

**TOWN OF GORHAM, MAINE**

**Comprehensive Annual Financial Report**

**For Fiscal Year Ended June 30, 2006**

Prepared by:

Maureen R. Finger, Finance Director



**TOWN OF GORHAM, MAINE**  
**Annual Financial Report**  
**June 30, 2006**

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## **INTRODUCTORY SECTION**

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**Town of Gorham**  
**Municipal Center**  
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Maureen R. Finger, Finance Director  
[mfinger@gorham.me.us](mailto:mfinger@gorham.me.us)



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September 14, 2006

To the Gorham Town Council and the Citizens of the Town of Gorham:

The comprehensive annual financial report of the Town of Gorham for the fiscal year ended June 30, 2006, is hereby submitted as required by Town Charter and State law.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures rests with the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Town on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

*Internal Controls:* The Town's Finance Department is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Town are protected from loss, theft, or misuse, and to ensure that the adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls being used are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control procedures are weighed against the expected benefits to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. As a recipient of federal, state and local financial assistance, the Town is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to these programs.

*Independent Audit:* State statutes require an annual audit by independent certified public accountants. The accounting firm of Runyon Kersteen Ouellette, Certified Public Accountants, performed for the Town Council the annual audit for fiscal year end June 30, 2006. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. In the opinion of the independent auditor, the Town of Gorham's basic financial statements, as of June 30, 2006, present fairly, in all material respects, the financial position of the Town, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States

of America. The auditors were required to do a single audit under OMB Circular A-133 as the Town received more than \$500,000 in federal funds. Information related to this single audit, including a schedule of federal financial assistance, findings, recommendations and the independent auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separately issued single audit report. This report is available at the Finance Office at the Municipal Center.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Gorham, Maine's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The Town of Gorham is located in Cumberland County, approximately nine miles west of downtown Portland and is bordered by the Towns of Scarborough, Buxton, Standish, Windham and Westbrook. The land area is 59.88 square miles with a population of 15,145 residents as of the July 2004 US Census estimate. The Town is a suburban community and is comprised of a mix of residential, local business, industrial, and commercial activity. The University of Southern Maine has a campus located within walking distance of the Village Center. Routes 25 and 114 provide convenient access to Gorham.

The Town operates under a charter initially adopted in 1967, providing for a Council-Manager form of government. The Council is comprised of seven members, elected at large for three-year staggered terms. The Charter grants to the Town Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and giving effect to any vote of the Town and to authorize the issuance of debt subject to referendum approval by the voters of the Town. The Town Manager is the chief executive officer and is responsible for the administration of council policy.

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, maintenance of highways, streets and sidewalks, parks, recreation, and library. The Town operates its education program for grades K through 12 under its own supervision. The Town's Charter provides that the Department of Education for the Town be administered by a School Board comprised of seven members. Portland Water District provides the management and maintenance of the Town's sewer service and wastewater treatment.

*Budgeting Controls:* Article V of the Town's Charter provides for a budget process. The fiscal year or budget year of the Town begins on the first day of July and ends on the thirtieth day of June of the following calendar year. The Charter provides that the town and school budgets be submitted by the Town Manager to the Council on or before 60 days prior to the first day of each fiscal year. The Superintendent of Schools on or before 70 days prior to the first day of each fiscal year must submit to the Town Manager the Schools' budget request in both summary and in detailed analysis. The summary shall be compatible for incorporation into the town budget. Upon receipt of the Town Manager's budget, the Council shall set a

time and place for a public hearing on the town budget as received by the Council. Following the public hearing, the Council shall consider all relevant information received and adopt a budget for the fiscal year. If the Council fails to adopt a budget on or before the first day of each fiscal year, the town budget as submitted by the Town Manger shall become the adopted budget of the town for the fiscal year. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

### **Local Economy**

The Town's assessed value for tax year 2005-2006 is \$869,744,400 (excludes the valuation attributable to the State Homestead Exemption), an approximate increase of 0.028% from the tax year 2004-2005 assessment. It should be noted that effective with the 2005-2006 tax year, the State of Maine increased the Homestead Exemption from its 3-tiered system to a flat \$13,000 with only 50% being reimbursed to municipalities. Therefore, the Town of Gorham experienced a "reduction" in its assessed value due to this change. Approximately 27% of the tax base is commercial and industrial with the remainder being residential (these figures include vacant parcels as well as developed parcels). The Town's rate of tax collection continues to be strong with a 96.8% for last year and 97.1% for this year. The Town's legal debt margin is set by State law at 15% of its state assessed value. Currently, the Town's outstanding debt is 2.65% of the state assessed value.

In the past two decades, Gorham has been one of the fastest growing communities in the Portland Metropolitan Statistical Area (MSA). Increasing population levels and the ability to commute to work have resulted in housing growth well above the state average. The 2000 population of Gorham was 14,141 according to the U.S. Census Bureau and the Bureau's population estimate as of July 1, 2004 puts Gorham's population at 15,145.

During calendar year 2005, the Code office issued permits for 91 single-family dwellings, 16 commercial/institutional structures, and 41 condominium units. This is a 17% increase over the 126 permits issued in calendar year 2004 for single-family dwellings, condos, and commercial structures. The major increase was in the number of permits issued for condos. In calendar year 2004 only 13 permits were issued compared to the 41 issued in 2005 for condos, a 315% increase. Gorham is an attractive community for retirees with the University of Southern Maine's main campus located in the downtown area and developers have been targeting this sector by constructing condominium units for those over 55.

Although the number of commercial/industrial permits issued in 2005 was down 30% when compared to 2004, the Town has seen a number of businesses moving into Town as well as expansion projects being undertaken during 2006.

In July 2005, Jotul North America, a manufacturer of wood and gas burning stoves, leased the former Sebago Shoe building on Hutcherson Drive in the Gorham Industrial Park. The move allows Jotul to consolidate its two previous locations in Portland and Westbrook to the 117,000 sq. foot building providing for a more efficient facility, while maintaining their highly qualified workforce.

In October 2005, Moody's Collision Center announced plans to expand its current facilities on Narragansett Street by purchasing an adjacent parcel. This expansion will allow Moody's to add six acres of vehicle storage and build a new 17,000 sq. foot facility. Construction began in Spring 2006. Also, the Town Council at its June 6, 2006 meeting approved a tax increment financing district for the Moody's expansion to assist the business with bringing phase 3 power to the site of the expansion.

Also in October 2005, the renovation work on the old Shaw School into new municipal offices and community center began. The Town anticipates the project to be completed by October 2006. The School's Superintendent, Business Office, Technology Support Services and Special Education, along with the Town's Planning Department are moving into the renovated second floor office space, while the following Town offices will occupy the renovated first floor space: Recreation, Cable TV, Code and Assessing, Town Manager, Finance, and Town Clerk. A permanent meeting place for the Town Council, Planning Board, and other boards and committees will occupy the renovated auditorium. In the gym wing, which will be occupied by the Recreation Department, there is space for community activities such as a senior center, activity rooms, as well as a fully functional gymnasium.

In November 2005, the Town Council accepted a deed from S.B. Gorham (Shaw Brothers) for a 7.5 acre park on the Presumpscot River. The park, appropriately named Shaw Park, is located at 55 Partridge Lane, off Route 237. Shaw Park facilities include a 60 foot baseball diamond complete with brick dugouts and fencing, a multi-purpose playing field, a car-top canoe/kayak river access area, storage shed, snack shack, picnic tables, benches, bike rack, basketball hoop, public restrooms, parking lots, and access to hiking trails. The park's hiking trails include the Mountain Division Trail and the new Presumpscot River Loop Trail as well as the new Gambo pedestrian bridge.

In April 2006, the University of Southern Maine broke ground for a new \$21 million, 296-bed residence hall, with a planned opening date of Fall 2007. The residence's hall will be a combination of apartment-style and suite-style rooms and the ground floor will also include conference rooms that would double as classrooms.

Several road projects will be undertaken beginning in Fall 2006 either by the State of Maine's Department of Transportation or the Portland Water District. These projects include: Rte 202/237 sewer project, Rte 114 project, and Rte 25/237 intersection project (Mosher's Corner).

The Route 202 and Route 237 sewer project will install a new sewer line to provide sewer to areas of Windham and North Gorham. The new sewer line will start on Route 202 in the Little Falls area and continue south through the round-a-bout, down Route 237, and across Route 25, where it will connect into an existing sewer line near the Gorham Industrial Park. The Portland Water District anticipates construction to begin in late Fall 2006 and take 12 to 15 months to complete.

The Route 114 project will entail making improvements to the 114 corridor between Gorham Village and Standish. It is anticipated that site distances will be improved and adjustments to the grade will be done in several places along the road. This is a State funded road project with no local money required. Also, while the State is making their road improvements, the

Portland Water District will be extending as well as improving current water lines from Gorham Village up to Huston Road.

The intersection of Route 25 and Route 237, known as Mosher's Corner, will finally be addressed by the State's Department of Transportation. The intersection, which currently is a triangle, will be reworked to bring Route 237 to a point and a traffic signal will be installed. It is anticipated that some turn lanes will be added to improve traffic flow. This project is being funded with state and federal funds through the State's hazard elimination safety money.

In the 2005 Comprehensive Annual Financial Report, it was noted that Congress had passed its Highway Bill, which included \$15,720,000 to fund phase I of the long awaited Gorham Bypass. It was also noted that the State of Maine had allocated \$2.5 million towards the project. Phase I of the Gorham Bypass will consist of building a 3.4 mile-long, 2 lane, limited access highway between Route 25 at Brandy Brook Hill, across Flagg Meadow Road, across Route 202, and end near Waterhouse Road on Route 114. The road will be built within a 200-ft. right of way. At this time, it is estimated that construction will not begin until late 2007 given the number of land acquisitions. It is anticipated that seven residences and one commercial property would be taken in their entirety, and other land would be purchased in part.

The Town of Gorham's gross budget for 2006 showed an increase of 6.46% over 2005. However, there was a decrease of \$0.50 in the mill rate for 2006, which was a 2.50% decrease. The following is a comparison of the FY2006 mill rate to the FY2005 mill rate.

	FY2004 – 2005	FY 2005 – 2006	\$ Incr/(Decr)	% Chg
Town's Tax Rate	\$ 5.06	\$ 5.76	\$ 0.70	13.85
School's Tax Rate	\$14.20	\$12.98	(\$ 1.22)	-8.57
County's Tax Rate	\$ 0.74	\$ 0.76	\$ 0.02	2.11

This is the first year that the Town and School had to develop budgets under the State of Maine's Property Tax Initiative known as LD 1. The purpose of LD 1 is to curb government spending and reduce the tax burden, particularly the property tax burden. LD 1, passed in June 2004, proposes to:

- increases the state share of education funding each year, achieving 55% in 2009,
- caps spending growth at all government levels, and
- directs more money to tax relief programs such as the Maine Residents Property Tax Relief Program, which provides property tax rebates to eligible Maine citizens.

The Town's expenditure budget saw an increase of 10.8% primarily due to the new principal and interest debt payments for the additional funding required to complete the project to convert the Shaw School into a Municipal Center, which increased the debt service budget by \$425,000 or 71%. The Town Council also approved increased spending for capital equipment and capital projects by doubling the FY2005 amount appropriated, an increase of \$283,000. Please see more details about the capital equipment and projects under the Major

Initiatives section. Finally, the Town needed to increase its funding for solid waste by \$120,000 or 17% due to the increased costs from ecomaine. However, the Town's non-property tax revenues also saw an increase of 7.7% primarily due to vehicle excise taxes, transfers in from capital reserve funds, revenue sharing and building permit fees. It should be noted that the Town Council voted to increase the property tax levy limit, or the municipal limit, to \$4,663,023 from the calculated limit of \$4,289,014, primarily due to the new debt service to renovate the old Shaw School into municipal offices and a community center.

The School's 4.93% increase in expenditures can be contributed to the following factors: 3.9% increase for existing programs, mainly increases in salary and benefits; 0.5% for needed new positions; and 0.5% for previously grant funded positions. Although the School Department's gross budget increased by 4.93%, the School Department's non-property tax revenues were up 19.81% primarily due to the increased aid to education subsidy from the State of Maine. The State subsidy allocation based upon the new EPS (Essential Program and Services) funding model netted Gorham an increase of \$2,911,000 or a 30% increase in funding. This has resulted in an 8.57% decrease in the School's tax rate.

### **Major Initiatives**

On November 8, 2005, the voters were asked to authorize the borrowing of up to \$1,340,000, 27% of the project's estimated \$4,900,000 price tag, to pay the Town's portion of the road improvement costs for Libby Avenue and Brackett Road. The voters approved the referendum question and it is estimated that the State D.O.T. will begin work in the summer of 2007.

