

**TOWN OF DURHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010**

TOWN OF DURHAM, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2010

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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 year ended December 31, 2010 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 the 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Durham as of December 31, 2010, or the changes in financial position thereof for the year then ended.

In addition, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011, on our consideration of the Town of Durham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information, on pages 3 through 6, and 30 through 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***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 financial statements as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US 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 financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gregory A. Collyer, CPA

September 26, 2011

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, 2010 the Town of Durham's net assets are recorded at \$8,017,282.
- The Town's unreserved, undesignated fund balance for the General Fund at year-end of \$708,101 reflects a decrease of \$284,385 compared to the prior fiscal year's end of \$992,486.
- The Sewer Fund's unreserved fund balance at year-end reflects a deficit of \$102,761 which is an increase of \$38,420 compared to the prior fiscal year's end deficit of \$64,341.
- The Town's long-term obligations saw a net increase of \$712,340 during the year due to bonding.

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 2010. 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, 2009 and 2010 follows.

Town of Durham's Net Assets

(all figures are in U.S. dollars)

	2009	2010	Increase (Decrease)	% Increase (Decrease)
Current and other assets	13,926,818	14,295,389	368,571	3%
Capital assets, net	11,991,116	16,425,517	4,434,401	37%
Total assets	25,917,934	30,720,906	4,802,972	19%
Long-term liabilities outstanding	12,154,830	12,867,170	712,340	6%
Other liabilities	8,032,814	9,836,454	1,803,640	22%
Total liabilities	20,187,644	22,703,624	2,515,980	12%
Net assets:				
Invested in capital assets, net of related debt	833,171	4,823,701	3,990,530	479%
Restricted	1,283,618	370,536	(913,082)	-71%
Unrestricted	3,613,501	2,823,045	(790,456)	-22%
Total net assets	5,730,290	8,017,282	2,286,992	40%

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 \$8 million. The non-land portion of improvements is being depreciated. The net value of assets and liabilities as of December 30, 2010 is \$7,939,118. 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, 2010 AND 2009:**

(all figures are in U.S. dollars)

	2009	2010	Increase (Decrease)	% Increase (Decrease)
REVENUES:				
Program Revenues:				
Charges for Services	1,897,087	2,210,638	313,551	17%
Operating Grants and Contributions	2,644,135	2,737,449	93,314	4%
Capital Grants and Contributions	400,329	1,206,282	805,953	201%
General Revenues:				
Taxes	5,980,874	6,010,784	29,910	1%
Licenses and Permits	1,004,867	935,935	(68,932)	-7%
Unrestricted Grants	1,074,470	642,783	(431,687)	-40%
Miscellaneous	89,784	779,016	689,232	768%
Total Revenues	13,091,546	14,522,887	1,431,341	11%
EXPENSES:				
General Government	2,010,556	1,953,004	(57,552)	-3%
Public Safety	5,199,508	5,558,383	358,875	7%
Highways and Streets	1,398,491	1,515,205	116,714	8%
Sanitation	1,724,948	1,744,874	19,926	1%
Water	249,320	275,152	25,832	10%
Health	19,694	21,692	1,998	10%
Welfare	6,617	14,766	8,149	123%
Culture and Recreation	597,600	683,800	86,200	14%
Conservation	3,910	3,977	67	2%
Economic Development	39	7,687	7,648	19610%
Capital Outlay	206,522	-	(206,522)	-100%
Interest and Long-Term Debt	469,141	457,355	(11,786)	-3%
Total Governmental Activities	11,886,346	12,235,895	349,549	3%
Change in Net Assets	1,205,200	2,286,992	1,081,792	90%
Beginning Net Assets	4,525,090	5,730,290	1,205,200	27%
Ending Net Assets	5,730,290	8,017,282	2,286,992	40%

**GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2010**

With a few exceptions, including the minor increase in Welfare and Economic Development and the decrease in capital outlay, governmental program expenses remain similar to the prior year.

**BUDGETARY HIGHLIGHTS
FOR FISCAL YEAR ENDING DECEMBER 31, 2010**

In 2010 the Town bonded funds in the amount of \$1,467,338 for 2008-2010 capital projects and equipment purchases. In addition, the Town received grants to design and construct a fish ladder at Wiswall Dam, to improve the street lighting on the Main Street corridor, and to upgrade the security camera system at the Durham Police Department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Town has invested \$16,425,517 in capital assets (net of depreciation), which represents an increase of \$4,434,401 as detailed in Note 6.

OUTSTANDING DEBT

As of year-end, the Town had \$12.9 million in debt outstanding compared to \$12.1 million last year. Additional detailed information on long-term obligations is available in the notes to the financial statements.

Moody's rated our 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 57.5% of total governmental resources. Inter-governmental revenues from the State of New Hampshire, as well as the University of New Hampshire (UNH) and grants make up 25.9% of total resources, while motor vehicle, building permit and other permit fees comprise approximately 5.4%. Interest on investments, rental of property, fines and forfeits and other miscellaneous charges amount to the remaining 11.2%.

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 2011 fiscal year General Fund Budget projects a 3% increase in resources and a 5.5% increase in expenditures. It is projected that we may need to use funds from the fund balance to achieve a minimal tax rate increase.

