

Town of Durham, New Hampshire
Annual Financial Statements
For the Year Ended December 31, 2012

Town of Durham, New Hampshire

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Durham, New Hampshire

Report on the Financial Statements

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, New Hampshire, as of December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opin-

ion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unqualified audit opinion on each major fund and the aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities.

Basis for Qualified Opinion on Governmental Activities

Management has not included any of the Town's capital assets acquired in years prior to 2004, nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion on Major Fund and Aggregate Remaining Fund Information

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, as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have issued our report dated August 2, 2013 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 41 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

Melanson, Heath + Company P.C.

Manchester, New Hampshire
August 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Durham, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Durham, New Hampshire for the fiscal year ended December 31, 2012.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, highways and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, and conservation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$14,678,098 (i.e., net position), a change of \$1,715,874 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,670,186, a change of \$3,425,481 in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$666,494, a change of \$(326,456) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$13,881,264, a change of \$3,492,262 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current year.

NET POSITION

	Governmental Activities <u>2012</u>
Current and other assets	\$ 20,066,760
Capital assets	<u>23,562,179</u>
Total assets	43,628,939
Current liabilities	14,253,981
Noncurrent liabilities	14,189,120
Deferred inflows	<u>507,740</u>
Total liabilities and deferred inflows	28,950,841
Net position:	
Net investment in capital assets	11,447,775
Restricted	2,126,679
Unrestricted	<u>1,103,644</u>
Total net position	<u><u>\$ 14,678,098</u></u>

CHANGES IN NET POSITION

	Governmental Activities <u>2012</u>
Revenues:	
Program revenues:	
Charges for services	\$ 2,766,735
Operating grants and contributions	130,747
Capital grants and contributions	925,769
General revenues:	
Property taxes	7,074,818
Motor vehicle permit fees	832,938
Penalties and interest on taxes	218,887
Grants and contributions not restricted to specific programs	3,273,359
Investment income	11,486
Other	<u>425,752</u>
Total revenues	15,660,491
Expenses:	
General government	2,019,232
Public safety	5,606,910
Highway and streets	2,238,895
Sanitation	2,301,357
Water distribution and treatment	332,771
Health	19,469
Welfare	25,894
Culture and recreation	907,188
Conservation	5,447
Interest on long-term debt	<u>487,454</u>
Total expenses	<u>13,944,617</u>
Change in net position	1,715,874
Net position - beginning of year (as restated)	<u>12,962,224</u>
Net position - end of year	<u>\$ 14,678,098</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$14,678,098, a change of \$1,715,874 from the prior year.

The largest portion of net position \$11,447,775 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$2,126,679 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,103,644 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,715,874. Key elements of this change are as follows:

General fund operations, as discussed further	
in Section D	\$ 1,148,057
Capital project fund activities	2,149,180
Nonmajor fund activities	128,244
Principal debt service in excess of depreciation	
expense	319,568
Other	<u>(2,029,175)</u>
Total	<u>\$ 1,715,874</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,670,186, a change of \$3,425,481 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in	
in excess of expenditures and transfers out	\$ 1,148,057
Capital project fund activities	2,149,180
Nonmajor fund activities	<u>128,244</u>
Total	<u>\$ 3,425,481</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$666,494, while total fund balance was \$3,776,646. As a measure of the general fund's liquidity, it may be

useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/12</u>	<u>12/31/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 666,494	\$ 166,083	\$ 500,411	6.0%
Total fund balance	\$ 3,776,646	\$ 2,628,589	\$ 1,148,057	34.2%

The total fund balance of the general fund changed by \$1,148,057 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 940,753
Expenditures in excess of budget	(66,899)
Expenditures of prior year encumbrances	2,367
Excess of tax collections vs. net assessment	198,513
Change in capital reserves	(182,540)
Change in library activity	255,933
Change in police activity	<u>(70)</u>
Total	<u>\$ 1,148,057</u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>12/31/12</u>	<u>12/31/11</u>	<u>Change</u>
Capital reserves	\$ <u>982,289</u>	\$ <u>1,164,829</u>	\$ <u>(182,540)</u>
Total	\$ <u><u>982,289</u></u>	\$ <u><u>1,164,829</u></u>	\$ <u><u>(182,540)</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and the final amended budget resulted in an overall change in appropriations of \$17,476. The reason for this amendment was:

- The Town received funds from the Federal Asset Forfeiture Program

These funds were received from the United States Marshals Service through the Equitable Sharing program to share federally forfeited property with participating federal, state, and local law enforcement agencies.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$23,562,179 (net of accumulated deprecia-

tion), a change of \$2,687,218 from the prior year. This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