The fiscal year 2006 capital equipment and capital project appropriations equaled \$273,565 and \$290,000 respectively. The capital equipment funds are for:

1. \$70,365, to purchase three police cruisers
2. \$27,100, to make the second lease payment (five year lease) on a dump truck and a pickup truck for the Public Works Department
3. \$176,100, to lease/purchase two replacement dump trucks for Public Works (see note below)

Note: At the Town Council meeting on October 4, 2005, the Council approved the use of \$55,000 in FEMA reimbursement funds to supplement the \$176,100 approved in the fiscal year 2006 budget to lease purchase two dump trucks so that the two dump trucks could be purchased outright.

The capital projects funded in fiscal year 2006 were:

1. \$280,000, to fund road projects. The Town of Gorham has approximately 261 public roads consisting of over 135 miles of Town roads and 12.5 miles of State roads. The Town also has approximately 17.2 miles of sidewalks to maintain and three bridges that are maintained by the Town. The Public Works Department, through a pavement management system, annually evaluates the roads to determine level of

maintenance/repair and cost to maintain/repair. A prioritized list is generated from this database.

The Town of Gorham has a fund balance policy (see Note 2, STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY, A. BUDGETARY INFORMATION) and the amount in excess of the required fund balance can be used for one-time capital equipment/project purchases. During fiscal year 2006, there was \$308,071 in funds available for allocation to capital equipment and capital project needs. The Town Council approved at their May 10, 2005 meeting as part of the adopted budget the use of the excess undesignated fund balance of \$308,071 to fund road projects.

With the \$280,000 budget request and the \$308,071 in excess undesignated fund balance, the total amount available for road projects in fiscal year 2006 was \$588,071. However, out of the \$588,071, the Town has reserved \$60,400 as the local share of a Safe Route to Schools grant received to build a sidewalk on South Street. The balance of these funds will be able to fund the first seven projects identified this year by Public Works as roads with the most crucial need for repairs.

Road	Length	Type of Repair	Estimated Cost	Cumulative Cost
Miscellaneous		Full depth patching	\$ 50,000	\$ 50,000
New Portland Road	2.37	Shim & surface	165,215	215,215
New Portland Road	0.43	Base & surface	113,520	328,735
Buck Street	1.10	Shim & surface	76,682	405,417
Winslow Road	0.69	Shim & surface	48,101	453,518
Whipple Road	0.19	Shim & surface	13,245	466,763
Cressey Road (Flaggy Meadow to Rte 25)	0.29	Base & surface	61,248	528,011
Harding Road	0.63	Shim & surface	43,918	571,929
Hickory Lane	0.24	Shim & surface	16,731	588,660
Old Oak Lane	0.08	Shim & surface	5,577	594,237
Line Road	1.53	Base & surface	218,117	812,354
Osborne Road	0.76	Shim & surface	52,980	865,334
Plummer Road	1.45	Base & surface	206,712	1,072,046
Running Springs Road	0.52	Shim & surface	36,250	1,108,296
Mighty Street	2.08	Base & surface	296,525	1,404,821

1. \$10,000, to fund NPDES (National Pollution Discharge Elimination System) Phase II. The funds will be used to continue implementing this federally mandated program to control storm water runoff. The Town is working cooperatively with ten other communities in an effort to address this program regionally and cost effectively.

In an effort to improve the Town's management practices and establish specific guidelines for the Treasurer and the Finance Director with respect to investing the Town's funds, an investment policy was developed. The Finance Committee reviewed the policy and suggested minor changes along with the Town's Attorney. At the Town Council's April 4, 2006 meeting, the Council adopted the revised Investment Policy.

## **Other Information**

*Awards:* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gorham, Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the third year in a row that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

*Acknowledgements:* I would like to express my gratitude to the various departments for providing the necessary information needed to complete sections of the Town's fourth comprehensive annual financial report. I would also like to extend my thanks to the Town Manager, David Cole, and the Gorham Town Council for their continued support of my efforts to improve the Town's level of financial reporting. I would like to acknowledge our independent auditors, Runyon Kersteen Ouellette, for the professional audit work provided and the continued support and assistance.

Sincerely,

Maureen R. Finger  
Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Gorham,  
Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Fudge*

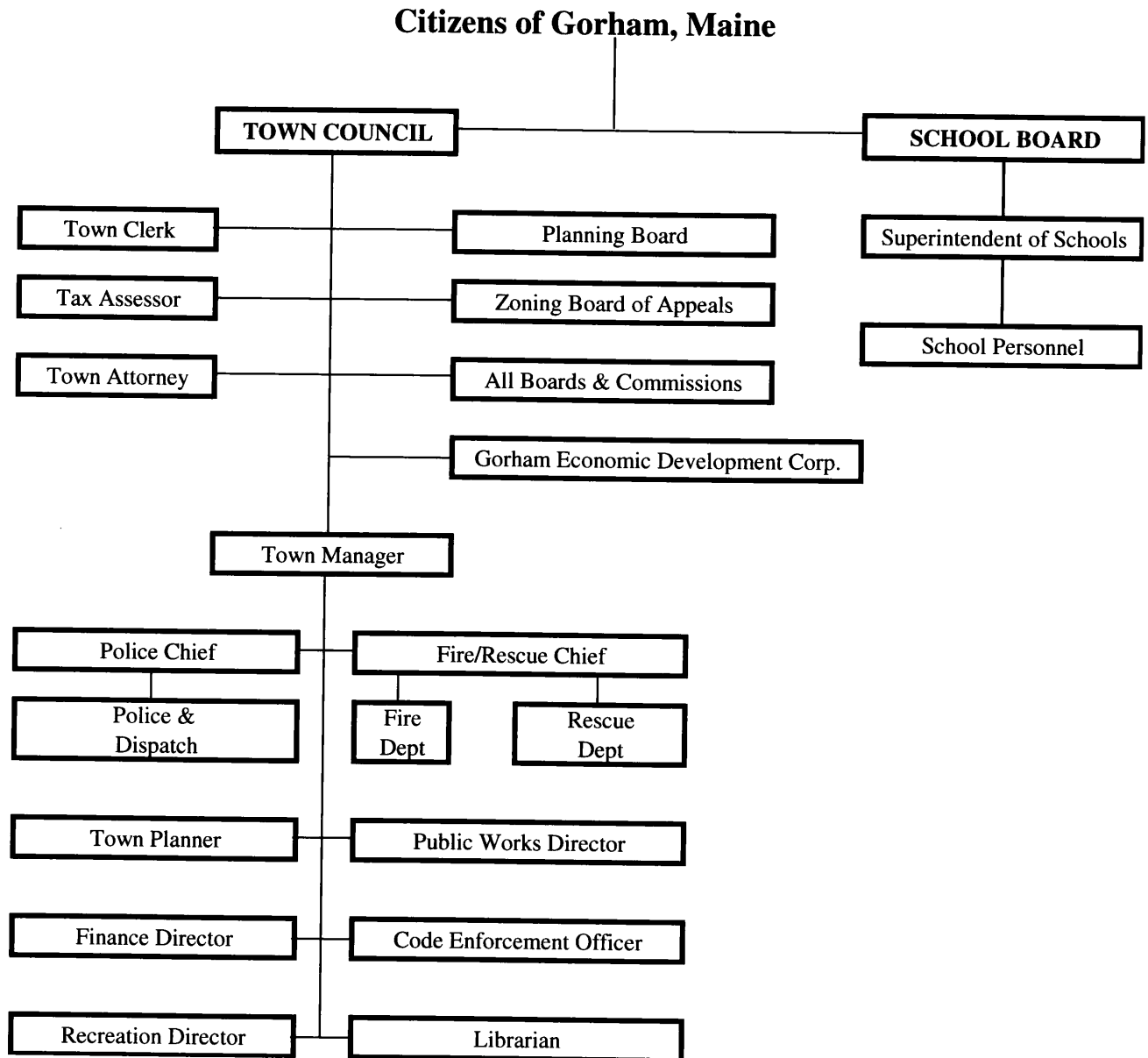
President

*Jeffrey R. Enos*

Executive Director

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# Town of Gorham, Maine Organizational Chart



**TOWN OF GORHAM, MAINE**  
**List of Principal Officials**  
**June 30, 2006**

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Michael J. Phinney, Council Chairman

Philip A. Dugas

Burleigh H. Loveitt

Calvin H. Hamlin

Matthew J. Robinson

Norman E. Justice, Jr.

Jane S. Willett

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David O. Cole, Town Manager

Christina Silberman, Town Clerk

Michael D'arcangelo, Tax Assessor

Clinton Cushman, Jr., C.E.O.  
Director

Thomas E. Ellsworth, Econ. Dev.

Maureen R. Finger, Finance Director

Robert S. Lefebvre, Fire Chief

Pamela E. Turner, Librarian

Deborah F. Fossum, Planner

Ronald W. Shepard, Police Chief  
Director

Robert J. Burns, Jr., Public Works

Cynthia A. Hazelton, Recreation Director

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James J. Hager, Jr., School Board Chairman

Steven R. Caldwell

Jason P. Libby

Rose Marie South

Roger L. Marchand

Dennis Libby

Janet Williams

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Theodore G. Sharp, School Superintendent

Paul A. Kelly, School Business Manager

## **FINANCIAL SECTION**

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## Independent Auditor's Report

Town Council  
Town of Gorham, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, Maine as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, Maine as of June 30, 2006, and the respective changes in financial position and the budgetary comparison for the General Fund 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 14, 2006, on our consideration of the Town of Gorham, Maine'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.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Town Council  
Town of Gorham, Maine

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gorham, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Prunyar Kersten Ouellette". The signature is written in a cursive style with a large initial "P".

September 14, 2006  
South Portland, Maine



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Town of Gorham's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2006. We encourage the readers to consider the information presented in conjunction with the Town's financial statements, which follow this section.

### **Financial Highlights**

- The total assets of the Town of Gorham exceed its liabilities by \$31,777,452, an increase of \$3,312,235 or 11.6% when compared to the beginning net asset figure of \$28,465,217.
- The ending fund balance for Governmental Funds is \$14,166,817. Although expenditures exceeded revenues by \$3,719,049, with capital lease proceeds of \$330,058 and general obligation bond proceeds of \$5,000,000, the net change was an increase of \$1,611,009.
- The General Fund's ending fund balance is \$6,794,609, an increase of \$994,678 over the prior year's ending fund balance of \$5,799,931. Of the \$6,794,609, \$298,828 is reserved for encumbrances, \$15,097 is reserved for trash bag inventory and \$691,735 is designated for capital projects, accrued compensated absences and self-funded programs. A detail listing can be found in the notes to basic financial statements, NOTE 16, DESIGNATED FUND BALANCE.
- The Town of Gorham has a fund balance policy. The Town must maintain a General Fund and Special Revenue Fund (School Operations Fund) balance of at least 8% of the yearly School, Town, and Cumberland County appropriations. The combined General Fund and Special Revenue Fund – School Operations Fund undesignated fund balances as of June 30, 2006 was \$3,770,322 or 9.6% of the total FY07 budgeted appropriations. The Town Council uses any excess funds to fund the capital needs of the community as deemed appropriate. The Town Council generally reviews and approves the capital projects during the annual budget process.
- The Town of Gorham's general obligation debt increased by \$2,305,354 or a 7.6% increase in the outstanding bonded debt total. In September 2005, a \$5,000,000 general obligation bond was issued for the renovation of the old Shaw School into a municipal and community center.

## Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis, the basic financial statements, and unaudited statistical tables. The basic financial statements include two kinds of statements that present different views of the Town:

### *Government-wide Statements*

The Governmental-Wide Financial Statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting, which is similar to what private-sector companies use. These statements present governmental activities and business type activities separately.

The statement of net assets includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s *net assets* and how they have changed. Net assets – the difference between the Town’s assets and liabilities – is one way to measure the Town’s financial health, or position. Over time, increases or decreases in the Town’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

These statements are divided into two categories: governmental activities and business-type activities.

- *Governmental activities* – Most of the Town’s basic services are included here, such as the police, fire, public works, education, and general administration. Property taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – Currently, the Town of Gorham does not have any business-type activities to report.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Town’s most significant *funds* – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has two kinds of funds -- governmental, and fiduciary.

- *Governmental funds* – Most of the Town’s basic services are included in governmental funds. These fund statements tell how general government services were financed in the current year as well as what remains (fund balance) for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

- *Fiduciary funds* – The Town is the trustee, or *fiduciary*, for the School Activity fund and the private purpose trust fund (scholarships). The Town excludes this activity from its other financial statements because the Town cannot use these assets to fund operations.

### Reporting the Town's Fiduciary Responsibilities

The Town is the trustee, or fiduciary, for the various school activity accounts and Trust Funds that are set up primarily as scholarships. These assets, because of a trust arrangement, can only be used for trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 44 and 45. The Town excludes these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Reporting the Town as a Whole

#### Net Assets

The following is a condensed version of the Statement of Net Assets.