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, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 12,219,554
Investments	516,695
Intergovernmental receivable	86,128
Other receivables, net of allowances for uncollectible	1,459,942
Prepaid items	13,070
Capital assets, not being depreciated:	
Land	2,276,891
Construction in progress	6,647,412
Capital assets, net of accumulated depreciation:	
Land improvements	117,724
Buildings and building improvements	4,336,617
Equipment and vehicles	1,047,470
Infrastructure	1,999,403
Total assets	<u>30,720,906</u>
LIABILITIES	
Accounts payable	676,893
Accrued salaries and benefits	229,979
Intergovernmental payable	8,465,919
Accrued interest payable	137,601
Retainage payable	133,196
Unearned revenue	22,656
Other	170,210
Noncurrent obligations:	
Due within one year:	
Bonds	1,129,476
Bond premium	4,167
Compensated absences	75,158
Accrued landfill postclosure care costs	10,000
Due in more than one year:	
Bonds	10,389,002
Bond premium	79,171
Other postemployment benefits	422,328
Compensated absences	527,868
Accrued landfill postclosure care costs	230,000
Total liabilities	<u>22,703,624</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,823,701
Restricted for:	
Perpetual care	375,112
Capital projects	(4,576)
Unrestricted	<u>2,823,045</u>
Total net assets	<u>\$ 8,017,282</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, 2010

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
	Expenses	for	Grants and	Grants and	Change in
		Services	Contributions	Contributions	Net Assets
Governmental activities:					
General government	\$ 1,953,004	\$ 219,999	\$ 70,172	\$ -	\$ (1,662,833)
Public safety	5,558,383	181,970	2,022,740	-	(3,353,673)
Highways and streets	1,515,205	1,110	344,254	-	(1,169,841)
Sanitation	1,744,874	1,250,916	271,630	-	(222,328)
Water distribution and treatment	275,152	354,652	28,653	-	108,153
Health	21,692	-	-	-	(21,692)
Welfare	14,766	-	-	-	(14,766)
Culture and recreation	683,800	201,991	-	-	(481,809)
Conservation	3,977	-	-	-	(3,977)
Economic development	7,687	-	-	-	(7,687)
Interest on long-term debt	457,355	-	-	-	(457,355)
Capital outlay	-	-	-	1,206,282	1,206,282
Total governmental activities	<u>\$ 12,235,895</u>	<u>\$ 2,210,638</u>	<u>\$ 2,737,449</u>	<u>\$ 1,206,282</u>	<u>(6,081,526)</u>
General revenues:					
Taxes:					
Property					5,808,649
Other					202,135
Motor vehicle permit fees					762,357
Licenses and other fees					173,578
Grants and contributions not restricted to specific programs					642,783
Miscellaneous					779,016
Total general revenues					<u>8,368,518</u>
Change in net assets					2,286,992
Net assets, beginning					5,730,290
Net assets, ending					<u>\$ 8,017,282</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, 2010

	General	Sewer Department	Expendable Trust	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,761,827	\$ 5,464	\$ 1,610,564	\$ 488,462	\$ 1,353,237	\$ 12,219,554
Investments	-	-	-	-	516,695	516,695
Receivables, net of allowance for uncollectible:						
Taxes	1,334,888	-	-	-	-	1,334,888
Accounts	48,893	41,251	-	-	34,910	125,054
Intergovernmental	-	-	25,602	60,526	-	86,128
Interfund receivable	35,994	-	55,045	-	-	91,039
Voluntary tax liens	34,461	-	-	-	-	34,461
Voluntary tax liens reserved until collected	(34,461)	-	-	-	-	(34,461)
Prepaid items	5,600	-	-	-	7,470	13,070
Total assets	<u>\$ 10,187,202</u>	<u>\$ 46,715</u>	<u>\$ 1,691,211</u>	<u>\$ 548,988</u>	<u>\$ 1,912,312</u>	<u>\$ 14,386,428</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 214,368	\$ 27,503	\$ -	\$ 420,072	14,950	\$ 676,893
Accrued salaries and benefits	201,205	13,911	-	296	14,567	229,979
Intergovernmental payable	8,438,704	27,215	-	-	-	8,465,919
Interfund payable	55,045	-	-	-	35,994	91,039
Retainage payable	-	-	-	133,196	-	133,196
Escrow and performance deposits	170,210	-	-	-	-	170,210
Deferred revenue	8,305	-	-	-	14,351	22,656
Total liabilities	<u>9,087,837</u>	<u>68,629</u>	<u>-</u>	<u>553,564</u>	<u>79,862</u>	<u>9,789,892</u>
Fund balances						
Reserved for encumbrances	121,000	80,847	-	1,526,383	69,349	1,797,579
Reserved for endowments	-	-	-	-	344,701	344,701
Reserved for special purposes	-	-	-	(1,530,959)	57,910	(1,473,049)
Unreserved, designated for contingency	262,700	-	-	-	-	262,700
Unreserved, undesignated, reported in:						
General fund	715,665	-	-	-	-	715,665
Debt service fund	-	-	-	-	(66,468)	(66,468)
Special revenue funds	-	(102,761)	1,691,211	-	1,426,958	3,015,408
Total fund balances	<u>1,099,365</u>	<u>(21,914)</u>	<u>1,691,211</u>	<u>(4,576)</u>	<u>1,832,450</u>	<u>4,596,536</u>
Total liabilities and fund balances	<u>\$ 10,187,202</u>	<u>\$ 46,715</u>	<u>\$ 1,691,211</u>	<u>\$ 548,988</u>	<u>\$ 1,912,312</u>	<u>\$ 14,386,428</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, 2010

