment plant improvements	\$ 3,290,757	2005	2024	3.6880	2,676,412	136,791
Capital improvements	\$ 3,800,154	2006	2026	3.9494	2,925,000	300,000
Capital improvements	\$ 315,364	2006	2013	5.7499	160,000	45,000
Capital improvements	\$ 3,115,000	2008	2028	3.00-4.50	2,905,000	210,000
					<u>11,157,945</u>	<u>1,023,467</u>
Compensated absences payable:						
Vested sick leave					213,352	7,799
Accrued vacation leave					320,183	6,852
					<u>533,535</u>	<u>14,651</u>
Other postemployment benefits payable					213,350	-
Accrued landfill postclosure care cost payable					250,000	10,000
Total					<u>\$ 12,154,830</u>	<u>\$ 1,048,118</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
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	773,063	289,067	1,062,130
2015-2019	3,304,605	1,013,559	4,318,164
2020-2024	2,493,332	446,496	2,939,828
2025-2028	710,000	65,480	775,480
Totals	<u>\$ 11,157,945</u>	<u>\$ 3,322,808</u>	<u>\$ 14,480,753</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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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 \$250,000, 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, 2009. 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/Notes Authorized and Unissued

Bonds and notes authorized and unissued as of December 31, 2009 were as follows:

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
December 1, 2009	Capital improvements	\$ 771,410

NOTE 9 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2009 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 11,991,116
Less:	
General obligation bonds payable	(11,157,945)
Total invested in capital assets, net of related debt	833,171
Restricted for special purposes:	
Perpetual care	386,143
Capital projects	897,475
Unrestricted	3,613,501
Total net assets	<u>\$ 5,730,290</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 10 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2009 include the following:

Reserved:		
Major funds:		
General	\$	50,835
Sewer department		39,754
Nonmajor funds:		
Special revenue:		
Public library		150,391
Capital projects		897,475
Permanent		386,143
Debt service		66,468
Total reserved fund balance		<u>1,591,066</u>
Unreserved-undesignated:		
Major funds:		
General		992,486
Sewer department		(64,341)
Expendable trust		1,711,315
Nonmajor funds:		
Special revenue:		
Public library		873,262
Water department		207,861
Conservation commission		512,289
Police		2,149
Depot Road		159,542
Churchill Rink		103,686
Debt service		(66,468)
Total unreserved fund balance		<u>4,431,781</u>
Total governmental fund balances	\$	<u><u>6,022,847</u></u>

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Net assets at January 1, 2009 were restated to correct duplicate assets, as follows:

Adjustment	\$	(470,044)
Net assets, as previously reported		4,995,134
Net assets, as restated	\$	<u><u>4,525,090</u></u>

NOTE 12 – DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2009:

Major fund:		
Sewer department	\$	64,341
Nonmajor funds:		
Capital projects	\$	1,305,260
Debt service	\$	66,468

These deficits will be funded through future revenues of the funds, or bond proceeds that will be issued in subsequent years.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 13 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator 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. Provision 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 earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2009, the Town contributed 9.68% for police, 14.36% for fire and 6.81% for other employees. As of July 1, those rates increased to 13.66% for police, 17.28% for fire and 9.16% for others. The contribution requirements for the Town of Durham for the fiscal years 2007, 2008 and 2009 were \$556,888, \$619,342 and \$663,871, respectively, which were paid in full in each year.

For the first six months of 2009, the State of New Hampshire funded 35% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, the funding rate decreased to 30% of the total employer normal contribution rate. This amount \$207,750 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 statements of activities.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45, was implemented by the Town during fiscal year 2009, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2009:

Annual required contribution (ARC)	\$ 257,068
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	257,068
Contributions made (pay-as-you-go)	(43,718)
Increase in net OPEB obligation	213,350
Net OPEB obligation, beginning	-
Net OPEB obligation, ending	<u>\$ 213,350</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

Fiscal Year Ended	Annual	Percentage of	Net
December 31,	OPEB Cost	Annual OPEB	OPEB
2009	\$ 257,068	Cost Contributed	Obligation
		17.00%	\$ 213,350

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Funded Status and 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 % of Covered Payroll
January 1, 2009	\$ -	\$ 2,165,559	\$ 2,165,559	0	\$ 2,883,514	75.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections 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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2009 was 29 years.