	<u><b>Governmental Activities</b></u>			
	<b>2006</b>	<b>2005</b>	<b>\$ Chg</b>	<b>% Chg</b>
Current & other assets	\$21,328,020	\$18,481,686	\$2,846,334	15.4%
Capital assets, net	<u>51,444,258</u>	<u>47,464,464</u>	<u>3,979,794</u>	8.4%
Total assets	72,772,278	5,946,150	6,826,128	10.4%
Long-term debt outstanding	34,170,994	31,758,437	2,412,557	7.6%
Other liabilities	<u>6,823,832</u>	<u>5,722,496</u>	<u>1,101,336</u>	19.2%
Total liabilities	\$40,994,826	\$37,480,933	\$3,513,893	9.4%
Net assets:				
Invested in:				
Capital assets, net of related debt	17,962,590	16,377,091	1,585,499	9.7%
Restricted	384,443	352,781	31,662	9.0%
Unrestricted	<u>13,430,419</u>	<u>11,735,345</u>	<u>1,695,074</u>	14.4%
Total net assets	\$31,777,452	\$ 28,465,217	\$ 3,312,235	11.6%

The increase of \$2,846,334 in the current and other assets category is primarily due to the increase in investments of \$2,860,788, which can be attributed to the remaining bond proceeds at June 30, 2006 of the \$5,000,000 GO bonds issued in September 2005.

The Capital Asset disclosure in the notes to the financial statements, see Note 6, shows how the change in capital assets, net of \$3,979,794 resulted.

The Long-term Debt disclosure in the notes to the financial statements, see Note 10, shows how the change in long-term debt outstanding of \$2,412,557 resulted.

The change in the other liabilities of \$1,101,336 is a combination of the following:

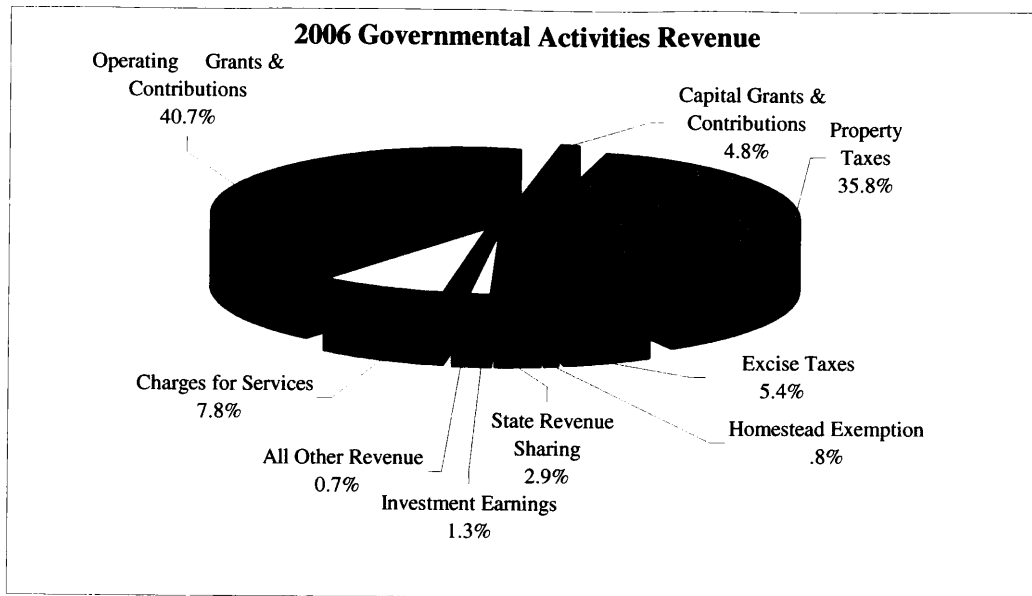
- an increase of \$897,237 in the accounts payable and other liabilities category, which is primarily due to the year-end payables to the general contractor and other vendors working on the renovation project of the Shaw School; and
- an increase of \$278,340 in the accounts payable and other liabilities category, which is due to the increase in the cash performance escrow accounts held as of June 30, 2006 from various developers.

### Changes in Net Assets

The following is a condensed version of the Statement of Activities.

	<u>Governmental Activities</u>			
	2006	2005	\$ Chg	% Chg
Revenues:				
Program revenues				
Charges for services	\$ 3,667,704	\$ 3,365,714	\$ 301,990	9.0%
Operating grants & contributions	19,244,840	16,493,334	2,751,506	16.7%
Capital grants & contributions	2,262,981	1,800,096	462,885	25.7%
General revenues				
Property taxes	16,918,807	17,234,005	(315,198)	-1.8%
Payment in lieu of taxes	55,469	51,083	4,386	8.6%
Motor vehicle & boat excise taxes	2,480,592	2,359,645	120,947	5.1%
Grants and contributions not restricted to specific programs				
Homestead exemption	379,972	369,434	10,538	2.9%
Other state aid	31,716	27,807	3,909	14.1%
State revenue sharing	1,372,122	1,302,053	70,069	5.4%
Investment earnings	628,511	273,500	355,011	129.8%
Miscellaneous revenues	251,818	245,789	6,029	2.5%
Total revenues:	47,294,532	43,522,460	3,772,072	8.7%
Expenses:				
General government	4,023,144	3,925,978	97,166	2.5%
Public safety	2,979,424	2,879,251	100,173	3.5%
Public works	3,517,160	3,262,818	254,342	7.8%
Health & welfare	45,423	52,415	(6,992)	-13.3%
Recreation, library & museum	1,229,648	1,264,777	(35,129)	-2.8%
Development	414,130	377,263	36,867	9.8%
Education	30,564,714	27,770,333	2,794,381	10.1%
Interest on debt	1,370,154	1,306,889	63,265	4.8%
Total expenses:	44,143,797	40,839,724	3,304,073	8.1%
Excess (deficiency) before special items and transfers	3,150,735	2,682,736	467,999	17.4%
Special items	161,500	-	161,500	n/a
Increase (decrease) in net assets:	3,312,235	2,682,736	629,499	23.5%

Approximately 35.8% of the Town's revenues come from property taxes, while 40.7% comes from operating grants and contributions. Approximately 74% of the operating grants and contributions revenue source comes from state aid to education and state construction aid. The following pie chart shows the sources of revenue for fiscal year 2006.

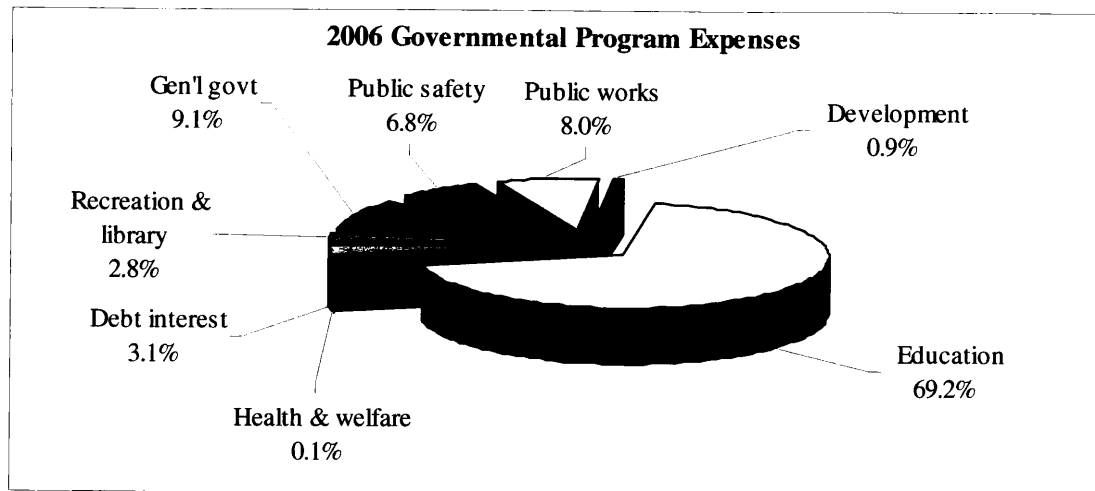


I would like to note that the County Tax for fiscal year 2006 have been allocated to the General Government category, and the fiscal year 2005 figures have been adjusted to reflect this change. Also, the expenses for the renovation work on the old Shaw School into a new municipal/community center was previously reported under the Recreation category but in fiscal year 2006, I have reported it in the General Government category with the fiscal year 2005 figures being adjusted to reflect the reporting change.

Education, which makes up 69.8% of the expenses for fiscal year 2006, increased by \$2,794,381 and is attributed to higher employee benefit costs, an increase in the MSR on-behalf payments, higher depreciation expense, and higher energy costs such as heating fuel, electricity, and gas and diesel. Also, in fiscal year 2005, approximately \$415,000 more in capital assets was capitalized when compared to fiscal year 2006.

The Public Works category increase is primarily due to an increase in the road and road projects completed during fiscal year 2006. When compared to fiscal year 2005, \$254,342 more was expended on road and road projects during fiscal year 2006 and is reflected in the Public Works expense category.

The following pie chart shows functional expenses for fiscal year 2006.



### **Governmental Activities**

The cost of all governmental activities was \$44,143,797. However, as shown on the Statement of Activities, the amount that the taxpayers of Gorham ended up financing was \$16,918,807 or 38.3%, because some of the cost was paid by those who directly benefit from the programs --\$3,667,704, or by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$19,244,840, and capital grants and contributions --\$2,262,981. The Town also received \$5,200,200 in other general revenues, such as State Revenue Sharing, motor vehicle and boat excise taxes, homestead exemption, and interest earnings, to fund operations during fiscal year 2006. Also during fiscal year 2006, the Town sold a property it no longer deemed necessary for a possible by-pass road in the New Portland Road area for \$161,500.

The Town's governmental activities include general government, public safety, public works, health & welfare, recreation, library & museum, development, education, and interest on debt. Note: the general government activity includes insurance, employee benefits, unclassified, and county tax expenditures.

Governmental activities resulted in an increase to the Town of Gorham's net assets of \$3,312,235.

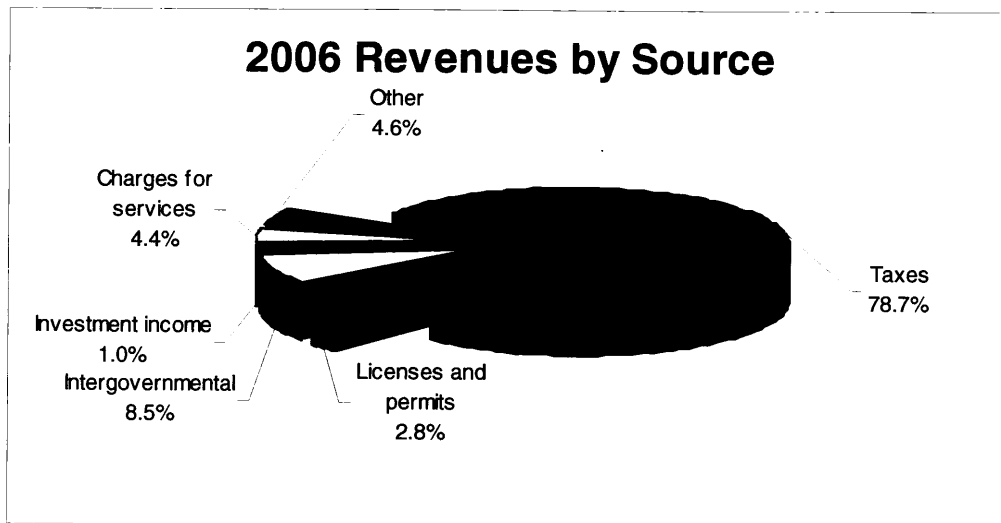
### **The Town's Funds**

The following is an analysis of the balances in the Town's major individual funds.

## General Major Governmental Functions

The following table summarizes the fiscal year 2006 revenues by source for the General Fund with the 2005 information for comparison while the pie chart summaries the 2006 revenues by source. Information is from Statement 4.

	<u>2006</u>	<u>2005</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenues by source:				
Taxes	\$19,152,643	\$19,353,785	\$(201,142)	-1.0%
Licenses and permits	671,498	478,148	193,350	40.4%
Intergovernmental	2,074,424	2,102,286	(27,862)	-1.3%
Investment income	243,115	110,166	132,949	120.7%
Charges for services	1,064,714	885,825	178,889	20.2%
Other	<u>1,121,613</u>	<u>936,529</u>	<u>185,084</u>	<u>19.8%</u>
<b>Total revenue</b>	<b>\$24,328,007</b>	<b>\$23,866,739</b>	<b>\$461,268</b>	<b>1.9%</b>



General Fund revenues increased by 1.9% over the fiscal year 2005 amount. Below are some of the reasons for the changes in the revenue sources.

**Taxes:** The net appropriation or local tax requirement for FY2006 decreased by 2.23% or \$395,035 from the FY2005 level, with the primary decrease due to the Education budget, which received an increase in State Aid to Education funding from the State of Maine of 30.2% or \$2,911,394. The result of the additional State Aid dropped the need for local tax dollars to fund Education by \$1,047,633 or 8.3%. Conversely, the Municipal side required an additional \$604,046 or 14.9% in local tax dollars to fund its FY06 budget. The primary cause for the increase on the municipal side was the addition of \$446,491 in the debt service budget to cover the debt service payments related to the new bond issue for the renovation of the Shaw School into a municipal/community center.