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,596,536
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	\$ 18,497,214	
Less accumulated depreciation	<u>(2,071,697)</u>	
		16,425,517
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (91,039)	
Payables	<u>91,039</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(137,601)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 11,518,478	
Bond premium	83,338	
Other postemployment benefits payable	422,328	
Compensated absences payable	603,026	
Accrued landfill postclosure care costs	<u>240,000</u>	
		<u>(12,867,170)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 8,017,282</u></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, 2010

	General	Sewer Department	Expendable Trust	Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 6,010,784	\$ -	\$ -	\$ -	\$ -	\$ 6,010,784
Licenses, permits and fees	912,780	-	-	-	83,055	995,835
Intergovernmental	3,019,494	306,485	25,601	1,206,282	28,653	4,586,515
Charges for services	275,378	1,215,612	-	-	573,725	2,064,715
Miscellaneous	170,208	52,829	50,696	328,186	263,119	865,038
Total revenues	10,388,644	1,574,926	76,297	1,534,468	948,552	14,522,887
Expenditures:						
Current:						
General government	1,622,719	-	-	-	62,548	1,685,267
Public safety	5,439,102	-	-	-	15	5,439,117
Highways and streets	1,360,974	-	-	-	-	1,360,974
Water distribution and treatment	-	-	-	-	253,613	253,613
Sanitation	590,738	1,008,891	-	-	-	1,599,629
Health	21,692	-	-	-	-	21,692
Welfare	14,766	-	-	-	-	14,766
Culture and recreation	252,347	-	-	-	416,957	669,304
Conservation	2,477	-	-	-	1,500	3,977
Economic development	7,687	-	-	-	-	7,687
Debt service:						
Principal	565,491	290,098	-	-	167,878	1,023,467
Interest	193,455	180,399	-	-	74,743	448,597
Capital outlay	-	-	-	4,888,446	-	4,888,446
Total expenditures	10,071,448	1,479,388	-	4,888,446	977,254	17,416,536
Excess (deficiency) of revenues over (under) expenditures	317,196	95,538	76,297	(3,353,978)	(28,702)	(2,893,649)
Other financing sources (uses):						
Transfers in	255,536	7,341	113,520	991,930	248,006	1,616,333
Transfers out	(516,688)	(100,206)	(209,921)	(7,341)	(782,177)	(1,616,333)
Bond proceeds	-	-	-	1,384,000	-	1,384,000
Bond premium	-	-	-	83,338	-	83,338
Total other financing sources and uses	(261,152)	(92,865)	(96,401)	2,451,927	(534,171)	1,467,338
Net change in fund balances	56,044	2,673	(20,104)	(902,051)	(562,873)	(1,426,311)
Fund balances, beginning	1,043,321	(24,587)	1,711,315	897,475	2,395,323	6,022,847
Fund balances, ending	\$ 1,099,365	\$ (21,914)	\$ 1,691,211	\$ (4,576)	\$ 1,832,450	\$ 4,596,536

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, 2010

Net change in fund balances of governmental funds (Exhibit C-3)			\$ (1,426,311)
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	\$	4,894,601	
Depreciation expense		(460,200)	
			4,434,401
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	\$	(1,616,333)	
Transfers out		1,616,333	
			-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Proceeds of bond principal	\$	(1,384,000)	
Proceeds of bond premium		(83,338)	
Repayment of bond principal		1,023,467	
			(443,871)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
Increase in accrued interest expense	\$	(8,758)	
Increase in other postemployment benefits payable		(208,978)	
Increase in compensated absences payable		(69,491)	
Decrease in accrued landfill postclosure care costs		10,000	
			(277,227)
Changes in net assets of governmental activities (Exhibit B)			\$ 2,286,992

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, 2010

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 220,713	\$ 724,587
LIABILITIES		
Due to other governmental units	-	724,587
NET ASSETS		
Held in trust for specific purposes	\$ 220,713	\$ -

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, 2010

	Private Purpose Trust
ADDITIONS	
Contributions:	
New funds	\$ 9,997
Investment earnings:	
Interest	393
Total additions	10,390
DEDUCTIONS	
Scholarships	(14,500)
Change in net assets	(4,110)
Net assets, beginning	224,823
Net assets, ending	\$ 220,713

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net assets, (with the exception of some of the capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost), 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, and (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. 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 fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental 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.

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.

Debt Service Fund - is used to account for funds established for the accumulation of resources for, and the payment of, general long-term debt for specific projects.

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.

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

Expendable Trust Funds – the expendable trust funds account for the legally established funds for future costs.

Capital Project Fund – the capital project fund accounts for the activity pertaining to various construction/renovation projects in the Town.

Nonmajor funds – The Town also reports nine nonmajor governmental funds.

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.

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 60 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

TOWN OF DURHAM, NEW HAMPSHIRE
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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 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

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 New Hampshire 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.

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.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 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.

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.

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.

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Town's experience of making termination payments.

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

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

1-M Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums.

In the governmental fund financial statements, bond premiums are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources.

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.

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, 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."