NOTE 15 – 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 2009, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program, and the Property and Liability Programs. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

The New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation, and Property and Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. The workers' compensation policy provides statutory coverage for workers' compensation. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. 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, 2009 was \$132,841 for workers' compensation and \$112,571 for property and liability. The member participation agreement permits 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.

NOTE 16 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

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.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 17 – SUBSEQUENT EVENTS

The Town did not have any recognized or unrecognized subsequent events after December 31, 2009, the date of the financial statements. Subsequent events have been evaluated through November 8, 2010, the date the financial statements were issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are not mandatory for the Town until fiscal year ended December 31, 2011. The Town also implemented the following Statements this year with no significant impact:

GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*

GASB Statement No. 55 *The Hierarchy of Generally Accepted Principles for State and Local Governments*

GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

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, 2009

	Original Budget	Adjustments to Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:					
Taxes	\$ 5,845,069	\$ -	\$ 5,845,069	\$ 5,924,098	\$ 79,029
Licenses, permits and fees	953,000	-	953,000	916,066	(36,934)
Intergovernmental	2,909,610	42,524	2,952,134	2,826,025	(126,109)
Charges for services	160,961	-	160,961	192,940	31,979
Miscellaneous	187,150	6,000	193,150	218,004	24,854
Total revenues	<u>10,055,790</u>	<u>48,524</u>	<u>10,104,314</u>	<u>10,077,133</u>	<u>(27,181)</u>
Expenditures:					
Current:					
General government	1,751,334	9,000	1,760,334	1,689,094	71,240
Public safety	5,119,290	6,000	5,125,290	4,989,580	135,710
Highways and streets	1,245,988	33,524	1,279,512	1,240,023	39,489
Sanitation	554,611	-	554,611	573,588	(18,977)
Health	21,544	-	21,544	19,694	1,850
Welfare	10,000	-	10,000	6,617	3,383
Culture and recreation	204,286	-	204,286	198,957	5,329
Conservation	3,584	-	3,584	3,290	294
Economic development	6,150	-	6,150	5,039	1,111
Debt service					
Principal	785,943	-	785,943	782,847	3,096
Interest	242,465	-	242,465	214,304	28,161
Total expenditures	<u>9,945,195</u>	<u>48,524</u>	<u>9,993,719</u>	<u>9,723,033</u>	<u>270,686</u>
Excess of revenues over expenditures	<u>110,595</u>	<u>-</u>	<u>110,595</u>	<u>354,100</u>	<u>243,505</u>
Other financing sources (uses):					
Transfers in	140,909	-	140,909	221,665	80,756
Transfers out	(461,504)	-	(461,504)	(535,354)	(73,850)
Total other financing sources and uses	<u>(320,595)</u>	<u>-</u>	<u>(320,595)</u>	<u>(313,689)</u>	<u>6,906</u>
Net change in fund balances	<u>\$ (210,000)</u>	<u>\$ -</u>	<u>\$ (210,000)</u>	40,411	<u>\$ 250,411</u>
Unreserved fund balance, beginning				952,075	
Unreserved fund balance, ending				<u>\$ 992,486</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, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 359,247	\$ 298,283	\$ (60,964)
Charges for services	1,260,056	1,168,135	(91,921)
Miscellaneous	2,450	20,161	17,711
Total revenues	<u>1,621,753</u>	<u>1,486,579</u>	<u>(135,174)</u>
Expenditures:			
Current:			
Sanitation	1,051,396	1,015,506	35,890
Debt service			
Principal	301,505	267,381	34,124
Interest	203,102	190,182	12,920
Total expenditures	<u>1,556,003</u>	<u>1,473,069</u>	<u>82,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,750</u>	<u>13,510</u>	<u>(52,240)</u>
Other financing sources (uses):			
Transfers in	-	8,288	8,288
Transfers out	(65,750)	(66,423)	(673)
Total other financing sources and uses	<u>(65,750)</u>	<u>(58,135)</u>	<u>7,615</u>
Net change in fund balances	<u>\$ -</u>	<u>(44,625)</u>	<u>\$ (44,625)</u>
Unreserved fund balance, beginning		(19,716)	
Unreserved fund balance, ending		<u>\$ (64,341)</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, 2009