Licenses and permits: The building permits revenue was \$289,879 more than the FY06 estimate. As mentioned in the Introductory Section, the building activity in Gorham continues at a brisk pace and the new \$21 million residence hall at the University of Southern Maine contributed \$130,965 to the building permits revenue in May 2006.

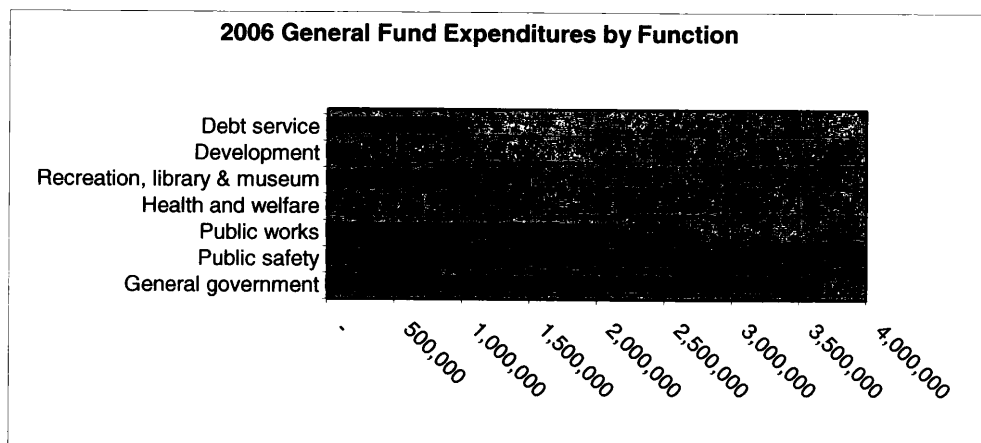
Interest income: During fiscal year 2006, interest rates started out in the low 3% range and ended up in the high 4% range with the average interest rate for fiscal year 2006 being 3.94% compared to the 1.76% for fiscal year 2005.

Charges for services: The major increase in this category is the fire and rescue fees. In January 2006, the Town Council approved increases in the various rescue fees and the last four or five months of the fiscal year reflected the impact of these increased fees. Also, the allowance for uncollectible rescue fees was reduced from \$70,000 to \$50,000, resulting in a lower year-end adjustment to the revenue account.

Other: The Town received \$177,864 in Homeland Security Grant funds during fiscal year 2006, which has contributed to the increase in the other category.

The following table summarizes the General Fund expenditures by function for fiscal year 2006 with 2005 information for comparison while the graph displays the General Fund expenditures by function for fiscal year 2006. Information is from Statement 4.

	<u>2006</u>	<u>2005</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditure by function:				
General government	\$3,676,038	\$3,546,209	\$129,829	3.7%
Public safety	2,755,743	2,680,546	75,197	2.8%
Public works	2,139,946	2,146,064	(6,118)	-0.3%
Health and welfare	45,423	52,199	(6,776)	-13.0%
Recreation, library & museum	1,122,005	1,088,416	33,589	3.1%
Development	196,437	180,108	16,329	9.1%
Debt service	<u>948,660</u>	<u>570,573</u>	<u>378,087</u>	66.3%
Total expenditures	\$10,884,252	\$10,264,115	\$620,137	6.0%





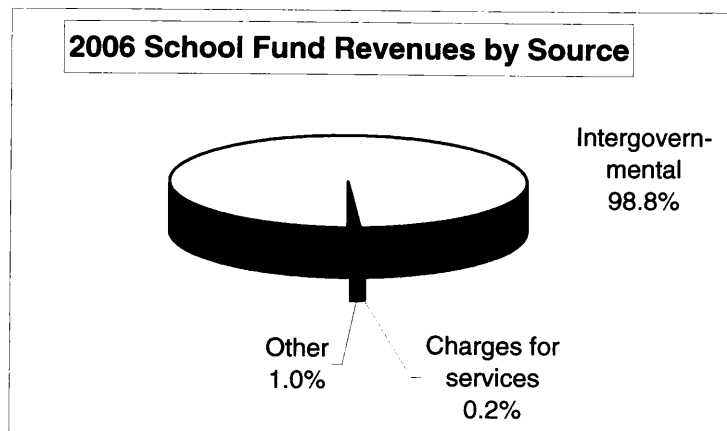
The General Fund expenditures increased by 6.0% over fiscal year 2005 levels. The biggest change was in the debt service, which increased by \$378,087 or 66.3%. As previously mentioned, the Town budgeted for the first principal and interest payments for the general obligation bonds issued in September 2005. The actual debt service repayment schedule was structured to have a November principal and interest payment and an interest payment in May to coincide with the Town's tax due dates. The actual first year debt service costs for this bond was \$387,025.

The primary cause for the increase in the general government function was the increase in retirement funding. The Town increased the 457 Plan match from 5% to 7% resulting in higher contribution expense.

The following table summarizes the fiscal year 2006 revenues by source for the Special Revenue Fund's School Operations Fund with 2005 information for comparison while the pie chart summarizes the 2006 revenues by source. The information is from Statement 4.

	<u>2006</u>	<u>2005</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenues by source:				
Intergovernmental	\$17,005,405	\$14,283,346	\$2,722,059	19.1%
Charges for services	28,153	21,132	7,021	33.2%
Other	<u>180,849</u>	<u>168,037</u>	<u>12,812</u>	<u>7.6%</u>
<b>Total revenue</b>	<b>\$17,214,407</b>	<b>\$14,472,515</b>	<b>\$2,741,892</b>	<b>18.9%</b>

The 18.9% increase in School Operation Fund revenues is primarily from the increased state aid to education and state construction aid, which amounted to an increase of \$2,911,394.

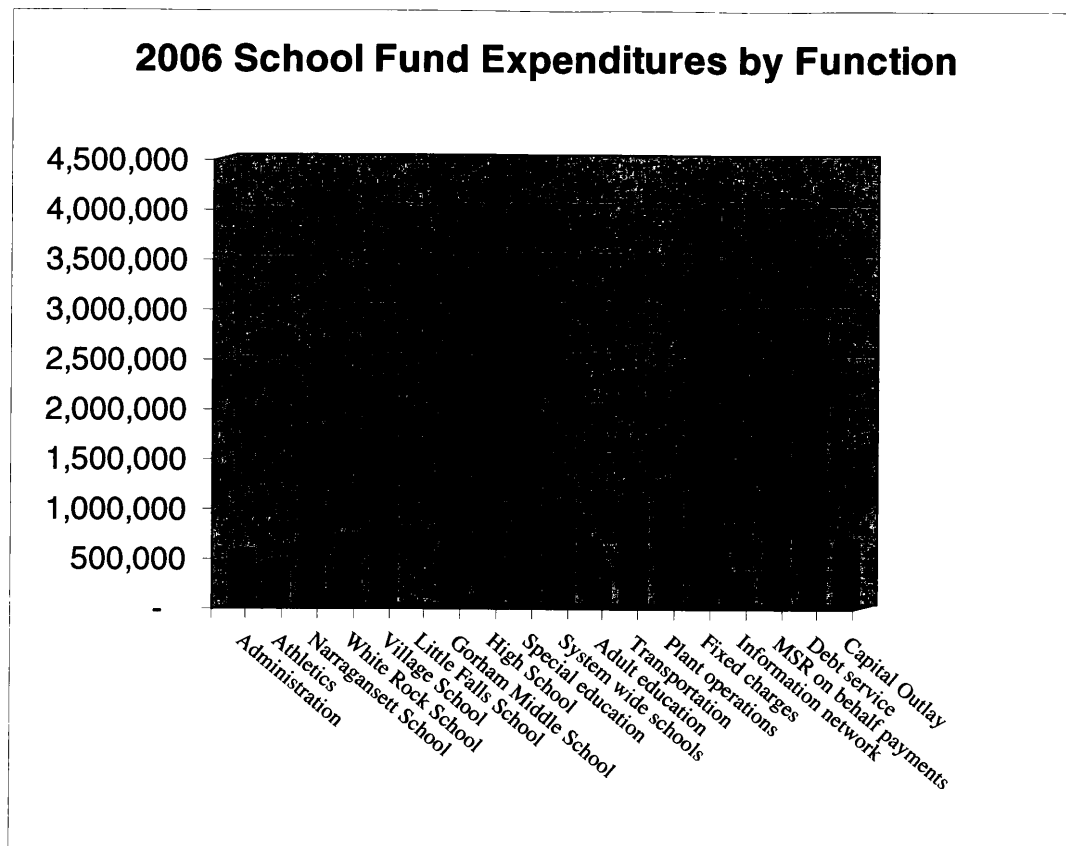


The following table summarizes the School Operations Fund expenditures by function for fiscal year 2006 with 2005 information for comparison while the graph displays the expenditures by function for fiscal year 2006. Information is from Statement 4. Following the table, an explanation of the major changes is provided.

	<u>2006</u>	<u>2005</u>	<u>\$ Chg</u>	<u>% Chg</u>
<b>Expenses by function:</b>				
Administration	\$547,633	\$509,260	\$38,373	7.54%
Athletics	449,260	393,708	55,552	14.11%
Narragansett School	1,806,336	1,635,006	171,330	10.48%
White Rock School	710,238	666,154	44,084	6.62%
Village School	2,302,186	2,254,177	48,009	2.13%
Little Falls School	17,502	12,302	5,200	42.27%
Gorham Middle School	2,666,423	2,531,221	135,202	5.34%
High School	3,995,995	3,704,281	291,714	7.88%
Special education	3,311,619	3,107,455	204,164	6.57%
System wide schools	1,057,508	798,248	259,260	32.48%
Adult education	252,433	226,168	26,265	11.61%
Transportation	1,116,225	1,039,720	76,505	7.36%
Plant operations	1,284,346	1,199,031	85,315	7.12%
Fixed charges	4,018,719	3,508,064	510,655	14.56%
Information network	340,592	309,829	30,763	9.93%
MSR on-behalf payments	2,662,214	2,205,447	456,767	20.71%
Debt service	2,879,685	2,972,767	(93,082)	-3.13%
Capital Outlay	<u>677,313</u>	<u>530,573</u>	<u>146,740</u>	<u>27.66%</u>
<b>Total expenses</b>	<b>\$30,096,227</b>	<b>\$27,603,411</b>	<b>\$2,492,816</b>	<b>9.03%</b>

The School Operations Fund's expenditures are 9.0% higher than fiscal year 2005. The five functions that saw the greatest increases are as follows.

- The fixed charges were up \$510,655 primarily due to health insurance.
- The Maine State Retirement on-behalf payments, which are made by the State of Maine but reported in the Statement of Revenues, Expenditures and Changes in Fund Balance, were up 20.7% or \$456,767 due to the increase in the contribution rate from 17.77% to 19.15%. See note 7, PENSION PLANS for more information.
- The High School function was up \$291,714 or 7.9% primarily due to the following: teachers salaries up \$168,403 or 5.8%, added an Assistant Principal during FY06 at a cost of \$69,178, and higher energy costs of \$55,699 or 27% increase.
- The System-wide schools function was up 34.5% or \$259,260 due to the following: all textbook costs were shifted to this function impacting the category by \$123,944, approximately \$47,482 in additional district nurse salaries, approximately \$54,707 in additional staff development costs, and higher legal costs of approximately \$38,000.
- The last function that saw a significant increase was the Special Education function, which was up \$204,164 or 6.6%. This increase is primarily due to higher in-house instructional costs, while the student out-of-district tuition decreased by \$127,182 when compared to fiscal year 2005. Also, the Special Education department added a secretary during fiscal year 2006.



The following table summarizes the fiscal year 2006 revenues by source for the Special Revenue Fund's Capital Reserve Fund with 2005 information for comparison. The information is from Statement 4.

	<u>2006</u>	<u>2005</u>	<u>\$ Chg</u>	<u>% Chg</u>
<b>Revenue by source:</b>				
Intergovernmental	\$ 15,253	\$ -	\$ 15,253	n/a
Investment income	303,181	80,750	222,431	275.5%
Charges for services	32,441	-	32,441	n/a
Unclassified	<u>554,957</u>	<u>472,938</u>	<u>82,019</u>	<u>17.3%</u>
<b>Total revenues</b>	<b>\$905,832</b>	<b>\$553,688</b>	<b>\$ 352,144</b>	<b>63.6%</b>

The major increase was in the investment income revenue source. The increase was, in part, due to the higher interest rates received on investments during fiscal year 2006, but also the interest earned on the unspent Municipal/Community Center bond proceeds.

The following table summarizes the Capital Reserve Fund expenditures by function for fiscal year 2006 with 2005 information for comparison. Information is from Statement 4.