TOWN OF DURHAM, NEW HAMPSHIRE
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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 are 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 “due to/from other funds” (i.e., the current portion of interfund loans). 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 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 – CUSTODIAL CREDIT RISK FOR DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, none of the Town’s bank balances of \$13,224,595 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash and cash equivalents per statement of net assets (Exhibit A)	\$ 12,219,554
Cash and cash equivalents per statement of fiduciary net assets (Exhibit D-1)	945,300
Total cash and cash equivalents	<u>\$ 13,164,854</u>

NOTE 3 – INVESTMENTS

The Town’s investments of \$516,695 at December 31, 2010 consist of balances on deposit with the New Hampshire Public Deposit Investment Pool.

NOTE 4 – 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, 2010, upon which the 2010 property tax levy was based is:

For the New Hampshire education tax	\$ 879,823,328
For all other taxes	\$ 892,139,835

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 17 and November 8, with payments due on June 16 and December 8. Interest accrues at a rate of 12% on bills outstanding after the due dates. 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.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2010 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.12	\$ 6,351,057
School portion:		
State of New Hampshire	\$2.19	1,927,119
Local	\$15.43	13,769,342
County portion	\$2.54	2,263,084
Total		<u>\$ 24,310,602</u>

During the current fiscal year, the tax collector executed a lien on August 12 for all uncollected 2009 property taxes.

Taxes receivable at December 31, 2010, are as follows:

Property:	
Levy of 2010	\$ 1,102,503
Unredeemed (under tax lien):	
Levy of 2009	224,505
Levy of 2008	68,346
Levies of 2007 and prior	172
Less: allowance for estimated uncollectible taxes	(60,638)
Net taxes receivable	<u>\$ 1,334,888</u>

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2010, 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.

Receivables as of December 31, 2010 for the Town's individual major funds and nonmajor funds in the aggregate, including an applicable allowance for uncollectible accounts, are as follows:

	General Fund	Sewer Department Fund	Expendable Trust Fund	Capital Project Fund	Nonmajor Funds	Total
Receivables:						
Accounts	\$ 48,893	\$ 41,251	\$ -	\$ -	\$ 34,910	\$ 125,054
Intergovernmental	-	-	25,602	60,526	-	86,128
Liens	34,461	-	-	-	-	34,461
Gross receivables	83,354	41,251	25,602	60,526	34,910	245,643
Less: allowance for uncollectible	(34,461)	-	-	-	-	(34,461)
Net total receivables	<u>\$ 48,893</u>	<u>\$ 41,251</u>	<u>\$ 25,602</u>	<u>\$ 60,526</u>	<u>\$ 34,910</u>	<u>\$ 211,182</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 consisted of the following:

	Balance, beginning	Changes	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 2,276,891	\$ -	\$ 2,276,891
Construction in progress	2,223,346	4,424,066	6,647,412
Total capital assets not being depreciated	<u>4,500,237</u>	<u>4,424,066</u>	<u>8,924,303</u>
Being depreciated:			
Land improvements	184,347	-	184,347
Buildings and building improvements	5,019,472	-	5,019,472
Equipment and vehicles	1,591,044	201,627	1,792,671
Infrastructure	2,307,513	268,908	2,576,421
Total capital assets being depreciated	<u>9,102,376</u>	<u>470,535</u>	<u>9,572,911</u>
Total all capital assets	<u>13,602,613</u>	<u>4,894,601</u>	<u>18,497,214</u>
Less accumulated depreciation:			
Land improvements	(55,909)	(10,714)	(66,623)
Buildings and building improvements	(577,302)	(105,553)	(682,855)
Equipment and vehicles	(562,640)	(191,855)	(754,495)
Infrastructure	(415,646)	(152,078)	(567,724)
Total accumulated depreciation	<u>(1,611,497)</u>	<u>(460,200)</u>	<u>(2,071,697)</u>
Net book value, capital assets being depreciated	7,490,879	10,335	7,501,214
Net book value, all capital assets	<u>\$ 11,991,116</u>	<u>\$ 4,434,401</u>	<u>\$ 16,425,517</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	73,936
Highways and streets	161,491
Sanitation	148,756
Water distribution and treatment	18,983
Culture and recreation	13,134
Total	<u>\$ 460,200</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2010, are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 35,994
Expendable trust	General	55,045
		<u>\$ 91,039</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Interfund transfers during the year ended December 31, 2010 are as follows:

	Transfers In:					Total
	General Fund	Sewer Department Fund	Expendable Trust Fund	Capital Project Fund	Nonmajor Funds	
Transfers out:						
General fund	\$ -	\$ -	\$ 69,047	\$ 199,635	\$ 248,006	\$ 516,688
Sewer department fund	50,607	-	35,999	13,600	-	100,206
Expendable trust fund	50,000	-	-	159,921	-	209,921
Capital project fund	-	7,341	-	-	-	7,341
Nonmajor funds	154,929	-	8,474	618,774	-	782,177
Total	<u>\$ 255,536</u>	<u>\$ 7,341</u>	<u>\$ 113,520</u>	<u>\$ 991,930</u>	<u>\$ 248,006</u>	<u>\$ 1,616,333</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; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due of \$8,465,919 to other governments at December 31, 2010, consist of the following:

General fund:		
Balance of 2010-2011 district assessment due to the Oyster River Cooperative School District		\$ 8,434,427
Fees due to the State of New Hampshire		4,277
Total intergovernmental payables due from the general fund		<u>\$ 8,438,704</u>
Sewer department fund:		
Annual portion of wastewater budget due to University of New Hampshire		<u>\$ 27,215</u>