General Budget Policies	1
Budgetary Reconciliation	2

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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 public library, water department, parking, Depot Road and Churchill Rink 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 2009, \$210,000 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 and other financing sources:		
Per Exhibits E-1 & E-2 (budgetary basis)	\$ 10,298,798	\$ 1,494,867
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	207,750	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,506,548</u>	<u>\$ 1,494,867</u>
Expenditures and other financing uses:		
Per Exhibits E-1 & E-2 (budgetary basis)	\$ 10,258,387	\$ 1,539,492
Adjustment:		
Basis differences:		
Encumbrances, beginning	91,079	14,375
Encumbrances, ending	(50,835)	(39,754)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	207,750	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,506,381</u>	<u>\$ 1,514,113</u>

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, 2009

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,695,389	\$ 5,758,808	\$ 63,419
Yield	2,000	320	(1,680)
Boat and railroad	3,246	44	(3,202)
Payment in lieu of taxes	54,434	55,142	708
Interest and penalties on taxes	90,000	109,784	19,784
Total taxes	5,845,069	5,924,098	79,029
Licenses, permits and fees:			
Motor vehicle permit fees	863,000	805,946	(57,054)
Building permit	70,000	87,011	17,011
Other	20,000	23,109	3,109
Total licenses, permits and fees	953,000	916,066	(36,934)
Intergovernmental:			
State:			
Meals and rooms distribution	632,129	632,129	-
Highway block grant	238,312	238,312	-
University of New Hampshire	1,886,419	1,824,080	(62,339)
Other	29,402	30,379	977
Other governments:			
Oyster River Cooperative School District	50,000	50,000	-
Town of Lee	21,000	26,109	5,109
Federal:			
FEMA	67,699	25,016	(42,683)
Other	27,173	-	(27,173)
Total intergovernmental	2,924,961	2,826,025	(98,936)
Charges for services:			
Income from departments	160,961	192,940	31,979
Miscellaneous:			
Sale of property	2,000	-	(2,000)
Interest on investments	23,000	26,070	3,070
Rent of property	42,674	40,829	(1,845)
Fines and forfeits	106,764	123,714	16,950
Other	18,712	27,391	8,679
Total miscellaneous	193,150	218,004	24,854
Other financing sources:			
Transfers in	140,909	221,665	80,756
Total revenues and other financing sources	10,245,223	\$ 10,298,798	\$ 53,575
Unreserved fund balance used to reduce tax rate	210,000		
Total revenues, other financing sources and use of fund balance	\$ 10,455,223		

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, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 6,900	\$ 389,839	\$ 419,908	\$ 10,000	\$ (33,169)
Election and registration	-	193,845	191,363	-	2,482
Financial administration	-	261,495	256,581	-	4,914
Revaluation of property	-	136,678	106,036	-	30,642
Legal	-	50,000	53,592	-	(3,592)
Planning and zoning	23,500	199,344	166,986	19,300	36,558
General government buildings	10,729	138,673	122,231	-	27,171
Cemeteries	-	18,301	16,533	-	1,768
Advertising and regional associations	-	11,015	10,200	-	815
Other	-	361,144	357,493	-	3,651
Total general government	41,129	1,760,334	1,700,923	29,300	71,240
Public safety:					
Police	1,183	2,061,822	2,000,079	-	62,926
Ambulance	-	18,742	18,363	-	379
Fire	21,830	2,873,742	2,826,497	-	69,075
Building inspection	800	142,784	135,897	1,000	6,687
Emergency management	-	5,500	8,498	-	(2,998)
Communications	-	22,700	23,059	-	(359)
Total public safety	23,813	5,125,290	5,012,393	1,000	135,710
Highways and streets:					
Administration		367,956	326,712	-	41,244
Highways and streets	20,842	911,556	920,418	13,735	(1,755)
Total highways and streets	20,842	1,279,512	1,247,130	13,735	39,489
Sanitation:					
Administration	-	153,769	156,527	-	(2,758)
Collection	2,000	283,392	318,732	-	(33,340)
Disposal	3,295	104,552	84,433	1,800	21,614
Clean-up	-	12,898	17,391	-	(4,493)
Total sanitation	5,295	554,611	577,083	1,800	(18,977)
Health:					
Administration	-	1,850	-	-	1,850
Health agencies and hospitals	-	19,694	19,694	-	-
Total health	-	21,544	19,694	-	1,850
Welfare:					
Direct assistance	-	10,000	6,617	-	3,383
Culture and recreation:					
Parks and recreation	-	202,786	197,632	-	5,154
Patriotic purposes	-	1,500	1,325	-	175
Total culture and recreation	-	204,286	198,957	-	5,329
Conservation	-	3,584	3,290	-	294
Economic development	-	6,150	39	5,000	1,111