3 Police cruisers	\$ 86,658
Parking meter kiosks	\$ 107,922
Sidewalk tractor	\$ 123,909
Dump truck	\$ 133,348
Sweeper	\$ 138,097
Street lighting upgrades	\$ 157,563
Amber acres	\$ 250,000
Water meters upgrade	\$ 362,639
Morgan Way/Rte 4 intersection	\$ 384,088
Depot Road parking lot	\$ 394,799
Tanker	\$ 464,989
Wiswall Dam	\$ 526,473

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$13,881,264, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Durham, New Hampshire's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Business Manager
Town of Durham
15 Newmarket Road
Durham, NH 03824

TOWN OF DURHAM, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 14,596,370
Restricted cash	2,797,118
Receivables, net of allowance for uncollectibles:	
Property taxes	1,299,360
User fees	317,166
Intergovernmental	67,608
Other assets	457,472
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	339,666
Other assets	192,000
Capital assets:	
Land and construction in progress	10,476,004
Other capital assets, net of accumulated depreciation	<u>13,086,175</u>
TOTAL ASSETS	43,628,939
LIABILITIES	
Current:	
Accounts payable	580,078
Retainage payable	325,041
Accrued liabilities	456,244
Tax refunds payable	75,000
Due to school district	9,458,153
Due to other governments	46,814
Notes payable	1,704,650
Other current liabilities	233,060
Current portion of long-term liabilities:	
Bonds payable	1,300,264
Landfill	10,000
Compensated absence	64,677
Noncurrent:	
Bonds payable, net of current portion	12,581,000
Landfill, net of current portion	210,000
Compensated absence, net of current portion	582,088
Accrued other post employment benefits	816,032
DEFERRED INFLOWS OF RESOURCES	<u>507,740</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	28,950,841
NET POSITION	
Net investment in capital assets	11,447,775
Restricted for:	
Grants and other statutory restrictions	1,732,243
Permanent funds:	
Nonexpendable	367,319
Expendable	27,117
Unrestricted	<u>1,103,644</u>
TOTAL NET POSITION	<u><u>\$ 14,678,098</u></u>

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 2,019,232	\$ 157,924	\$ 11,671	\$ 14,207	\$ (1,835,430)
Public safety	5,606,910	617,308	-	21,151	(4,968,451)
Highway and streets	2,238,895	2,236	119,076	156,083	(1,961,500)
Sanitation	2,301,357	1,368,175	-	89,631	(843,551)
Water distribution and treatment	332,771	409,825	-	291,559	368,613
Health	19,469	-	-	-	(19,469)
Welfare	25,894	-	-	-	(25,894)
Culture and recreation	907,188	211,267	-	353,138	(342,783)
Conservation	5,447	-	-	-	(5,447)
Interest	487,454	-	-	-	(487,454)
Total Governmental Activities	<u>\$ 13,944,617</u>	<u>\$ 2,766,735</u>	<u>\$ 130,747</u>	<u>\$ 925,769</u>	(10,121,366)
General Revenues:					
					7,074,818
					832,938
					218,887
					3,273,359
					11,486
					425,752
Total general revenues					<u>11,837,240</u>
Change in Net Position					1,715,874
Net Position:					
Beginning of year, as restated					<u>12,962,224</u>
End of year					<u>\$ 14,678,098</u>

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2012

	<u>General</u>	<u>Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 10,654,183	\$ 2,200,569	\$ 1,741,618	\$ 14,596,370
Restricted cash	2,219,921	-	577,197	2,797,118
Receivables:				
Property taxes	1,725,097	-	-	1,725,097
User fees	26,459	104,522	186,185	317,166
Due from other funds	251,714	-	20,541	272,255
Due from other governments	-	48,149	19,459	67,608
Other assets	109,152	-	320	109,472
TOTAL ASSETS	\$ 14,986,526	\$ 2,353,240	\$ 2,545,320	\$ 19,885,086
LIABILITIES				
Accounts payable	\$ 227,183	\$ 261,339	\$ 91,556	\$ 580,078
Retainage payable	-	325,041	-	325,041
Accrued liabilities	261,782	-	23,628	285,410
Tax refunds payable	75,000	-	-	75,000
Due to other funds	20,541	-	251,714	272,255
Due to school district	9,458,153	-	-	9,458,153
Due to other governments	3,195	-	43,619	46,814
Other liabilities	233,060	-	-	233,060
TOTAL LIABILITIES	10,278,914	586,380	410,517	11,275,811
DEFERRED INFLOWS OF RESOURCES	930,966	-	8,123	939,089
FUND BALANCES				
Nonspendable	109,152	-	367,319	476,471
Restricted	1,718,058	2,687,934	1,759,361	6,165,353
Committed	982,289	-	-	982,289
Assigned	300,653	-	-	300,653
Unassigned	666,494	(921,074)	-	(254,580)
TOTAL FUND BALANCES	3,776,646	1,766,860	2,126,680	7,670,186
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,986,526	\$ 2,353,240	\$ 2,545,320	\$ 19,885,086