NOTE 9 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2010:

	General Obligation Bonds Payable	Bond Premium	Compensated Absences Payable	Other Postemployment Benefits Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	\$ 11,157,945	\$ -	\$ 533,535	\$ 213,350	\$ 250,000	\$ 12,154,830
Additions	1,384,000	83,338	69,491	257,068	-	1,793,897
Reductions	(1,023,467)	-	-	(48,090)	(10,000)	(1,081,557)
Balance, ending	<u>\$ 11,518,478</u>	<u>\$ 83,338</u>	<u>\$ 603,026</u>	<u>\$ 422,328</u>	<u>\$ 240,000</u>	<u>\$ 12,867,170</u>

TOWN OF DURHAM, NEW HAMPSHIRE
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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, 2010	Current Portion
General obligation bonds payable:						
Capital improvements	\$ 3,279,458	2002	2019	3.00-4.50	\$ 1,215,000	\$ 235,000
Water improvements	\$ 828,554	2002	2016	3.4725	382,929	58,502
Landfill closure	\$ 802,756	2004	2024	3.6880	561,928	40,138
Wastewater treatment plant improvements	\$ 3,290,757	2005	2024	3.6880	2,539,621	141,836
Capital improvements	\$ 3,800,154	2006	2026	3.9494	2,625,000	300,000
Capital improvements	\$ 315,364	2006	2013	5.7499	115,000	45,000
Capital improvements	\$ 3,115,000	2008	2028	3.00-4.50	2,695,000	205,000
Capital improvements	\$ 1,384,000	2010	2030	3.5512	1,384,000	104,000
					<u>11,518,478</u>	<u>1,129,476</u>
Bond premium					<u>83,338</u>	<u>4,167</u>
					<u>11,601,816</u>	<u>1,133,643</u>
Compensated absences payable:						
Vested sick leave					256,083	37,180
Accrued vacation leave					<u>346,943</u>	<u>37,978</u>
					<u>603,026</u>	<u>75,158</u>
Other postemployment benefits payable					<u>422,328</u>	<u>-</u>
Accrued landfill postclosure care costs payable					<u>240,000</u>	<u>10,000</u>
Total					<u>\$ 12,867,170</u>	<u>\$ 1,218,801</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 1,129,476	\$ 455,875	\$ 1,585,351
2012	1,067,738	410,682	1,478,420
2013	985,264	371,761	1,357,025
2014	878,063	335,030	1,213,093
2015	876,144	302,053	1,178,197
2016-2020	3,450,091	1,038,899	4,488,990
2021-2025	2,536,702	422,627	2,959,329
2026-2030	595,000	53,845	648,845
Totals	<u>\$ 11,518,478</u>	<u>\$ 3,390,772</u>	<u>\$ 14,909,250</u>

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 based on the postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$240,000 as of December 31, 2010, which is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2010. 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 an annual appropriation.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

Bonds/Notes Authorized and Unissued

Bonds and notes authorized and unissued as of December 31, 2010 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 10 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 16,425,517
Less:	
General obligation bonds payable, net	(11,601,816)
Total invested in capital assets, net of related debt	<u>4,823,701</u>
Restricted for special purposes:	
Perpetual care	375,112
Capital project	(4,576)
Total restricted for special purposes	<u>370,536</u>
Unrestricted	<u>2,823,045</u>
Total net assets	<u><u>\$ 8,017,282</u></u>

NOTE 11 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved:	
Major funds:	
General	\$ 121,000
Sewer department	80,847
Capital project	(4,576)
Nonmajor funds:	
Special revenue	30,380
Permanent	375,112
Debt service	66,468
Total reserved fund balance	<u>669,231</u>
Unreserved, designated:	
Major fund:	
General	<u>262,700</u>
Unreserved, undesignated:	
Major fund:	
General	715,665
Nonmajor funds:	
Special revenue	3,015,408
Debt service	(66,468)
Total unreserved, undesignated fund balance	<u>3,664,605</u>
Total governmental fund balances	<u><u>\$ 4,596,536</u></u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

NOTE 12 – DEFICIT FUND BALANCES

The following funds had deficit fund balances at December 31, 2010:

Major funds:	
Sewer department	\$ 102,761
Capital project	\$ 1,530,959
Nonmajor fund:	
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.

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. The Town contributed 13.66% for police, 17.28% for fire, and 9.16% for other employees. The contribution requirements for the Town of Durham for the fiscal years 2008, 2009, and 2010 were \$619,342, \$663,871, and \$695,118, respectively, which were paid in full in each year.

For the first six months of 2010, the State of New Hampshire funded 30% 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 25% of the total employer normal contribution rate. This amount, \$185,660, 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 POSTEMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 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 No. 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 No. 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 2010:

Annual required contribution/OPEB cost	\$ 257,068
Contributions made (pay-as-you-go)	(48,090)
Increase in net OPEB obligation	208,978
Net OPEB obligation, beginning	213,350
Net OPEB obligation, ending	<u>\$ 422,328</u>

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2010	\$ 257,068	\$ 48,090	18.71%	\$ 422,328

As of December 31, 2009, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,165,559, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,165,559. The covered payroll (annual payroll of active employees covered by the plan) was \$2,883,514 during fiscal year 2010, and the ratio of the UAAL to the covered payroll was 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. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 cost method was used. The actuarial assumptions included a 4.5% investment rate of return per annum. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four 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 2010, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2010 to December 31, 2010 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Durham billed and paid for the year ended December 31, 2010 was \$109,408 for workers' compensation and \$108,407 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ 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. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ 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.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through September 26, 2011, the date the December 31, 2010 financial statements were issued, and no events occurred requiring recognition or disclosure.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENT

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.