(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, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	785,943	782,847	-	3,096
Interest on long-term debt	-	242,465	214,304	-	28,161
Total debt service	-	1,028,408	997,151	-	31,257
Other financing sources (uses):					
Transfers out	-	461,504	535,354	-	(73,850)
Total appropriations, expenditures, other financing uses and encumbrances	\$ 91,079	\$ 10,455,223	\$ 10,298,631	\$ 50,835	\$ 196,836

*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, 2009*

Unreserved, undesignated fund balance, beginning		\$ 952,075
Changes:		
Unreserved fund balance to reduce 2009 tax rate		(210,000)
2009 Budget Summary:		
Revenue surplus (Schedule 1)	\$ 53,575	
Unexpended balance of appropriations (Schedule 2)	196,836	
2009 Budget excess		<u>250,411</u>
Unreserved, undesignated fund balance, ending		<u>\$ 992,486</u>

SCHEDULE 4
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2009

		Special Revenue Funds		
	Capital Project	Public Library	Water Department	Conservation Commission
ASSETS				
Cash and cash equivalents	\$ 944,766	\$ 1,042,458	\$ 198,712	\$ -
Investments	-	-	-	465,133
Receivables, net of allowance for uncollectible:				
Taxes	-	-	-	-
Accounts	28,725	-	25,110	-
Intergovernmental	168,784	-	-	-
Interfund receivable	-	-	-	47,380
Prepaid items	28,800	7,367	150	-
Total assets	<u>\$ 1,171,075</u>	<u>\$ 1,049,825</u>	<u>\$ 223,972</u>	<u>\$ 512,513</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 268,890	\$ 4,118	\$ 9,810	\$ 224
Accrued salaries and benefits	-	4,176	3,454	-
Interfund payable	-	17,878	-	-
Retainage payable	4,710	-	-	-
Deferred revenue	-	-	2,847	-
Total liabilities	<u>273,600</u>	<u>26,172</u>	<u>16,111</u>	<u>224</u>
Fund balances:				
Reserved for encumbrances	2,202,735	-	-	-
Reserved for endowments	-	-	-	-
Reserved for special purposes	(1,305,260)	150,391	-	-
Unreserved, undesignated, reported in:				
Debt service fund	-	-	-	-
Special revenue funds	-	873,262	207,861	512,289
Total fund balances	<u>897,475</u>	<u>1,023,653</u>	<u>207,861</u>	<u>512,289</u>
Total liabilities and fund balances	<u>\$ 1,171,075</u>	<u>\$ 1,049,825</u>	<u>\$ 223,972</u>	<u>\$ 512,513</u>

Special Revenue Funds					Debt Service Fund	Total
Parking	Police	Depot Road	Churchill Rink	Permanent Fund	TIFD	
\$ 593	\$ 2,149	\$ 159,693	\$ 119,376	\$ 390,280	\$ -	\$ 2,858,027
-	-	-	-	-	-	465,133
-	-	-	-	-	-	-
-	-	-	5,468	-	-	59,303
-	-	-	-	-	-	168,784
-	-	-	-	-	-	47,380
472	-	-	-	-	-	36,789
<u>\$ 1,065</u>	<u>\$ 2,149</u>	<u>\$ 159,693</u>	<u>\$ 124,844</u>	<u>\$ 390,280</u>	<u>\$ -</u>	<u>\$ 3,635,416</u>
\$ 81	\$ -	\$ 151	\$ 9,294	\$ 11	\$ -	\$ 292,579
984	-	-	2,577	-	-	11,191
-	-	-	-	4,126	-	22,004
-	-	-	-	-	-	4,710
-	-	-	9,287	-	-	12,134
<u>1,065</u>	<u>-</u>	<u>151</u>	<u>21,158</u>	<u>4,137</u>	<u>-</u>	<u>342,618</u>
-	-	-	-	-	66,468	2,269,203
-	-	-	-	351,280	-	351,280
-	-	-	-	34,863	-	(1,120,006)
-	-	-	-	-	(66,468)	(66,468)
-	2,149	159,542	103,686	-	-	1,858,789
-	2,149	159,542	103,686	386,143	-	3,292,798
<u>\$ 1,065</u>	<u>\$ 2,149</u>	<u>\$ 159,693</u>	<u>\$ 124,844</u>	<u>\$ 390,280</u>	<u>\$ -</u>	<u>\$ 3,635,416</u>