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2012

Total governmental fund balances	\$ 7,670,186
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,562,179
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	818,336
• Long term mortgage receivables are recognized on the Statement of Net Position	540,000
• Note Payable: State Revolving Loan	(1,704,650)
• Bond premium amortized over the duration of bond	(473,058)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(170,834)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(15,564,061)</u>
Net position of governmental activities	<u><u>\$ 14,678,098</u></u>

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 6,769,549	\$ -	\$ 313,800	\$ 7,083,349
Penalties, interest and other taxes	213,507	-	5,380	218,887
Charges for services	605,312	97,692	1,801,338	2,504,342
Intergovernmental	2,844,948	-	428,411	3,273,359
Licenses and permits	198,923	-	63,470	262,393
Investment income	10,488	-	998	11,486
Contributions	428,511	-	24,344	452,855
Miscellaneous	<u>1,024,762</u>	<u>935,718</u>	<u>133,643</u>	<u>2,094,123</u>
Total Revenues	12,096,000	1,033,410	2,771,384	15,900,794
Expenditures:				
Current:				
General government	1,903,452	139,796	8,391	2,051,639
Public safety	5,827,941	239,658	-	6,067,599
Highway and streets	1,281,171	1,094,530	-	2,375,701
Sanitation	616,434	553,530	971,802	2,141,766
Water distribution and treatment	-	580,146	269,957	850,103
Health	19,469	-	-	19,469
Welfare	25,894	-	-	25,894
Culture and recreation	600,937	1,369,586	161,478	2,132,001
Conservation	4,678	-	250,769	255,447
Debt service	<u>764,886</u>	<u>-</u>	<u>748,862</u>	<u>1,513,748</u>
Total Expenditures	<u>11,044,862</u>	<u>3,977,246</u>	<u>2,411,259</u>	<u>17,433,367</u>
Excess (deficiency) of revenues over expenditures	1,051,138	(2,943,836)	360,125	(1,532,573)
Other Financing Sources (Uses):				
Proceeds of bonds	-	4,560,000	-	4,560,000
Proceeds of bond premium	398,054	-	-	398,054
Transfers in	434,031	845,855	41,823	1,321,709
Transfers out	<u>(735,166)</u>	<u>(312,839)</u>	<u>(273,704)</u>	<u>(1,321,709)</u>
Total Other Financing Sources (Uses)	<u>96,919</u>	<u>5,093,016</u>	<u>(231,881)</u>	<u>4,958,054</u>
Change in fund balance	1,148,057	2,149,180	128,244	3,425,481
Fund Equity, at Beginning of Year, as restated	<u>2,628,589</u>	<u>(382,320)</u>	<u>1,998,436</u>	<u>4,244,705</u>
Fund Equity, at End of Year	<u>\$ 3,776,646</u>	<u>\$ 1,766,860</u>	<u>\$ 2,126,680</u>	<u>\$ 7,670,186</u>

See notes to financial statements.

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 YEAR ENDED DECEMBER 31, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 3,425,481**

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

Capital outlay purchases 3,435,388

Depreciation (748,170)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (8,531)

- The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of debt (4,560,000)

Repayments of debt 1,067,738

Issuance of bond premium (398,054)

Amortization of bond premium 4,167

State revolving loan proceeds (235,939)

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (41,444)

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (224,762)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,715,874**

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 6,571,036	\$ 6,571,036	\$ 6,571,036	\$ -
Penalties, interest and other taxes	951,579	951,579	1,046,445	94,866
Charges for services	374,554	392,030	465,450	73,420
Intergovernmental	2,827,743	2,827,743	2,844,948	17,205
Licenses and permits	145,000	145,000	171,756	26,756
Investment income	1,300	1,300	1,948	648
Miscellaneous	49,446	49,446	200,923	151,477
Transfers in	356,550	356,550	534,877	178,327
Other sources	-	-	398,054	398,054
Total Revenues and Other Sources	11,277,208	11,294,684	12,235,437	940,753
Expenditures and Other Uses:				
General government	2,017,912	2,017,912	1,844,564	173,348
Public safety	5,633,323	5,650,799	5,773,803	(123,004)
Highway and streets	1,317,637	1,317,637	1,281,171	36,466
Sanitation	570,756	570,756	615,209	(44,453)
Health	21,220	21,220	19,469	1,751
Welfare	15,000	15,000	25,894	(10,894)
Culture and recreation	295,056	295,056	287,470	7,586
Conservation	12,118	12,118	4,678	7,440
Debt service	752,560	752,560	764,886	(12,326)
Transfers out	641,626	641,626	744,439	(102,813)
Total Expenditures and Other Uses	11,277,208	11,294,684	11,361,583	(66,899)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 873,854	\$ 873,854

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ <u>199,150</u>	\$ <u>768,396</u>
Total Assets	199,150	768,396
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>-</u>	<u>768,396</u>
Total Liabilities	<u>-</u>	<u>768,396</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>199,150</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF DURHAM, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 2,981
Interest income	81
Miscellaneous revenue	<u>2,975</u>
Total additions	6,037
Deductions:	
Other	<u>18,287</u>
Total deductions	<u>18,287</u>
Net increase (decrease)	(12,250)
Net position:	
Beginning of year	<u>211,400</u>
End of year	<u><u>\$ 199,150</u></u>

See notes to financial statements.