	<u>2006</u>	<u>2005</u>	<u>\$ Chg</u>	<u>% Chg</u>
<b>Expenses by function:</b>				
Roads and road projects	\$ 703,251	\$ 249,278	\$ 453,973	182.1%
Library and museum	17,813	29,106	(11,293)	-38.8%
Public works facilities	31,412	43,890	(12,478)	-28.4%
Municipal/community center	3,817,570	483,769	3,333,801	689.1%
All other	<u>488,406</u>	<u>301,616</u>	<u>186,790</u>	61.9%
<b>Total expenses</b>	<b>\$ 5,058,452</b>	<b>\$ 1,107,659</b>	<b>\$ 3,950,793</b>	<b>356.7%</b>

As you can see from the above table, the Special Revenue Fund's Capital Reserve Fund expenses for fiscal year 2006 were up significantly, 356.7% or \$3,950,793 from fiscal year 2005. The biggest increase was due to the renovation work being done on the old Shaw School to turn it into a joint municipal/community center.

It should also be noted that the roads and road projects function was up 182.1% or \$453,973. However, approximately \$200,000 was for work done at the end of the fiscal year (June 2006) for road projects identified in the fiscal year 2007 budget. Due to the year-end payable entry done to reflect the true period the expenditures occurred in, the designated fund balance shown in note 16 for paving is a negative \$166,713.

### **General Fund Budgetary Highlights**

The Town continues to meet its responsibilities for sound financial management. As shown in Statement 6, actual revenues exceed budgeted revenues by \$1,960,593, while actual expenditures were under budgeted appropriations by \$320,585. This resulted in a positive net effect of \$1,640,008. However, after transfers and changes in encumbrances, the net change in fund balance was a positive \$994,678.

The undesignated fund balance at \$5,788,949 is still a healthy figure and represents 14.7% of the total general fund and school operations fund budgeted appropriations for FY2007. The goal of the Town's fund balance policy is to maintain a General Fund and Special Revenue Fund (School Operations Fund) balance of at least 8% of the yearly School, Town, and Cumberland County appropriations. However, when the school operations fund's deficit balance of (\$2,018,627) is factored in the percentage drops to 9.6%. The Town's management anticipates that during the FY2008 budget process, the Council will utilize the undesignated fund balance in excess of the 8% for the Town's Capital Budget Part II.

The original (or adopted) budget for fiscal year 2005-2006 amount of \$37,226,212 (expenditures of \$36,599,647 plus transfers of \$626,565), compared to the final budget amount of \$37,636,920 (expenditures of \$37,010,355 plus transfers of \$626,565) reflects a change of \$410,708. The change is the result of prior period encumbrances being added to the various departments' appropriations. However, the prior period encumbrances are not reflected in the final budget figures on Statement 6 or Exhibit A-2. The following chart shows the changes made to the adopted budget during the fiscal year.

## FY 2005 – 2006 BUDGET

Dept	Original	Adjustment	Adjusted Budget	Pr Period Encumbrances	Final Adjusted Budget
General Government	\$1,041,724	\$61,975	\$1,103,699	\$54,610	\$1,158,309
Public Safety	2,726,230	38,262	2,764,492	141,906	2,906,398
Public Works	2,135,468	10,000	2,145,468	47,243	2,192,711
Health and Welfare	67,693	-	67,693	-	67,693
Recreation	610,170	-	610,170	11,672	621,842
Development	203,603	-	203,603	81,693	285,296
Insurances & Benefits	1,725,570	2,460	1,728,030	50,000	1,778,030
County Tax	677,471	-	677,471	-	677,471
Unclassified	275,160	(112,697)	162,463	15,684	178,147
Debt Service	1,020,107	-	1,020,107	7,900	1,028,007
Education	26,116,451	-	26,116,451	-	26,116,451
Budget Without Transfers:	36,599,647	-	36,599,647	410,708	37,010,355
Transfers to SRF - Econ Deve Fund	63,000	-	63,000	-	63,000
Transfers to SRF - Capital Reserve	563,565	-	563,565	-	563,565
Budget With Transfers:	\$37,226,212	-	\$37,226,212	\$410,708	\$37,636,920

### Capital Asset and Debt Administration

#### Capital Assets

At the end of fiscal year 2006, the Town had invested \$6,694,319 in a broad range of capital assets. The following chart identifies the assets that were added during fiscal year 2006 (includes the construction in progress projects – renovation of the old Shaw School into a municipal/community center).

Category			Category Total
Land			
Recreation	Shaw Park, 7.5 acre park	<u>\$303,800</u>	303,800
Land improvements			
Genl Govt	Municipal Center parking lot paved	15,922	
Recreation	Fencing at Shaw Park's multipurpose field	<u>20,000</u>	35,922
Buildings and building improvements			
Pubic Works	Boiler for old Public Works Building	6,886	
Recreation	Brick concession stand at Shaw Park	50,000	
	Two (2) brick dugouts at Shaw Park	<u>32,000</u>	88,886
Machinery and equipment			
Public Safety	Police - microwave system/multiplexer	15,030	
	Police - talk-a-phone for Police/Dispatch	5,846	
	Fire - six (6) diesel exhaust removal systems	50,000	
	Fire - station alerting system	11,974	

	Fire - voter system	26,341	
Recreation	Cable TV bulletin board system	7,648	
	Four (4) Dugout enclosures at Village School	<u>4,145</u>	
			120,984
Furniture and office equipment			
Genl Govt	Mailing machine w/feeder & scale	4,506	
Public Safety	Fire - 6 station dehydrator (dryer)	5,767	
	Fire - Continental washer	7,815	
Recreation	Six (6) concrete picnic tables for Shaw Park	<u>12,000</u>	
			30,088
Computer equipment			
Public Safety	IBM server, Police Dept.	<u>5,235</u>	
			5,235
Vehicles			
	Public Safety, Fire vehicles	16,997	
	Public Safety, Police vehicles	63,990	
	Public Works vehicles	311,936	
	School vehicles	<u>118,012</u>	
			510,935
Infrastructure			
	Roads	1,793,842	
	Construction in progress	<u>3,804,627</u>	
			5,598,469
<b>Total Assets Added During FY2006</b>			<b><u><u>\$6,694,319</u></u></b>

During fiscal year 2006, a number of assets were transferred from one function/activity to another function/activity. The following chart shows these transfers.

<u>Category</u>	<u>Function and Activity</u>	<u>Amount Transferred</u>
Vehicles	Public Safety (Police), 2001 Chevy Impala	\$(19,689)
	Public Works, 2001 Chevy Impala	19,689
	Education, Transportation, 1991 School Bus	(45,939)
	Recreation, 1991 School Bus	45,939
	Public Safety (Police), 2001 Chevy Impala	(19,689)
	Public Works, 2001 Chevy Impala	19,689
	Public Safety (Police), 2001 Chevy Impala	(19,689)
	Public Works, 2001 Chevy Impala	19,689

The depreciation expense for 2006 was \$2,554,525. The following is a summary of the Town of Gorham's capital assets, net of depreciation. This amount represents a net increase (including additions and deductions) of \$3,979,794 or 8.4%, over last fiscal year.

**Capital Assets**  
(net of depreciation)

	<b>Governmental Activities</b>			
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b>\$ Change</b>	<b>% Chg</b>
Land	\$1,722,959	\$1,579,159	\$143,800	9.1%
Books/Historical Treasures/Artwork	1,090,274	1,090,274	-	0.0%
Construction in Progress	4,447,477	642,850	3,804,627	591.8%
Land improvements	3,734,999	3,863,000	(128,001)	-3.3%
Buildings and building improvements	28,683,175	29,752,879	(1,069,704)	-3.6%
Machinery and equipment	895,611	889,748	5,863	0.7%
Furniture and office equipment	1,190,450	1,392,345	(201,895)	-14.5%
Computer equipment	52,114	73,633	(21,519)	-29.2%
Vehicles	2,726,453	2,719,211	7,242	0.3%
Infrastructure	<u>6,900,746</u>	<u>5,461,365</u>	<u>1,439,381</u>	26.4%
<b>Totals</b>	<b>\$51,444,258</b>	<b>\$47,464,464</b>	<b>\$3,979,794</b>	<b>8.4%</b>

The Town has appropriated \$495,930 in fiscal year 2007 for the following capital expenditures: two police cruisers, the third lease payment for a pickup truck and dump truck, the lease purchase over 5 years of a plow truck, a front end loader, a street sweeper and a trackless tractor or sidewalk plow, and various road projects. Additionally, the Council allocated \$186,998 in undesignated fund balance, which was in excess of the 8% fund balance policy to add funds to the rescue reserve account, provide additional funds for road projects, funds to purchase a vital records software program and cemetery maintenance software, and provide additional funds to complete the installation of air handling systems at the outlying fire stations.

More information on the Town's capital assets is presented in the notes to the financial statements. See NOTE 1 G, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CAPITAL ASSETS, and NOTE 6, CAPITAL ASSETS.

### **Debt Administration**

As of June 30, 2006, the Town had a total of \$32,733,250 of outstanding general obligation debt, and \$1,340,000 in authorized but unissued debt. The Town's outstanding general obligation bonds as of June 30, 2006 is \$2,305,354 more than last fiscal year – an increase of 7.6%.

The Town of Gorham currently has an A1 rating from Moody's on its general obligation bond issues. The Town's outstanding indebtedness is only 2.65% of the State's equalized value.

More detailed information on the Town's long-term debt is presented in NOTE 10, LONG-TERM DEBT to the financial statements.

## **Economic Factors and Next Year's Budget and Tax Rates**

On May 9, 2006, the Town Council approved a total gross appropriation of \$39,349,709 to fund municipal and education operations, and the county tax. This is an increase of \$2,123,497 or 5.7% over the FY2006 appropriation. After applying non-property tax revenues, transfers and use of fund balance the FY2007 net appropriation is \$18,049,955, an increase of \$710,298 or 4.1%. The increase is primarily due to three factors:

- Anticipated new debt service for the Libby/Brackett Road construction project of \$150,300, and
- The appropriation of funds for a full year of operations at the new municipal/community center - \$133,380,
- Reduction of \$187,631 in use of fund balance by the Gorham School Department, and
- Increase in overlay of \$200,807 and the tax increment-financing amount of \$32,561.

The assessed valuation for the Town went from \$889,213,200 to \$930,410,050, a 4.6% increase.

The Town of Gorham's tax rate went from \$19.50 to \$19.40, a decrease of 0.5%.

The Town's municipal appropriation is \$10,971,322, a 5.2% increase over the FY2006 budget. Included in the municipal budget are funds for the new principal and interest debt payments for the Libby/Brackett Road construction project, \$133,000 in additional funding for the Gorham Municipal/Community Center to reflect a full year of operational costs, and adjustments to many of the budgets to reflect the rising costs of heating, electricity, gas and diesel, as well as other services impacted by these rising costs. An increase in non-property tax revenues of \$354,246 or 6.5%, and transfers from the TIF Fund, have resulted in a net appropriation of \$4,927,806, an increase of 5.7% or \$264,783. The municipal tax rate will go from \$5.76 to \$6.04.

The Town's education budget is \$27,684,804; a 6.0% or an \$1,568,353 increase over the FY2006 budget. The major components of the budget increase included:

- 5.3% for existing programs (mainly increases in salary and benefits)
- 0.6% for increased energy costs

Although the School Department saw a reduction in their use of fund balance, a substantial increase in State Aid to Education funding of approximately \$1,865,000 resulted in a net education appropriation of \$11,736,688, a modest increase of \$196,035 or 1.7% from FY2006. The result is an education tax rate decrease of \$0.37 or 2.8%, and will go from \$12.98 per thousand to \$12.61 per thousand.

The county tax assessment was up 2.4% or \$16,112, resulting in a slight decrease in the tax rate for the County Tax. The rate went from \$0.76 to \$0.75.



### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, at the Town, 270 Main Street, Gorham, Maine 04038.