SCHEDULE 5
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2009

		Special Revenue Funds		
	Capital Project	Public Library	Water Department	Conservation Commission
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 56,776
Licenses, permits and fees	-	-	-	-
Intergovernmental	395,666	-	28,655	-
Charges for services	-	-	321,958	-
Miscellaneous	4,663	32,036	37,669	1,523
Total revenues	400,329	32,036	388,282	58,299
Expenditures:				
Current:				
General government	-	-	-	-
Water distribution and treatment	-	-	240,857	-
Culture and recreation	-	259,385	-	-
Conservation	-	-	-	620
Principal	-	-	172,071	-
Interest	-	-	80,108	-
Capital outlay	1,360,737	-	-	-
Total expenditures	1,360,737	259,385	493,036	620
Excess (deficiency) of revenues over (under) expenditures	(960,408)	(227,349)	(104,754)	57,679
Other financing sources (uses):				
Transfers in	331,082	231,741	18,342	-
Transfers out	(112,879)	-	(15,250)	-
Total other financing sources and uses	218,203	231,741	3,092	-
Net change in fund balances	(742,205)	4,392	(101,662)	57,679
Fund balances, beginning	1,639,680	1,019,261	309,523	454,610
Fund balances, ending	\$ 897,475	\$ 1,023,653	\$ 207,861	\$ 512,289

Special Revenue Funds					Debt Service Fund	Total
Parking	Police	Depot Road	Churchill Rink	Permanent Fund	TIFD	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,776
25,198	-	63,603	-	-	-	88,801
-	-	-	-	-	-	424,321
56,927	-	-	157,127	-	-	536,012
79,678	-	543	3,640	14,423	-	174,175
161,803	-	64,146	160,767	14,423	-	1,280,085
59,662	-	5,482	-	193	-	65,337
-	-	-	-	-	-	240,857
-	-	-	124,128	-	-	383,513
-	-	-	-	-	-	620
-	-	-	3,650	-	-	175,721
-	-	-	1,046	-	-	81,154
-	-	-	-	-	-	1,360,737
59,662	-	5,482	128,824	193	-	2,307,939
102,141	-	58,664	31,943	14,230	-	(1,027,854)
-	-	-	-	-	-	581,165
(102,141)	-	-	-	(3,944)	-	(234,214)
(102,141)	-	-	-	(3,944)	-	346,951
-	-	58,664	31,943	10,286	-	(680,903)
-	2,149	100,878	71,743	375,857	-	3,973,701
\$ -	\$ 2,149	\$ 159,542	\$ 103,686	\$ 386,143	\$ -	\$ 3,292,798

*SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS*



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

We have audited the 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, 2009, which collectively comprise the Town of Durham's basic financial statements and have issued our report thereon dated November 8, 2010. Our report on the financial statements of the governmental activities was adverse as indicated therein. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Durham's internal control over financial reporting 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 of Durham's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Durham's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Durham's financial statements are free of 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*.

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

Gregory A. Colby, CPA

PLODZIK & SANDERSON
Professional Association

November 8, 2010



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

Compliance

We have audited the compliance of the Town of Durham with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Town of Durham's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Durham's management. Our responsibility is to express an opinion on the Town of Durham's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Durham'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. Our audit does not provide a legal determination of the Town of Durham's compliance with those requirements.

In our opinion, the Town of Durham complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control over Compliance

Management of the Town of Durham is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Durham's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of 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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis.

*Town of Durham
Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133*

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

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

Gregory A. Collyer, CPA

PLODZIK & SANDERSON
Professional Association

November 8, 2010

SCHEDULE I
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of each major fund and the aggregate remaining fund information, and an adverse opinion on the financial statements of the governmental activities.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

B. Federal Awards

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. There are no audit findings required to be reported in accordance with section 510(a) of OMB Circular A-133.
5. The program tested as a major program is CFDA No. 20.205: Highway Planning & Construction.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Town of Durham was determined not to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Environmental Services			
Wildlife Habitat Incentive Program	10.914	661-428-0802	\$ 66,698
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the State of New Hampshire Department of Transportation			
Highway Planning and Construction	20.205	14453	437,366
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of New Hampshire Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1812-DR-NH	22,950
DIRECT FUNDING			
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership Program	16.607	N/A	1,741
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	9718901-0	20,560
<i>Total Expenditures of Federal Awards</i>			<u>\$ 549,315</u>

The accompanying notes are an integral part of this schedule.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the Town of Durham under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Durham, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Durham.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A- 87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.