Town of Durham, New Hampshire

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Durham, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the activity pertaining to various construction/renovation projects and the purchase of vehicles and equipment of the Town.

The *private-purpose trust fund* is used to account for trust arrangements, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

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

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

G. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the Statement of Net Position.

I. Fund Equity

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

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

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.

- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the financial statements from generally accepted accounting principles are as follows:

The government-wide Statement of Net Position does not include any of the Town's capital assets acquired in years prior to 2004, nor the accumulated depreciation on those assets. This is a departure from generally accepted accounting principles of the United States of America.

3. Stewardship, Compliance, and Accountability

Budgetary Information

The Town's budget is prepared by the Town Administrator's office with the cooperation of the various department heads and submitted to Town Council for review. The Town Council will review the budget for the following year and make any modifications and amendments as necessary.

After reviewing the budget, the Town Council will hold public hearings for discussion.

The final version of the budget is then submitted for approval by the Town Council. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

A. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all supplemental appropriations.

B. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 12,096,000	\$ 11,044,862
Other financing sources/uses (GAAP Basis)	<u>832,085</u>	<u>735,166</u>
Subtotal (GAAP Basis)	12,928,085	11,780,028
Adjust tax revenue to accrual basis	(198,513)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(26,315)
Add end-of-year appropriation carryforwards from expenditures	-	28,682
To eliminate library activity	(371,015)	(115,082)
To eliminate parking activity	(66,298)	(66,298)
To eliminate police confidential activity	-	(70)
To eliminate capital reserve activity	<u>(56,822)</u>	<u>(239,362)</u>
Budgetary Basis	<u>\$ 12,235,437</u>	<u>\$ 11,361,583</u>

C. Deficit Fund Equity

The following funds reflected deficit balances as of December 31, 2012:

Capital Project Fund:	
Spruce Hole Well	\$ (176,240)
Wastewater Treatment Plant Phase III	(163,143)
Wastewater Facilities Plan Update	(132,596)
Water Meters Upgrade	(109,940)
Old Concord Road Pump Station	(85,565)
Turnout Gear	(83,347)
Dover Road Pump Station	(69,825)
Wastewater Aeration Blower Upgrade	(47,629)
Pettee Brook Lane Corridor	(20,389)
Police Station Repairs	(17,272)
Town Office	(15,000)
Bennett Road Culvert	(64)
Crommets Creek Bridge Repair	(64)
	<u>\$ (921,074)</u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from capital reserves.

4. Cash and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2012, \$800,577 of the Town's bank balance of \$17,637,870 was exposed to custodial credit risk as uninsured or uncollateralized.

5. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds and library funds held by the library trustees as of December 31, 2012.

6. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In August of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2012 consist of the following:

Real Estate:	
2012	\$ 1,385,431
Tax Liens	305,205
Elderly Lien	<u>34,461</u>
Total	<u>\$ 1,725,097</u>

Taxes Collected for Others

The Town collects taxes for the State of New Hampshire, the Oyster River Cooperative School District and the County of Strafford. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

7. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes	\$ 86,071

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2012.

9. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 251,714	\$ 20,541
Special Revenue Funds	20,541	249,969
Permanent Trust Funds	-	1,745
Total	<u>\$ 272,255</u>	<u>\$ 272,255</u>

10. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 502,528	\$ -	\$ -	\$ 502,528
Buildings and improvements	5,019,472	-	-	5,019,472
Machinery, equipment, and furnishings	2,098,421	1,236,280	-	3,334,701
Infrastructure	<u>5,502,730</u>	<u>2,036,480</u>	<u>-</u>	<u>7,539,210</u>
Total capital assets, being depreciated	13,123,151	3,272,760	-	16,395,911
Less accumulated depreciation for:				
Land improvements	(77,338)	(17,078)	-	(94,416)
Buildings and improvements	(788,408)	(105,553)	-	(893,961)
Machinery, equipment, and furnishings	(953,721)	(290,042)	-	(1,243,763)
Infrastructure	<u>(742,099)</u>	<u>(335,497)</u>	<u>-</u>	<u>(1,077,596)</u>
Total accumulated depreciation	<u>(2,561,566)</u>	<u>(748,170)</u>	<u>-</u>	<u>(3,309,736)</u>
Total capital assets, being depreciated, net	10,561,585	2,524,590	-	13,086,175
Capital assets, not being depreciated:				
Land	2,276,891	250,000	-	2,526,891
Construction in progress	<u>8,036,485</u>	<u>2,066,674</u>	<u>(2,154,046)</u>	<u>7,949,113</u>
Total capital assets, not being depreciated	<u>10,313,376</u>	<u>2,316,674</u>	<u>(2,154,046)</u>	<u>10,476,004</u>
Governmental activities capital assets, net	<u>\$ 20,874,961</u>	<u>\$ 4,841,264</u>	<u>\$ (2,154,046)</u>	<u>\$ 23,562,179</u>

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

Governmental Activities:

General government	\$ 9,844
Public safety	130,845
Public works	364,617
Culture and recreation	29,180
Water distribution and treatment	35,325
Sanitation	<u>178,359</u>
Total depreciation expense - governmental activities	\$ <u>748,170</u>

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2012 expenditures paid in 2013.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

13. Notes Payable

This balance represents draw down proceeds from the State of New Hampshire through the State Revolving Loan Program. The program provides interest loans to assist communities with the design and construction of various types of projects and the proceeds are disbursed as eligible costs are incurred. Upon completion of the project the original financial assistant agreement shall be amended to reflect actual project expenditures. A supplemental agreement is then executed between the State and the Town containing the loan interest rate and the repayment schedule based on final project cost.

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/12
<u>Governmental Activities:</u>			
Capital improvements	12/31/19	3.00-4.50%	\$ 750,000
Water improvements	12/01/16	3.47%	263,894
Landfill closure	02/01/24	3.69%	481,654
Capital improvements	06/01/24	3.69%	2,250,716
Capital improvements	11/15/26	3.80-4.00%	2,090,000
Capital improvements	11/15/13	5.75%	35,000
Capital improvements	11/15/28	3.00-4.050%	2,285,000
Capital improvements	08/15/30	3.00-5.00%	1,165,000
Capital improvements	08/15/32	1.85-4.00%	4,560,000
Total Governmental Activities:			<u>\$ 13,881,264</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,300,264	\$ 520,670	\$ 1,820,934
2014	1,193,063	477,810	1,670,873
2015	1,191,144	432,235	1,623,379
2016	1,184,520	387,077	1,571,597
2017	1,016,400	339,468	1,355,868
2018 - 2022	4,399,437	1,115,690	5,515,127
2023 - 2027	2,761,436	371,396	3,132,832
2028 - 2033	<u>835,000</u>	<u>64,130</u>	<u>899,130</u>
Total	<u>\$ 13,881,264</u>	<u>\$ 3,708,476</u>	<u>\$ 17,589,740</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2012:

General fund	\$ 7,984,646
Special revenue funds	<u>5,896,618</u>
Total	<u>\$ 13,881,264</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Total Balance <u>1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/12</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 10,389,002	\$ 4,560,000	\$ (1,067,738)	\$ 13,881,264	\$ (1,300,264)	\$ 12,581,000
Other:						
Landfill closure	230,000	-	(10,000)	220,000	(10,000)	210,000
Compensated absences	614,524	32,241	-	646,765	(64,677)	582,088
Accrued other post-employment benefits	613,511	202,521	-	816,032	-	816,032
Totals	<u>\$ 11,847,037</u>	<u>\$ 4,794,762</u>	<u>\$ (1,077,738)</u>	<u>\$ 15,564,061</u>	<u>\$ (1,374,941)</u>	<u>\$ 14,189,120</u>

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$220,000 reported as landfill closure and postclosure care liability at December 31, 2012 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the government that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of December 31, 2012:

	Entity-wide Basis	Fund Basis	
	Governmental <u>Activities</u>	<u>Governmental Funds</u>	
		<u>General Fund</u>	<u>Nonmajor Fund</u>
Taxes Paid in Advance	\$ 26,559	\$ 26,559	\$ -
Church Hill Rink	8,123	-	8,123
Bond premium	<u>473,058</u>	<u>904,407</u>	<u>-</u>
Total	<u>\$ 507,740</u>	<u>\$ 930,966</u>	<u>\$ 8,123</u>

17. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

18. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various

Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2012:

	Non <u>Spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General Fund						
Reserve for:						
Encumbrance	\$ -	\$ -	\$ -	\$ 28,682	\$ -	\$ 28,682
Expenditures	-	398,054	-	261,971	-	660,025
Inventory/prepaid expense	103,157	-	-	-	-	103,157
Undesignated	-	-	-	-	666,494	666,494
Capital reserve	-	-	982,289	-	-	982,289
Library	5,995	1,318,790	-	10,000	-	1,334,785
Police confidential	-	1,214	-	-	-	1,214
subtotal	<u>109,152</u>	<u>1,718,058</u>	<u>982,289</u>	<u>300,653</u>	<u>666,494</u>	<u>3,776,646</u>
Major Fund						
Capital projects	-	2,687,934	-	-	(921,074)	1,766,860
subtotal	<u>-</u>	<u>2,687,934</u>	<u>-</u>	<u>-</u>	<u>(921,074)</u>	<u>1,766,860</u>
Non Major Funds						
Special revenue	-	1,732,243	-	-	-	1,732,243
Permanent funds	367,319	27,118	-	-	-	394,437
subtotal	<u>367,319</u>	<u>1,759,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,126,680</u>
Grand Total	<u>\$ 476,471</u>	<u>\$ 6,165,353</u>	<u>\$ 982,289</u>	<u>\$ 300,653</u>	<u>\$ (254,580)</u>	<u>\$ 7,670,186</u>

19. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 666,494
Deferred revenue	904,407
Allowance for doubtful accounts	<u>(86,071)</u>
Tax Rate Setting Balance	<u>\$ 1,484,830</u>

20. **Subsequent Events**

Debt

Subsequent to December 31, 2012, the Town executed a supplemental agreement with the State of New Hampshire:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
State revolving loan	\$ 222,500	1.70%	05/01/13	05/01/23

In accordance with the original financial assistance agreement, the Town has signed a supplemental loan agreement with the State of New Hampshire Revolving Loan Program. The agreement represents final costs incurred for the Artificial Recharge Investigation for Spruce Hole Well Development project and will be the basis for the repayment of the loan. Of the \$1,704,650 presented as notes payable, as of the date of the financial statements, a balance of \$1,482,150 is anticipated to be executed as supplemental loan agreements at which time repayment will begin.

21. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

22. **Post-Employment Healthcare and Life Insurance Benefits**

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a

post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2012, the actuarial valuation date, approximately 23 retirees and 56 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, and mental health/substance abuse, to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined 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 the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012.

Annual Required Contribution (ARC)	\$ 278,477
Interest on net OPEB obligation	27,608
Adjustment to ARC	<u>(26,150)</u>
Annual OPEB cost	279,935
Contributions made	<u>(77,414)</u>
Increase in net OPEB obligation	202,521
Net OPEB obligation - beginning of year	<u>613,511</u>
Net OPEB obligation - end of year	<u>\$ 816,032</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 279,935	27.7%	\$ 816,032
2011	\$ 257,068	25.6%	\$ 613,511

The Town's net OPEB obligation as of December 31, 2012 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,441,087
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,441,087</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,016,082</u>
UAAL as a percentage of covered payroll	<u>81%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision 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, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town 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 Town and plan members to that point. The actuarial methods and assumptions used include techniques

that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

23. Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and 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. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Funding policies, vesting requirements, contribution requirements, and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 19.95% for police, 22.89% for fire, and 8.80% for all other covered employees. The Town's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$852,583, \$850,573, and \$695,118, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2012, was \$5,977,939.

24. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

25. Beginning Net Position Restatement

The beginning (January 1, 2012) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental Activities
As previously reported	\$ 14,430,935
Reclass SRF loan proceeds to liability	<u>(1,468,711)</u>
As restated	<u>\$ 12,962,224</u>

Fund Basis Financial Statements:

	General Fund
As previously reported	\$ 3,455,456
Restate for deferred revenue	(1,254,155)
Restate for 60 day rule	<u>427,288</u>
As restated	<u>\$ 2,628,589</u>

26. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town's actuarially accrued liability.

TOWN OF DURHAM, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012

(Unaudited)

Other Post-Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
1/1/2012	\$ -	\$ 2,441,087	\$ 2,441,087	0.0%	\$ 3,016,082	80.9%
1/1/2011	\$ -	\$ 2,165,559	\$ 2,165,559	0.0%	\$ 2,883,514	75.1%