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, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 6,112,469	\$ 6,112,469	\$ 6,010,784	\$ (101,685)
Licenses, permits and fees	930,104	930,104	912,780	(17,324)
Intergovernmental	2,743,655	2,834,111	2,833,834	(277)
Charges for services	195,636	195,636	275,378	79,742
Miscellaneous	217,710	217,710	170,208	(47,502)
Total revenues	<u>10,199,574</u>	<u>10,290,030</u>	<u>10,202,984</u>	<u>(87,046)</u>
Expenditures:				
Current:				
General government	1,710,487	1,710,487	1,665,209	45,278
Public safety	5,334,476	5,334,476	5,264,942	69,534
Highways and streets	1,301,114	1,391,570	1,380,649	10,921
Sanitation	585,131	585,131	591,238	(6,107)
Health	23,192	23,192	21,692	1,500
Welfare	9,000	9,000	14,766	(5,766)
Culture and recreation	260,639	260,639	253,347	7,292
Conservation	3,484	3,484	2,477	1,007
Economic development	4,150	4,150	2,687	1,463
Debt service:				
Principal	565,493	565,493	565,491	2
Interest	187,141	187,141	193,455	(6,314)
Total expenditures	<u>9,984,307</u>	<u>10,074,763</u>	<u>9,955,953</u>	<u>118,810</u>
Excess of revenues over expenditures	<u>215,267</u>	<u>215,267</u>	<u>247,031</u>	<u>31,764</u>
Other financing sources (uses):				
Transfers in	225,211	225,211	255,536	30,325
Transfers out	(440,478)	(440,478)	(516,688)	(76,210)
Total other financing sources and uses	<u>(215,267)</u>	<u>(215,267)</u>	<u>(261,152)</u>	<u>(45,885)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(14,121)	<u>\$ (14,121)</u>
Unreserved fund balance, beginning			992,486	
Unreserved fund balance, ending			<u>\$ 978,365</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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 305,177	\$ 306,485	\$ 1,308
Charges for services	1,299,740	1,215,612	(84,128)
Miscellaneous	4,000	52,829	48,829
Total revenues	<u>1,608,917</u>	<u>1,574,926</u>	<u>(33,991)</u>
Expenditures:			
Current:			
Sanitation	1,058,822	1,049,984	8,838
Debt service:			
Principal	288,200	290,098	(1,898)
Interest	177,688	180,399	(2,711)
Total expenditures	<u>1,524,710</u>	<u>1,520,481</u>	<u>4,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,207</u>	<u>54,445</u>	<u>(29,762)</u>
Other financing sources (uses):			
Transfers in	-	7,341	7,341
Transfers out	(84,207)	(100,206)	(15,999)
Total other financing sources and uses	<u>(84,207)</u>	<u>(92,865)</u>	<u>(8,658)</u>
Net change in fund balance	<u>\$ -</u>	<u>(38,420)</u>	<u>\$ (38,420)</u>
Unreserved fund balance, beginning		(64,341)	
Unreserved fund balance, ending		<u><u>\$ (102,761)</u></u>	

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

EXHIBIT F
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended December 31, 2010

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio %	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009	\$ -	\$ 2,165,559	\$ 2,165,559	\$ -	\$ 2,883,514	75.10%

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, 2010

General Budget Policies	1
Budgetary Reconciliation	2
Excess of Expenditures over Appropriations.....	3
Schedule of Funding Progress	4

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

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. At its annual meeting, the Town adopts a budget for the current year for the general, sewer department, and capital project 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.

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 and E-2 (budgetary basis)	\$ 10,458,520	\$ 1,582,267
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	185,660	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,644,180</u>	<u>\$ 1,582,267</u>
Expenditures and other financing uses:		
Per Exhibits E-1 and E-2 (budgetary basis)	\$ 10,472,641	\$ 1,620,687
Adjustment:		
Basis differences:		
Encumbrances, beginning	50,835	39,754
Encumbrances, ending	(121,000)	(80,847)
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	185,660	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,588,136</u>	<u>\$ 1,579,594</u>

3. Excess of Expenditures over Appropriations

The sewer department fund had an excess of expenditures over appropriations for the year ended December 31, 2010 in the amount of \$11,770. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

4. Schedule of Funding Progress

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for fiscal year 2010.