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## **BASIC FINANCIAL STATEMENTS**

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## Statement 1

**TOWN OF GORHAM, MAINE**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 127,909
Investments	17,322,229
Receivables:	
Accounts	245,557
Intergovernmental	215,481
Rescue receivable (net of allowance of \$50,000)	114,204
Taxes receivable - current year	492,503
Taxes receivable - prior year	5,985
Tax liens	276,055
Notes	11,750
Inventory	35,300
Other	2,481,047
Non-depreciable capital assets	7,260,710
Depreciable capital assets, net	44,183,548
<b>Total assets</b>	<b>72,772,278</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	1,807,087
Accrued wages and benefits	2,265,361
Performance bond deposits	2,477,424
Middle School impact fees	273,960
Noncurrent liabilities	
Due within one year	2,889,985
Due in more than one year	31,281,009
<b>Total liabilities</b>	<b>40,994,826</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	17,962,590
Restricted for:	
Nonexpendable trust principal	384,443
Unrestricted	13,430,419
<b>Total net assets</b>	<b>\$ 31,777,452</b>

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

For the year ended June 30, 2000

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government
					Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 4,023,144	762,661	99,099	101,240	(3,060,144)
Public safety	2,979,424	435,752	381,193	21,878	(2,140,601)
Public works	3,517,160	1,181,418	327,669	1,425,336	(582,737)
Health & welfare	45,423	13,710	10,834	-	(20,879)
Recreation	1,229,648	513,804	22,855	602,290	(90,699)
Development	414,130	91,139	-	-	(322,991)
Education	30,564,714	669,220	18,403,190	112,237	(11,380,067)
Interest on debt	1,370,154	-	-	-	(1,370,154)
Total governmental activities	44,143,797	3,667,704	19,244,840	2,262,981	(18,968,272)
<b>Total primary government</b>	<b>\$ 44,143,797</b>	<b>3,667,704</b>	<b>19,244,840</b>	<b>2,262,981</b>	<b>(18,968,272)</b>
General revenues:					
Property taxes, levied for general purposes					16,918,807
Payment in lieu of taxes					55,469
Motor vehicle and boat excise taxes					2,480,592
Grants and contributions not restricted to specific programs:					
Homestead exemption					379,972
Other State aid					31,716
State Revenue Sharing					1,372,122
Unrestricted investment earnings					628,511
Miscellaneous revenues					251,818
Special item - Sale of Property					161,500
Total general revenues and transfers					22,280,507
Change in net assets					
					3,312,235
Net assets - beginning					28,465,217
<b>Net assets - ending</b>	<b>\$</b>				<b>31,777,452</b>

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General	School Operations Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 5,071	-	-	122,838	127,909
Investments	9,096,038	-	7,145,125	1,081,066	17,322,229
Receivables:					
Accounts	143,744	697	10,238	90,878	245,557
Rescue receivable (net of allowance of \$50,000)	114,204	-	-	-	114,204
Taxes receivable - current year	492,503	-	-	-	492,503
Taxes receivable - prior year	5,985	-	-	-	5,985
Tax liens	276,055	-	-	-	276,055
Notes	-	-	11,750	-	11,750
Due from other governments	-	115,991	-	99,490	215,481
Interfund loans receivable	-	409,163	585,197	1,705,590	2,699,950
Tax acquired property	3,623	-	-	-	3,623
Other assets - performance bonds & impact fees	2,477,424	-	-	-	2,477,424
Inventory	15,097	-	-	20,203	35,300
<b>Total assets</b>	<b>\$ 12,629,744</b>	<b>525,851</b>	<b>7,752,310</b>	<b>3,120,065</b>	<b>24,027,970</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	698,263	24,519	791,621	24,104	1,538,507
Accrued wages and benefits	94,860	2,170,501	-	-	2,265,361
Interfund loans payable	1,777,628	184,338	521,235	216,749	2,699,950
Deferred revenues	513,000	-	-	92,951	605,951
Performance bond deposits	2,477,424	-	-	-	2,477,424
Middle school impact fees	273,960	-	-	-	273,960
<b>Total liabilities</b>	<b>5,835,135</b>	<b>2,379,358</b>	<b>1,312,856</b>	<b>333,804</b>	<b>9,861,153</b>
Fund balances:					
Reserved for:					
Noncurrent receivables/encumbrances	298,828	71,070	11,750	-	381,648
Nonexpendable trust principal	-	-	-	384,443	384,443
Inventory	15,097	-	-	20,203	35,300
Unreserved:					
Designated	691,735	94,050	6,287,888	-	7,073,673
Undesignated, reported in:					
General fund	5,788,949	-	-	-	5,788,949
Special revenue funds	-	(2,018,627)	139,816	1,620,200	(258,611)
Capital projects funds	-	-	-	575,261	575,261
Permanent funds	-	-	-	186,154	186,154
<b>Total fund balances</b>	<b>6,794,609</b>	<b>(1,853,507)</b>	<b>6,439,454</b>	<b>2,786,261</b>	<b>14,166,817</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,629,744</b>	<b>525,851</b>	<b>7,752,310</b>	<b>3,120,065</b>	

*See accompanying notes to financial statements.*

**Continued**

**TOWN OF GORHAM, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

Reconciliation of the total fund balances - total governmental funds  
to the total net assets of governmental activities:

Total fund balances - total governmental funds, Statement 3	\$	14,166,817
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Amounts reported for governmental activities in the statement of  
net assets (Statement 1) are different because:

Capital assets used in governmental activities are not financial  
resources and therefore not reported in the funds. More  
specifically:

Non-depreciable capital assets	\$ 7,260,710	
Depreciable capital assets, net	44,183,548	51,444,258

Long-term liabilities are not due and payable in the current period  
and therefore not reported in the funds:

General obligation bonds	\$ 32,733,250	
Capital leases	708,418	
Compensated absences	729,326	
Accrued interest payable	268,580	(34,439,574)

Deferred revenues -- more specifically, property taxes and Medicaid  
reimbursements not reported on Statement 1

605,951

**Net assets of governmental activities**

**\$ 31,777,452**

*See accompanying notes to financial statements.*



**TOWN OF GORHAM, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2006**

	General	School Operations Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 19,152,643	-	-	263,793	19,416,436
Licenses and permits	671,498	-	-	-	671,498
Intergovernmental	2,074,424	17,005,405	15,253	1,401,071	20,496,153
Investment income	243,115	-	303,181	32,178	578,474
Charges for services	1,064,714	28,153	32,441	752,718	1,878,026
Unclassified	1,121,613	180,849	554,957	696,295	2,553,714
<b>Total revenues</b>	<b>24,328,007</b>	<b>17,214,407</b>	<b>905,832</b>	<b>3,146,055</b>	<b>45,594,301</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	3,676,038	-	-	-	3,676,038
Public safety	2,755,743	-	-	-	2,755,743
Public works	2,139,946	-	-	624,582	2,764,528
Health & welfare	45,423	-	-	-	45,423
Recreation	1,122,005	-	-	-	1,122,005
Development	196,437	-	-	-	196,437
Unclassified	-	-	-	1,182,951	1,182,951
Education	-	26,539,229	-	1,166,810	27,706,039
<b>Debt service:</b>					
Principal	594,122	1,889,516	-	211,008	2,694,646
Interest and other charges	354,538	990,169	-	41,385	1,386,092
Capital maintenance	-	677,313	499,503	-	1,176,816
Capital improvements	-	-	4,558,949	47,683	4,606,632
<b>Total expenditures</b>	<b>10,884,252</b>	<b>30,096,227</b>	<b>5,058,452</b>	<b>3,274,419</b>	<b>49,313,350</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>13,443,755</b>	<b>(12,881,820)</b>	<b>(4,152,620)</b>	<b>(128,364)</b>	<b>(3,719,049)</b>
<b>Other financing sources (uses):</b>					
Capital lease proceeds	-	330,058	-	-	330,058
Long-term debt issued	-	-	5,000,000	-	5,000,000
Transfers in	273,486	11,571,461	1,431,594	155,278	13,431,819
Transfers out	(12,722,563)	-	(321,792)	(387,464)	(13,431,819)
<b>Total other financing sources (uses)</b>	<b>(12,449,077)</b>	<b>11,901,519</b>	<b>6,109,802</b>	<b>(232,186)</b>	<b>5,330,058</b>
<b>Net change in fund balances</b>	<b>994,678</b>	<b>(980,301)</b>	<b>1,957,182</b>	<b>(360,550)</b>	<b>1,611,009</b>
<b>Fund balances (deficit), beginning of year</b>	<b>5,799,931</b>	<b>(873,206)</b>	<b>4,482,272</b>	<b>3,146,811</b>	<b>12,555,808</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 6,794,609</b>	<b>(1,853,507)</b>	<b>6,439,454</b>	<b>2,786,261</b>	<b>14,166,817</b>

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2006**

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Net change in fund balances - total governmental funds (from Statement 4)	\$ 1,611,009
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:	
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 as depreciation expense. This is the amount by which capital outlays (\$6,534,319) exceeded depreciation expense (\$2,554,525) in the current period.	3,979,794
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	125,951
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (Note 10)	(5,000,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (Note 10)	2,694,646
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in long term accrued compensated absences. (Note 10)	(58,262)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in long term capital leases. (Note 10)	(48,941)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued bond interest payable.	8,038
<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$ 3,312,235</b>

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis**  
**All Budgeted Governmental Funds**  
**For the year ended June 30, 2006**

	General Fund				Budgeted Special Revenue Funds School Operations Fund			
	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>Revenues:</b>								
Taxes	\$ 18,887,505	18,887,505	19,152,643	265,138	-	-	-	-
Licenses and permits	333,200	333,200	671,498	338,298	-	-	-	-
Intergovernmental	1,955,530	1,955,530	2,074,424	118,894	14,108,117	14,108,117	14,343,191	235,074
Investment income	100,000	100,000	243,115	143,115	-	-	-	-
Charges for services	963,160	963,160	1,064,714	101,554	17,000	17,000	28,153	11,153
Other revenues	128,019	128,019	1,121,613	993,594	169,000	169,000	180,849	11,849
Total revenues	22,367,414	22,367,414	24,328,007	1,960,593	14,294,117	14,294,117	14,552,193	258,076
<b>Expenditures:</b>								
Current:								
General government	1,719,195	1,781,170	1,637,512	143,658	-	-	-	-
Public safety	2,726,230	2,764,492	2,727,490	37,002	-	-	-	-
Public works	2,135,468	2,145,468	2,124,712	20,756	-	-	-	-
Health and welfare	67,693	67,693	45,423	22,270	-	-	-	-
Recreation	610,170	610,170	1,139,582	(529,412)	-	-	-	-
Development	203,603	203,603	202,179	1,424	-	-	-	-
Insurances and employee benefits	1,725,570	1,728,030	1,594,991	133,039	-	-	-	-
Education	-	-	-	-	23,236,804	23,236,804	23,531,678	(294,874)
Unclassified	275,160	162,463	391,132	(228,669)	-	-	-	-
Debt service	1,020,107	1,020,107	940,760	79,347	2,879,647	2,879,647	2,879,685	(38)
Capital maintenance	-	-	-	-	-	-	-	-
Total expenditures	10,483,196	10,483,196	10,803,781	(320,585)	26,116,451	26,116,451	26,411,363	(294,912)
Excess (deficiency) of revenues over (under) expenditures	11,884,218	11,884,218	13,524,226	1,640,008	(11,822,334)	(11,822,334)	(11,859,170)	(36,836)
<b>Other financing sources (uses):</b>								
Utilization of prior year surplus	-	-	-	-	281,681	281,681	-	(281,681)
Transfers to school fund	(11,540,653)	(11,540,653)	(11,540,653)	-	11,540,653	11,540,653	11,571,461	30,808
Transfers to special revenue - economic development	(63,000)	(63,000)	(53,486)	9,514	-	-	-	-
Transfers to special revenue - capital reserve	(563,565)	(563,565)	(1,128,424)	(564,859)	-	-	-	-
Transfers in special revenue - TIF and capital reserve	283,000	283,000	273,486	(9,514)	-	-	-	-
Total other financing sources (uses)	(11,884,218)	(11,884,218)	(12,449,077)	(564,859)	11,822,334	11,822,334	11,571,461	(250,873)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	1,075,149	1,075,149	-	-	(287,709)	(287,709)
<b>Reconciliation to GAAP basis:</b>								
Change in accrued payroll			-	-			(202,272)	
Change in encumbrances			(80,471)				(490,320)	
Net change in fund balance			994,678				(980,301)	
Fund balance (deficit), beginning of year			5,799,931				(873,206)	
<b>Fund balance (deficit), end of year</b>	<b>\$</b>		<b>6,794,609</b>				<b>(1,853,507)</b>	

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<b>Agency Fund (School Activity)</b>	<b>Private-purpose Trust Fund (Scholarships)</b>
<b>ASSETS</b>		
Cash	\$ 199,935	-
Investments	-	31,094
<b>Total assets</b>	<b>199,935</b>	<b>31,094</b>
<b>LIABILITIES</b>		
Due to student groups	199,935	-
Accounts payable	-	600
<b>Total liabilities</b>	<b>199,935</b>	<b>600</b>
<b>NET ASSETS</b>		
Held in trust	\$ -	<b>30,494</b>

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the year ended June 30, 2006**

	<b>Private-purpose Trust Fund (Scholarships)</b>
Additions:	
Donations	\$ 1,000
Investment income	195
Total additions	1,195
Deductions:	
Scholarships awarded	600
Total deductions	600
Change in net assets	595
Net assets, beginning of year	29,899
<b>Net assets, end of year</b>	<b>\$ 30,494</b>

*See accompanying notes to financial statements.*

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The Town of Gorham, Maine was incorporated in 1764 and operates under a Council-Manager form of government, adopted by charter in 1967.

The accounting policies of the Town of Gorham conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

**A. The Reporting Entity**

In evaluating how to define the reporting entity, for financial statement purposes, management has considered all potential component units. The decision to include a potential component unit was made by apply the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

**B. Basis of Presentation**

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

**Government - Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are 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.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town of Gorham, at this time, does not have any business-type activities.