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE
COMBINING SCHEDULE - GENERAL FUND BALANCE SHEET
DECEMBER 31, 2012

	<u>General</u>	<u>Capital Reserves</u>	<u>Library</u>	<u>Parking</u>	<u>Police Confidential</u>	<u>Eliminate Due To/From</u>	<u>Total General</u>
ASSETS							
Cash and short-term investments	\$ 10,651,663	\$ -	\$ -	\$ 1,306	\$ 1,214	\$ -	\$ 10,654,183
Restricted cash	-	865,189	1,354,732	-	-	-	2,219,921
Receivables:							
Property taxes	1,725,097	-	-	-	-	-	1,725,097
User fees	26,357	-	-	102	-	-	26,459
Due from other funds	251,714	117,100	-	-	-	(117,100)	251,714
Other assets	103,157	-	5,995	-	-	-	109,152
TOTAL ASSETS	\$ 12,757,988	\$ 982,289	\$ 1,360,727	\$ 1,408	\$ 1,214	\$ (117,100)	\$ 14,986,526
LIABILITIES							
Accounts payable	\$ 206,774	\$ -	\$ 20,330	\$ 79	\$ -	\$ -	\$ 227,183
Accrued liabilities	254,841	-	5,612	1,329	-	-	261,782
Tax refunds payable	75,000	-	-	-	-	-	75,000
Due to other funds	137,641	-	-	-	-	(117,100)	20,541
Due to school district	9,458,153	-	-	-	-	-	9,458,153
Due to other governments	3,195	-	-	-	-	-	3,195
Other liabilities	233,060	-	-	-	-	-	233,060
TOTAL LIABILITIES	10,368,664	-	25,942	1,408	-	(117,100)	10,278,914
DEFERRED INFLOWS OF RESOURCES	930,966	-	-	-	-	-	930,966
FUND BALANCES							
Nonspendable	103,157	-	5,995	-	-	-	109,152
Restricted	398,054	-	1,318,790	-	1,214	-	1,718,058
Committed	-	982,289	-	-	-	-	982,289
Assigned	290,653	-	10,000	-	-	-	300,653
Unassigned	666,494	-	-	-	-	-	666,494
TOTAL FUND BALANCES	1,458,358	982,289	1,334,785	-	1,214	-	3,776,646
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,757,988	\$ 982,289	\$ 1,360,727	\$ 1,408	\$ 1,214	\$ (117,100)	\$ 14,986,526

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE
COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds						
	Sewer Department	Water Department	Conservation Commission	Depot Road	Church Hill Rink	Permanent Fund	Total
ASSETS							
Cash and short-term investments	\$ 325,027	\$ 76,940	\$ 634,280	\$ 174,024	\$ 135,087	\$ 396,260	\$ 1,741,618
Restricted cash	415,086	162,111	-	-	-	-	577,197
Receivables:							
User fees	84,886	55,076	-	-	46,223	-	186,185
Due from other funds	20,541	-	-	-	-	-	20,541
Due from other governments	19,459	-	-	-	-	-	19,459
Other assets	150	170	-	-	-	-	320
TOTAL ASSETS	\$ 865,149	\$ 294,297	\$ 634,280	\$ 174,024	\$ 181,310	\$ 396,260	\$ 2,545,320
LIABILITIES							
Accounts payable	\$ 57,852	\$ 27,376	\$ -	\$ 379	\$ 5,871	\$ 78	\$ 91,556
Accrued liabilities	14,993	4,555	-	-	4,080	-	23,628
Due to other funds	-	-	249,969	-	-	1,745	251,714
Due to other governments	43,619	-	-	-	-	-	43,619
TOTAL LIABILITIES	116,464	31,931	249,969	379	9,951	1,823	410,517
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	8,123	-	8,123
FUND BALANCES							
Nonspendable	-	-	-	-	-	367,319	367,319
Restricted	748,685	262,366	384,311	173,645	163,236	27,118	1,759,361
TOTAL FUND BALANCES	748,685	262,366	384,311	173,645	163,236	394,437	2,126,680
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 865,149	\$ 294,297	\$ 634,280	\$ 174,024	\$ 181,310	\$ 396,260	\$ 2,545,320