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, 2010

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,917,669	\$ 5,816,213	\$ (101,456)
Yield	1,265	1,479	214
Boat and railroad	3,393	3,362	(31)
Payment in lieu of taxes	55,142	59,107	3,965
Interest and penalties on taxes	135,000	130,623	(4,377)
Total taxes	<u>6,112,469</u>	<u>6,010,784</u>	<u>(101,685)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	827,450	803,512	(23,938)
Building permit	75,000	78,528	3,528
Other	27,654	30,740	3,086
Total licenses, permits, and fees	<u>930,104</u>	<u>912,780</u>	<u>(17,324)</u>
Intergovernmental:			
State:			
Meals and rooms distribution	642,783	642,783	-
Highway block grant	253,799	253,799	-
University of New Hampshire	1,797,073	1,787,080	(9,993)
Other	-	9,716	9,716
Other governments:			
Oyster River Cooperative School District	50,000	50,000	-
Federal:			
FEMA	90,456	90,456	-
Total intergovernmental	<u>2,834,111</u>	<u>2,833,834</u>	<u>(277)</u>
Charges for services:			
Income from departments	<u>195,636</u>	<u>275,378</u>	<u>79,742</u>
Miscellaneous:			
Sale of property	23,392	23,417	25
Interest on investments	8,653	8,231	(422)
Rent of property	41,200	41,736	536
Fines and forfeits	100,000	88,599	(11,401)
Other	44,465	8,225	(36,240)
Total miscellaneous	<u>217,710</u>	<u>170,208</u>	<u>(47,502)</u>
Other financing sources:			
Transfers in	<u>225,211</u>	<u>255,536</u>	<u>30,325</u>
Total revenues and other financing sources	<u><u>\$ 10,515,241</u></u>	<u><u>\$ 10,458,520</u></u>	<u><u>\$ (56,721)</u></u>

SCHEDULE 2
TOWN OF DURHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 10,000	\$ 341,971	\$ 318,276	\$ -	\$ 33,695
Election and registration	-	200,652	203,360	-	(2,708)
Financial administration	-	257,760	256,742	-	1,018
Revaluation of property	-	67,967	62,237	8,000	(2,270)
Legal	-	50,000	69,835	-	(19,835)
Planning and zoning	19,300	247,973	194,653	61,250	11,370
General government buildings	-	122,834	119,835	-	2,999
Cemeteries	-	14,876	12,266	-	2,610
Advertising and regional associations	-	10,572	10,572	-	-
Other	-	395,882	374,943	2,540	18,399
Total general government	29,300	1,710,487	1,622,719	71,790	45,278
Public safety:					
Police	-	2,129,298	2,064,469	-	64,829
Ambulance	-	18,742	18,362	-	380
Fire	-	3,018,347	2,980,927	12,500	24,920
Building inspection	1,000	140,589	161,751	-	(20,162)
Emergency management	-	7,500	10,972	-	(3,472)
Communications	-	20,000	16,961	-	3,039
Total public safety	1,000	5,334,476	5,253,442	12,500	69,534
Highways and streets:					
Administration	-	440,088	388,583	-	51,505
Highways and streets	13,735	951,482	972,391	33,410	(40,584)
Total highways and streets	13,735	1,391,570	1,360,974	33,410	10,921
Sanitation:					
Administration	-	165,469	163,044	-	2,425
Collection	-	303,094	320,089	-	(16,995)
Disposal	1,800	101,619	88,832	2,300	12,287
Clean-up	-	14,949	18,773	-	(3,824)
Total sanitation	1,800	585,131	590,738	2,300	(6,107)
Health:					
Admin	-	1,500	-	-	1,500
Health agencies and hospitals	-	21,692	21,692	-	-
Total health	-	23,192	21,692	-	1,500
Welfare:					
Direct assistance	-	9,000	14,766	-	(5,766)
Culture and recreation:					
Parks and recreation	-	259,139	250,910	1,000	7,229
Patriotic purposes	-	1,500	1,437	-	63
Total culture and recreation	-	260,639	252,347	1,000	7,292
Conservation	-	3,484	2,477	-	1,007
Economic development	5,000	4,150	7,687	-	1,463

(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, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	565,493	565,491	-	2
Interest on long-term debt	-	187,141	193,455	-	(6,314)
Total debt service	-	752,634	758,946	-	(6,312)
Other financing uses:					
Transfers out	-	440,478	516,688	-	(76,210)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 50,835	\$ 10,515,241	\$ 10,402,476	\$ 121,000	\$ 42,600

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, 2010

Unreserved, undesignated fund balance, beginning		\$ 992,486
2010 Budget Summary:		
Revenue shortfall (Schedule 1)	\$ (56,721)	
Unexpended balance of appropriations (Schedule 2)	<u>42,600</u>	
2010 Budget deficit:		(14,121)
Increase in fund balance designated for contingency		<u>(262,700)</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 715,665</u></u>

SCHEDULE 4
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010

	Special Revenue Funds							Debt	
	Public Library	Water Department	Conservation Commission	Parking	Police	Depot Road	Churchill Rink	Permanent Fund	Total
ASSETS									
Cash and cash equivalents	\$ 561,589	\$ 89,805	\$ -	\$ 610	\$ 2,134	\$ 162,567	\$ 160,527	\$ 376,005	\$ 1,353,237
Investments	-	-	516,695	-	-	-	-	-	516,695
Accounts receivable	-	25,900	-	-	-	-	9,010	-	34,910
Prepaid items	6,890	-	-	580	-	-	-	-	7,470
Total assets	\$ 568,479	\$ 115,705	\$ 516,695	\$ 1,190	\$ 2,134	\$ 162,567	\$ 169,537	\$ 376,005	\$ 1,912,312