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. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported as general revenues.

**Fund Financial Statements**

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**GOVERNMENTAL FUNDS**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. An exception to the general rule is principal and interest on long-term debt which is recognized when due.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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The Town reports the following major governmental funds:

The General Fund and the School Operations Fund in the Special Revenue Fund are the Town's primary operating funds. They account for all financial resources of the general government and education, except those required to be accounted for in another fund. The Capital Reserve Fund in the Special Revenue Fund, which accounts for all capital equipment and project expenditures funded through fund balance transfers, is another major governmental fund.

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following types: agency funds (school activity funds) and private-purpose trust funds (scholarships).

**Revenue Recognition**

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes, interest, and charges for services. Licenses and permits, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt as well as expenditures related to certain compensated absences and claims and judgments are only recorded when payment is due. Allocation of costs, such as depreciation, is not recognized in the governmental funds.



**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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**D. Encumbrances**

Encumbrance accounting, whereby commitments for the expenditure of monies are recorded to preserve that portion of the applicable appropriation, is being employed by the Town during the fiscal year. At year-end, encumbrances are recorded as an expenditure for budgetary reporting and as a designation of fund balance within the fund financial statements, since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

**E. Investments**

Investments are stated at fair value.

**F. Inventories**

Inventory consists of the School Lunch Fund (Governmental Special Revenue Fund) food, supplies, and donated commodities and is recorded at the lower of cost or market on the first-in, first-out basis. The Town has also chosen to record the trash bag inventory maintained by the Public Works Department for the pay-per-bag program instituted on July 1, 2002. This inventory is recorded at cost on the first-in, first-out basis.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities in the government-wide financial statements. The Town defines capital assets as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$5,000. The Town's assets are capitalized at historical cost or estimated historical cost. For roads accepted by the Town from a developer, the Town will record the accepted road's value at the average cost per mile based on the road type. The Public Works Department will determine the average cost per mile for each road type. Gifts or contributions of capital assets are recorded at fair market value when received. The Town does not intend to use the "modified approach" to record infrastructure. The Town has also decided not to capitalize immaterial assets such as firearms, firefighting equipment such as air-paks, and certain computer equipment.

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

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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Depreciation is recorded based on the straight-line method using the full-month convention beginning with the month following the purchase date over the assets' estimated useful live. In addition, all assets will be depreciated down to zero. Historical treasures, works of art, and library books, which are capitalized, will not be depreciated.

The following estimated useful lives are used to compute depreciation:

- Buildings -- 40 years
- HVAC Systems & Roofing -- 20 years
- Electrical/Plumbing Systems -- 30 years
- Land Improvements -- 20-30 years
- Roads -- 20-50 years
- Bridges -- 50 years
- Vehicles
  - Cars and light trucks -- 7 years
  - Police cruisers -- 4 years
  - Buses and rescue units -- 10 years
  - Fire Trucks -- 20 years
- Office furniture and fixtures -- 7 years
- Equipment -- 10-20 years
- Computer equipment -- 5-7 years

The Town conducted an inventory of all capital assets for fiscal year 2003 and completes internal updates annually. This process involved determining the original cost. Original costs were developed in one of four ways: 1) historical records; 2) assessed value records deflated to date of acquisition; 3) engineering estimates and Land Use and Development Code; or 4) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, as defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

**H. Compensated Absences**

Employees earn vacation and sick leave as they provide services. Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. Town employees may accumulate (subject to certain limitations) up to 180 days of unused sick leave and, upon retirement, termination or death, may be compensated for amounts up to 90 days at current rates of pay.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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Vacation time is earned based on anniversary date and length of service in amounts ranging from two to four weeks per year. Unused vacation days for regular full-time employees may accrue from one year to the next at a maximum of 150 hours for employees with less than six (6) years of continuous service, 225 hours for an employee with six (6) years of continuous service but less than eleven (11) years of continuous service and 260 hours for employees with eleven (11) years of continuous service. Employees are paid for allowable accruals upon termination of employment.

In the fund financial statements, no amount is recorded unless the amount is to be paid out shortly after year-end. But the full liability is recorded in the government-wide statements.

**I. Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**J. Interfund Transactions**

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. These transactions are reported as transfers.

**K. Use of Estimates**

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

**L. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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**M. Comparative Data/Reclassification**

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

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**Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

Budgets are adopted for the General Fund and School Operations Fund only, and are adopted on a basis consistent with generally accepted accounting principles (GAAP) except as described in the budget footnote, Note 17, BUDGETARY VS. GAAP ACCOUNTING. The level of control (level at which expenditures may not exceed budget) is the Department for the general fund budget and the total budget for the school operations fund. With Council authorization, mid-year budget adjustments between departments can be made. The budget as presented reflects these changes. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, the Town adopted a policy that allows certain departments to carry 50% of unexpended balances to be used towards future capital purchases. These amounts have been shown as transfers to the capital reserve special revenue fund at year-end. Additionally, the Town has a policy in which the amount of fund balance at the end of the year, which is greater than 8% of the budget, is transferred to a capital reserve account. This transfer happens subsequent to year-end, during the next fiscal years' budget process.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2006, expenditures exceeded appropriations in the following departments and the school operations fund as shown on Statement 6:

Education	\$294,912
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The Education category overage was due to higher fixed costs particularly the health insurance premiums incurred during fiscal year 2006.

The above over expenditures lapsed to fund balance.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, Continued**

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**C. Deficit Fund Equity**

The School Operations Fund has a deficit fund balance of \$1,853,507 at June 30, 2006. This is due primarily to variations between the budgetary and GAAP methods of accounting for summer teachers' payroll. See Note 17, BUDGETARY VS. GAAP ACCOUNTING. The Special Revenue Funds' School Lunch Fund has a deficit fund balance of \$1,241 at June 30, 2006.

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**Note 3 – RISK MANAGEMENT**

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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 either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association, which provides the following coverages to the Town: property & casualty, liability, vehicle, and workers' compensation. The Town is self insured for unemployment compensation. Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2006.

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**Note 4 - DEPOSITS AND INVESTMENTS**

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The Town's policy is to invest public funds in a way that will provide the highest investment return with the maximum security while meeting daily cash flow demands of the Town and conforming to all state and local statutes governing the investment of public funds.

The average yield for the Town's investments during fiscal year 2006 was 3.94%, producing total investment income for the General Fund of \$346,896 less bank management fees of \$7,057 and allocation of interest earnings to the Capital Reserve Fund of \$96,724 for a net of \$243,115.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 4 - DEPOSITS AND INVESTMENTS, Continued**

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**A. Deposits**

At June 30, 2006, cash consisted of the following:

	<u>Carrying amount</u>	<u>Bank balance</u>
Checking, savings, NOW, and certificates of deposit accounts		
Government Funds	\$127,109	\$126,568
Agency Funds	199,935	199,935
Petty Cash - Government Funds	<u>800</u>	<u>-</u>
<b>Totals</b>	<b>\$ <u>\$327,844</u></b>	<b>\$ <u>\$326,503</u></b>

The variance between the bank balance and carrying amount in the government funds is due to the Special Revenue Funds' School Lunch fund.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's investment policy does not directly address custodial credit risk for deposits. As of June 30, 2006, \$31,937 of the Town's bank balances of \$326,503 was exposed to custodial credit risks because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name. All of this risk is concentrated in the High School Activity Agency Fund.

**B. Investments**

At June 30, 2006, investments consisted of the following:

Investment Type	Total	Maturities			
		Within 6 Months	6 Months to 1 Year	1 Year to 3 Years	Over 3 Years
Mutual Funds	\$ 4,529,374	\$4,529,374	\$ -	\$ -	\$ -
U.S. Treasuries	586,714	75,023	29,662	377,621	104,408
Commercial Paper	5,189,887	5,189,887	-	-	-
Repurchase Agreements	7,029,708	7,029,708	-	-	-
Common Stock	17,640	-	-	-	-
<b>Total Fair Value:</b>	<b>\$ <u>17,353,323</u></b>	<b>\$ <u>16,823,992</u></b>	<b>\$ <u>29,662</u></b>	<b>\$ <u>377,621</u></b>	<b>\$ <u>104,408</u></b>
<b>% of Portfolio:</b>		<b>97.0%</b>	<b>0.2%</b>	<b>2.2%</b>	<b>0.6%</b>

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 4 - DEPOSITS AND INVESTMENTS, Continued**

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Out of the total \$17,353,323 in investments, \$17,322,229 is from investments in the governmental funds, while \$31,094 is for investments in the fiduciary funds' private purpose trust funds.

*Interest Rate Risk.* The Town of Gorham's investment policy addresses interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

*Credit Risk.* Maine statutes authorize the Town to invest in obligations of U.S. Treasury and U.S. Agencies, repurchase agreements, and certain corporate stocks and bonds. Generally, the Town invests funds in certificates of deposit or savings accounts in the case of special revenue, capital projects and trust funds, and in commercial paper or repurchase agreements (through a financial institution trust department) in the case of the General Fund. The Town only invests in commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency. As of June 30, 2006, all commercial paper was rated A-1.

*Concentration Risk.* The Town of Gorham will diversify its investment portfolio by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution. At June 30, 2006, the Town was in compliance with its investment policy's stipulations on portfolio diversification.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in commercial paper, \$7,029,708, the Town has a custodial credit risk exposure of \$7,029,708 because the related securities are uninsured, unregistered and held by the Town's brokerage firms which are also the counterparty for these particular securities.

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**Note 5 - PROPERTY TAXES**

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Property taxes for the current year were committed on August 30, 2005, on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value. A revaluation was completed for the list of April 1, 2001. The assessed value represented 60% of market value and 80.0% of the estimated State valuation of \$1,234,200,000.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 5 - PROPERTY TAXES, Continued**

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The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$180,032 for the year ended June 30, 2006. The variance between actual property tax revenues and budgeted property tax revenues represents overlay plus supplemental taxes less abatements.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the 2006 and 2005 levies:

	<u>2006</u>	<u>2005</u>
Assessed Value	\$869,744,400	\$868,307,900
Tax Rate (per \$1,000)	<u>19.50</u>	<u>20.00</u>
Commitment	16,960,016	17,366,158
Supplemental Taxes Assessed	<u>20,192</u>	<u>13,824</u>
	16,980,208	17,379,982
Less: Abatements	40,254	108,846
Collections	<u>16,447,451</u>	<u>16,719,750</u>
Receivable at June 30, 2006 and 2005	<u><b>\$ 492,503</b></u>	<u><b>\$ 551,386</b></u>
Due Date(s)	½ 11/15/2005 ½ 05/15/2006	½ 11/15/2004 ½ 05/15/2005
Interest Rates on Delinquent Taxes	7.75%	6.50%
Collection Rate	97.1%	96.8%

Of the total taxes committed for the year ended June 30, 2006, the original amount allocated to the Gorham Industrial Park Municipal Development Tax Increment Financing District, the ODAT-Grondin Municipal Development Tax Increment Financing District, and the Pettingill Ross Municipal Development Tax Increment Financing District was \$278,478.

However, on May 2, 2006, the Gorham Town Council approved writing off the personal property taxes outstanding for Portland Machine Tool Services since the business went out of business and all the assets sold at auction. These personal property taxes were part of the Gorham Industrial Park TIF District and impacted both the 2004-2005 and 2005-2006 tax years.



**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 5 - PROPERTY TAXES, Continued**

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The total write off was \$14,686 with \$7,044 from the 2004-2005 tax year and \$7,642 for the 2005-2006 tax year.

The following amounts were allocated to various companies located within the three tax increment financing districts located in the Town.

**Gorham Industrial Park District**

Big Water	\$ 9,145
CMJ, Inc.	8,229
Foreside Management Co.	54,608
D C Associates	5,973
D & G Group (see note below)	27,325
Hampstead Associates	24,201
Mega Industries	37,477
Montalvo	43,856
Transformit	12,299
Subtotal:	<u>223,113</u>

**ODAT/Grondin District**

ODAT	17,527
Grondin Properties	26,467
Subtotal:	<u>43,994</u>

**Pettingill Ross District**

Pettingill Ross	11,371
Subtotal:	<u>11,371</u>

**Total TIF Financing Plan Amount: \$ 278,478**

Note: The \$27,325 for D & G Group was the amount prior to the personal property tax write off of \$7,642.