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE

GENERAL FUND

COMBINING SCHEDULE - GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Capital Reserves</u>	<u>Library</u>	<u>Parking</u>	<u>Police Confidential</u>	<u>Eliminate Transfers</u>	<u>Total General</u>
Revenues:							
Property taxes	\$ 6,769,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,769,549
Penalties, interest and other taxes	213,507	-	-	-	-	-	213,507
Charges for services	465,450	-	-	139,862	-	-	605,312
Intergovernmental	2,844,948	-	-	-	-	-	2,844,948
Licenses and permits	171,756	-	-	27,167	-	-	198,923
Investment income	1,948	407	8,118	15	-	-	10,488
Contributions	18,958	56,415	353,138	-	-	-	428,511
Miscellaneous	<u>1,014,903</u>	<u>-</u>	<u>9,759</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>1,024,762</u>
Total Revenues	11,501,019	56,822	371,015	167,144	-	-	12,096,000
Expenditures:							
Current:							
General government	1,853,202	50,250	-	-	-	-	1,903,452
Public safety	5,761,573	-	-	66,298	70	-	5,827,941
Highway and streets	1,281,171	-	-	-	-	-	1,281,171
Sanitation	616,434	-	-	-	-	-	616,434
Health	19,469	-	-	-	-	-	19,469
Welfare	25,894	-	-	-	-	-	25,894
Culture and recreation	287,470	-	313,467	-	-	-	600,937
Conservation	4,678	-	-	-	-	-	4,678
Debt service	<u>764,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,886</u>
Total Expenditures	<u>10,614,777</u>	<u>50,250</u>	<u>313,467</u>	<u>66,298</u>	<u>70</u>	<u>-</u>	<u>11,044,862</u>
Excess (deficiency) of revenues over expenditures	886,242	6,572	57,548	100,846	(70)	-	1,051,138
Other Financing Sources (Uses):							
Proceeds of bond premium	398,054	-	-	-	-	-	398,054
Transfers in	534,877	133,375	269,727	-	-	(503,948)	434,031
Transfers out	<u>(744,439)</u>	<u>(322,487)</u>	<u>(71,342)</u>	<u>(100,846)</u>	<u>-</u>	<u>503,948</u>	<u>(735,166)</u>
Total Other Financing Sources (Uses)	<u>188,492</u>	<u>(189,112)</u>	<u>198,385</u>	<u>(100,846)</u>	<u>-</u>	<u>-</u>	<u>96,919</u>
Change in fund balance	1,074,734	(182,540)	255,933	-	(70)	-	1,148,057
Fund Equity, at Beginning of Year, as restated	<u>383,624</u>	<u>1,164,829</u>	<u>1,078,852</u>	<u>-</u>	<u>1,284</u>	<u>-</u>	<u>2,628,589</u>
Fund Equity, at End of Year	<u>\$ 1,458,358</u>	<u>\$ 982,289</u>	<u>\$ 1,334,785</u>	<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ -</u>	<u>\$ 3,776,646</u>

See Independent Auditors' report.

TOWN OF DURHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds						
	<u>Sewer Department</u>	<u>Water Department</u>	<u>Conservation Commission</u>	<u>Depot Road</u>	<u>Church Hill Rink</u>	<u>Permanent Fund</u>	<u>Total</u>
Revenues:							
Property taxes	\$ -	\$ -	\$ 313,800	\$ -	\$ -	\$ -	\$ 313,800
Penalties, interest and other taxes	2,989	2,021	370	-	-	-	5,380
Charges for services	1,228,659	398,250	-	-	174,429	-	1,801,338
Intergovernmental	399,764	28,647	-	-	-	-	428,411
Licenses and permits	-	-	-	63,470	-	-	63,470
Investment income	187	63	473	63	58	154	998
Contributions	19,459	-	-	-	-	4,885	24,344
Miscellaneous	<u>97,171</u>	<u>35,297</u>	<u>-</u>	<u>300</u>	<u>875</u>	<u>-</u>	<u>133,643</u>
Total Revenues	1,748,229	464,278	314,643	63,833	175,362	5,039	2,771,384
Expenditures:							
Current:							
General government	-	-	-	7,507	-	884	8,391
Sanitation	971,802	-	-	-	-	-	971,802
Water distribution and treatment	-	269,957	-	-	-	-	269,957
Culture and recreation	-	-	-	-	161,478	-	161,478
Conservation	-	-	250,769	-	-	-	250,769
Debt service	<u>525,232</u>	<u>219,352</u>	<u>-</u>	<u>-</u>	<u>4,278</u>	<u>-</u>	<u>748,862</u>
Total Expenditures	<u>1,497,034</u>	<u>489,309</u>	<u>250,769</u>	<u>7,507</u>	<u>165,756</u>	<u>884</u>	<u>2,411,259</u>
Excess (deficiency) of revenues over expenditures	251,195	(25,031)	63,874	56,326	9,606	4,155	360,125
Other Financing Sources (Uses):							
Transfers in	20,541	21,282	-	-	-	-	41,823
Transfers out	<u>(163,701)</u>	<u>(58,571)</u>	<u>-</u>	<u>(50,693)</u>	<u>-</u>	<u>(739)</u>	<u>(273,704)</u>
Total Other Financing Sources (Uses)	<u>(143,160)</u>	<u>(37,289)</u>	<u>-</u>	<u>(50,693)</u>	<u>-</u>	<u>(739)</u>	<u>(231,881)</u>
Change in fund balance	108,035	(62,320)	63,874	5,633	9,606	3,416	128,244
Fund Equity, at Beginning of Year	<u>640,650</u>	<u>324,686</u>	<u>320,437</u>	<u>168,012</u>	<u>153,630</u>	<u>391,021</u>	<u>1,998,436</u>
Fund Equity, at End of Year	<u>\$ 748,685</u>	<u>\$ 262,366</u>	<u>\$ 384,311</u>	<u>\$ 173,645</u>	<u>\$ 163,236</u>	<u>\$ 394,437</u>	<u>\$ 2,126,680</u>

See Independent Auditors' report.