LIABILITIES AND FUND BALANCES

Liabilities:									
Accrued salaries and benefits	\$ 5,341	\$ 4,711	\$ -	\$ 1,164	\$ -	\$ -	\$ 3,351	\$ -	\$ 14,567
Interfund payable	33,387	-	1,727	-	-	-	-	880	35,994
Deferred revenue	-	5,349	-	-	-	-	9,002	-	14,351
Total liabilities	40,411	12,867	1,727	1,190	-	164	22,610	893	79,862
Fund balances									
Reserved for encumbrances	-	-	-	-	-	-	2,881	-	69,349
Reserved for endowments	-	-	-	-	-	-	-	344,701	344,701
Reserved for special purposes	27,499	-	-	-	-	-	-	30,411	57,910
Unreserved, undesignated, reported in:									
Debt service fund	-	-	-	-	-	-	-	(66,468)	(66,468)
Special revenue funds	500,569	102,838	514,968	-	2,134	162,403	144,046	-	1,426,958
Total fund balances	528,068	102,838	514,968	-	2,134	162,403	146,927	375,112	1,832,450
Total liabilities and fund balances	\$ 568,479	\$ 115,705	\$ 516,695	\$ 1,190	\$ 2,134	\$ 162,567	\$ 169,537	\$ 376,005	\$ 1,912,312

SCHEDULE 5
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2010

	Special Revenue Funds										Debt Service Fund	
	Public Library	Water Department	Conservation Commission	Parking	Police	Depot Road	Churchill Rink	Permanent Fund	TIFD	Total		
Revenues:												
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ 23,155	\$ -	\$ 59,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,055
Intergovernmental	-	28,653	-	-	-	-	-	-	-	-	-	28,653
Charges for services	-	355,852	-	56,679	-	-	161,194	-	-	-	-	573,725
Miscellaneous	160,510	34,870	4,179	58,524	-	355	2,470	2,211	-	-	-	263,119
Total revenues	160,510	419,375	4,179	138,358	-	60,255	163,664	2,211	-	-	-	948,552
Expenditures:												
Current:												
General government	-	-	-	55,363	-	3,164	-	4,021	-	-	-	62,548
Public safety	-	-	-	-	15	-	-	-	-	-	-	15
Water distribution and treatment	-	253,613	-	-	-	-	-	-	-	-	-	253,613
Culture and recreation	301,322	-	-	-	-	-	115,635	-	-	-	-	416,957
Conservation	-	-	1,500	-	-	-	-	-	-	-	-	1,500
Debt service:												
Principal	-	164,228	-	-	-	-	3,650	-	-	-	-	167,878
Interest	-	73,605	-	-	-	-	1,138	-	-	-	-	74,743
Total expenditures	301,322	491,446	1,500	55,363	15	3,164	120,423	4,021	-	-	-	977,254
Excess (deficiency) of revenues over (under) expenditures	(140,812)	(72,071)	2,679	82,995	(15)	57,091	43,241	(1,810)	-	-	-	(28,702)
Other financing sources (uses):												
Transfers in	248,006	-	-	-	-	-	-	-	-	-	-	248,006
Transfers out	(602,779)	(32,952)	-	(82,995)	-	(54,230)	-	(9,221)	-	-	-	(782,177)
Total other financing sources and uses	(354,773)	(32,952)	-	(82,995)	-	(54,230)	-	(9,221)	-	-	-	(534,171)
Net change in fund balances	(495,585)	(105,023)	2,679	-	(15)	2,861	43,241	(11,031)	-	-	-	(562,873)
Fund balances, beginning	1,023,653	207,861	512,289	-	2,149	159,542	103,686	386,143	-	-	-	2,395,323
Fund balances, ending	\$ 528,068	\$ 102,838	\$ 514,968	\$ -	\$ 2,134	\$ 162,403	\$ 146,927	\$ 375,112	\$ -	\$ -	\$ -	\$ 1,832,450

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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 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, 2010, which collectively comprise the Town of Durham's basic financial statements and have issued our report thereon dated September 26, 2011. 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 the 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.

September 26, 2011

Gregory A. Collyer, CPA
PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Town of Durham's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Town of Durham's major federal program for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

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 the requirements that could have a direct and material effect on a major federal program to determine the 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. Accordingly, we do not express an opinion on the effectiveness of the Town of Durham's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

***Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each
Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133***

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

September 26, 2011

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements.
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, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Passed through the State of New Hampshire Department of Resources and Economic Development			
Outdoor Recreation - Acquisition, Development, and Planning	15.916	33-00667	\$ 5,236
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of New Hampshire Department of Transportation			
Highway Planning and Construction	20.205	14453	461,486
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through the State of New Hampshire Department of Environmental Services			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0691010-01 ARRA	121,148
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of New Hampshire Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters):			
2006 Flood	97.036	FEMA-1643-DR-NH	64,075
2010 Wind Storm	97.036	FEMA-1892-DR-NH	90,012
<i>PROGRAM TOTAL</i>			154,087
DIRECT FUNDING			
U.S. DEPARTMENT OF AGRICULTURE			
Wildlife Habitat Incentive Program:			
Wiswall Dam Fish Ladder	10.914	6814280822	64,264
Jackson's Landing	10.914	6614280802	10,514
<i>PROGRAM TOTAL</i>			74,778
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership Program	16.607	N/A	118
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	9718901-0	24,709
Total Expenditures of Federal Awards			\$ 841,562

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, 2010

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, 2010. 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.

Note 3. Loan Outstanding

The Town of Durham had the following loan balance outstanding at December 31, 2010. The loan made during the year is included in the federal expenditures presented in the Schedule.

<i>Program Title</i>	<i>Federal CFDA Number</i>	<i>Amount Outstanding</i>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 121,148.49