(see Note 14, TAX INCREMENT FINANCING DISTRICT)

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**Note 6 – CAPITAL ASSETS**

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In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. All capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 6 – CAPITAL ASSETS, Continued**

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Capital asset activity for the year ended June 30, 2006 was as follows:

	<b>Balance June 30, <u>2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance June 30, <u>2006</u></b>
<b><i>Governmental Activities:</i></b>				
Capital assets, not being depreciated:				
Books/Historical Treasures/Artwork	\$ 1,090,274	\$ -	\$ -	\$1,090,274
Land	1,579,159	303,800	160,000	1,722,959
Construction in Progress	642,850	3,804,627	-	4,447,477
Total capital assets, not being depreciated	3,312,283	4,108,427	160,000	7,260,710
Capital assets, being depreciated:				
Land improvements	4,400,837	35,922	-	4,436,759
Buildings and building improvements	41,088,112	88,886	-	41,176,998
Machinery and equipment	1,300,954	120,984	-	1,421,938
Furniture and office equipment	1,949,727	30,088	-	1,979,815
Computer equipment	289,059	5,235	-	294,294
Vehicles	6,896,258	510,935	236,274	7,170,919
Infrastructure	18,823,171	1,793,842	-	20,617,013
Total capital assets being depreciated	74,748,118	2,585,892	236,274	77,097,736
Less accumulated depreciation for:				
Land improvements	537,837	163,923	-	701,760
Buildings and building improvements	11,335,233	1,158,590	-	12,493,823
Machinery and equipment	411,206	115,121	-	526,327
Furniture and office equipment	557,382	231,983	-	789,365
Computer equipment	215,426	26,754	-	242,180
Vehicles	4,177,047	503,693	236,274	4,444,466
Infrastructure	13,361,806	354,461	-	13,716,267
Total accumulated depreciation	30,595,937	2,554,525	236,274	32,914,188
Total capital assets being depreciated, net	44,152,181	31,367	-	44,183,548
<b>Governmental activities capital assets, net</b>	<b>\$47,464,464</b>	<b>\$4,139,794</b>	<b>\$160,000</b>	<b>\$51,444,258</b>

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 6 – CAPITAL ASSETS, Continued**

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 81,187
Public safety	284,694
Public works, including depreciation of general infrastructure assets	554,131
Recreation and library	97,978
Education	<u>1,536,535</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 2,554,525</u></b>

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**Note 7 – PENSION PLANS**

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**A. MSRS – Consolidated Plan**

**Description of the Plan** – The Town contributes to Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** – Plan members are required to contribute 6.5% of their annual covered salary and the Town of Gorham is required to contribute an actuarially determined rate. The current rates range from 2.8% to 4% of annual covered payroll. The contribution rates of plan members and the Town of Gorham are established and may be amended by the Maine State Retirement System Board of Trustees. Due to an unfunded liability credit, the Town's contribution to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2006, 2005 and 2004 are \$0, \$0 and \$0, respectively, equal to the required contributions for each year.

**B. MSRS Teacher's Group**

**Description of Plan** – All schoolteachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments,

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 7 – PENSION PLANS, Continued**

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and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** – Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine's Department of Education to contribute the employer contribution, which amounts to \$2,662,214 (19.15%) for the fiscal year 2006. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 19.15% of their compensation. This cost is charged to the applicable grant.

**C. Deferred Compensation Plan**

The Town of Gorham offers all its employees not participating in Maine State Retirement a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The Town expended \$181,716 for the year ended June 30, 2006, and \$158,208 for the year ended June 30, 2005. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liabilities for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

**D. Other Retirement Contributions**

Additionally, the Town participates in the Social Security Retirement Program. The Town contributed \$351,449 including F.I.C.A. and Medicare to the Social Security Retirement Program on behalf of Town employees for the year ended June 30, 2006 and \$352,130 for the year ended June 30, 2005.

School employees who are not eligible for the Maine State Retirement Program participate in the Social Security Retirement Program. In addition, a small group of School employees participates in both programs. The School Department contributed \$328,318 including F.I.C.A. and Medicare to the Social Security Retirement Program on behalf of the School employees for the year ended June 30, 2006 and \$276,039 for the year ended June 30, 2005.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 8 – INTERFUND ACCOUNTS**

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Individual interfund loans receivable and payable balances at June 30, 2006, were as follows:

<u>Fund</u>	<u>Interfund loan receivable</u>	<u>Interfund loan payable</u>
Governmental Funds		
General fund	\$ -	\$ 1,777,628
School operations fund	409,163	184,338
Capital reserve fund	585,197	521,235
Other governmental funds:		
Special revenue funds:		
School special revenue funds	260,401	96,422
School lunch fund	-	109,629
Sewer operations	889,536	-
Little Falls sewer reserve & loan fund	14,552	-
Economic development fund	23,639	-
Tax increment financing district	375,812	-
Capital project funds:		
Middle school construction	-	-
White Rock school project	98,814	-
Various school projects	31,172	-
Permanent funds:		
Cemetery perpetual care	11,550	-
Parks and recreation grounds	-	-
Baxter library and museum	114	10,298
Schools	-	-
Public purpose and civic improvements	-	-
Miscellaneous	-	400
Total other governmental funds	1,705,590	216,749
<b>Totals</b>	<b>\$ 2,699,950</b>	<b>\$ 2,699,950</b>

The purpose of the interfunds is to charge revenue and expenditure activity to the appropriate funds. With centralized cash, everything is received and disbursed through the general fund. With interfund accounts, it allows the activity to be recorded within the proper fund, even though the activity occurs within the general fund cash account.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 8 – INTERFUND ACCOUNTS, Continued**

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Interfund transfers during the year ended June 30, 2006 consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 273,486	\$ 12,722,563
School operations fund	11,571,461	-
Capital reserve fund	1,431,594	321,792
Other governmental funds:		
Special revenue funds:		
School Grant fund	-	30,808
Economic Development fund	53,486	-
TIF fund	1,792	53,486
Capital project funds:		
Narragansett School roof project fund	-	303,170
White Rock School project fund	100,000	-
Total other governmental funds	155,278	387,464
<b>Totals</b>	<b>\$ 13,431,819</b>	<b>\$ 13,431,819</b>

The transfer outs comprised of the following:

1. From the General Fund: to provide the school operations fund with the local tax allocation for education (\$11,540,653); to provide the capital reserve fund with the allocation of undesignated fund balance approved by the Town Council to fund projects and the transfer of half balances remaining at year-end in departmental budgets to fund future capital needs for those departments (\$1,128,424); and to transfer the economic development corporation expenditures to the special revenue funds' economic development fund (\$53,486).
2. From the Capital Reserve Fund: to provide funds to assist in purchasing two dump trucks (\$125,000) and to provide funds to hire a Town Engineer (\$95,000) through the general fund; provide seed money for the White Rock School project (\$100,000); and to provide funds to the TIF fund to assist in purchasing Welcome to Gorham signs (\$1,792).
3. From the Special Revenue Fund's School Grant Fund: to provide funding for higher than anticipated cost for special education in the School's Operations Fund (\$30,808).

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 8 – INTERFUND ACCOUNTS, Continued**

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4. From the Special Revenue Fund's TIF Fund: to provide funding for the Economic Development Corporation (\$53,486).
5. From the Capital Project Fund's Narragansett School Roof Project Fund: to close out balance of this project account to the Capital Project Reserve Fund's Municipal/Community Center project as approved by the voters of Gorham (\$303,170).

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**Note 9 – DUE FROM OTHER GOVERNMENTS**

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Due from other governments is comprised of the following:

School operations fund – State agency clients	\$ 115,991
Other governmental funds:	
School special revenue funds	
Title IA, NCLB	50,200
Title IIA, NCLB	14,908
Title IID, NCLB Tech Literacy Challenge	2,504
School Lunch – USDA subsidy	31,878
<u>Total other governmental funds</u>	<u>99,490</u>
 <b>Total</b>	 <b>\$ 215,481</b>

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**Note 10 – LONG-TERM DEBT**

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**A. Statutory Debt Limit**

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. At June 30, 2006, the Town was in compliance with these limitations. (see Table 13, STATISTICAL SECTION)

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 10 – LONG-TERM DEBT, Continued**

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**B. Changes in Long Term Debt**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 30,427,896	5,000,000	2,694,646	32,733,250	2,659,650
Capital leases	659,477	330,058	281,117	708,418	190,335
Accrued vacation and sick leave	671,064	94,222	35,960	729,326	40,000
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<b>\$ 31,758,437</b>	<b>5,424,280</b>	<b>3,011,723</b>	<b>34,170,994</b>	<b>2,889,985</b>

**C. Bonds and Notes Payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are issued as serial bonds, generally with equal amounts of principal maturing each year.

General obligation bonds currently outstanding at June 30, 2006, are comprised of the following:

	<u>Date of Issue</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Balance by Bond</u>
Bonds and notes payable:						
Governmental activities:						
Public Works, paving/Village sewer lines & pump stations	5/20/1987	3,030,000	10/25/2007	5.7-7.5%	\$ 480,000	\$ 480,000
Robie Gym improvements & Baxter Library handicapped access	6/2/1988	80,250	10/25/2008	5.9-7.7%	24,650	
Public Works, dump truck, transfer trailer, truck scale	6/2/1988	117,700	10/25/2008	5.9-7.7%	19,040	
Public Safety, aerial ladder truck & lucas tool	6/2/1988	310,300	10/25/2008	5.9-7.7%	37,740	
General Gov't, voting machines	6/2/1988	26,750	10/25/2008	5.9-7.7%	3,570	85,000
Rebuild tennis courts and Baxter Library handicapped addition	10/26/1988	75,000	10/25/2008	6.5-7.4%	13,620	
Public Works, hauler truck, back hoe, paving box	10/26/1988	174,000	10/25/2008	6.5-7.4%	31,620	
Public Safety, repair and pump tank 3	10/26/1988	50,000	10/25/2008	6.5-7.4%	9,120	
General Gov't, computer upgrade	10/26/1988	31,000	10/25/2008	6.5-7.4%	5,640	60,000
Education, Village school addition	5/4/1989	4,100,000	10/25/2009	7.25-7.3%	820,000	820,000



**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 10 – LONG-TERM DEBT, Continued**

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	Date of Issue	Original Issue Amount	Date of Maturity	Interest Rate	Balance	Balance by Bond
Robie Gym windows, Chick recreation area, playground	5/24/1990	\$ 21,600	10/25/2010	7.1-7.2%	\$ 5,357	
Public Works, plow truck, street sweeper, Mitchell bridge, transfer trailer, air compressor, underground tanks, Great Falls bridge (local share)	5/24/1990	327,830	10/25/2010	7.1-7.2%	81,931	
Public Safety, new rescue and base radio upgrade	5/24/1990	106,000	10/25/2010	7.1-7.2%	26,568	
Education, Village & GSH schools asbestos abatement, and High school roof	5/24/1990	437,570	10/25/2010	7.1-7.2%	109,394	223,250
Education, GSH expansion	9/1/1993	11,565,000	9/1/2013	4.6-5.25%	4,590,000	4,590,000
Public Works, new facility	6/1/2000	1,295,000	6/1/2020	5.7-5.75%	910,000	910,000
Education, New Middle School Construction	9/1/2002	20,375,000	11/1/2022	2.25-4.375%	17,315,000	
Baxter Library, addition and renovations	9/1/2002	850,000	11/1/2017	2.25-4.375%	670,000	17,985,000
Old Shaw School/Community Ctr, renovation	2/1/2004	2,688,345	2/1/2024	3.25-4.35%	2,476,655	
Narragansett School, roof replacement	2/1/2004	112,237	2/1/2009		43,345	
Public Safety, 50% share of fire truck	2/1/2004	350,000	2/1/2024		310,000	2,830,000
Municipal/Community Ctr, renovation (old Shaw School)	9/1/2005	5,000,000	12/1/2024	3.75-4.00%	4,750,000	4,750,000
<b>Total governmental activities</b>					<b>\$ 32,733,250</b>	<b>\$ 32,733,250</b>

The General Fund, the Special Revenue Funds' School Operations Fund and Sewer Fund, and the Permanent Funds' Baxter Library and Museum Fund pay all governmental activities long-term debt service requirements. The annual debt service requirements to amortize bonds and notes payable are as follows:

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 10 – LONG-TERM DEBT, Continued**

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<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 2,659,650	\$ 1,271,652	\$ 3,931,302
2008	2,674,650	1,164,843	3,839,493
2009	2,424,650	1,073,015	3,497,665
2010	2,374,650	975,209	3,349,859
2011	2,169,650	883,447	3,053,097
2012-2016	9,455,000	3,168,199	12,623,199
2017-2021	7,480,000	1,513,982	8,993,982
2022-2026	3,495,000	207,536	3,702,536
<b>Total \$</b>	<b>32,733,250</b>	<b>\$ 10,257,883</b>	<b>\$ 42,991,133</b>

**D. Capital Leases**

The Gorham School Department has entered into various lease agreements as lessee for school buses and copiers, and the Town has entered into two lease agreements for a pickup truck and dump truck. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of their inception.

The following is a summary of the capital lease commitments as of June 30, 2006:

	<b>Original Purchase Price</b>	<b>Annual Depreciation Expense</b>	<b>Total Minimum Lease Payments</b>	<b>Interest</b>	<b>Present Value of Minimum Lease Payments</b>
Education, twelve (12) School Buses	645,446	63,561	464,519	41,637	422,882
Education, Photocopiers,	212,046	n/a	235,544	23,498	212,046
Public Works, 2005 Chevy Pickup	27,000	1,478	17,553	1,371	16,182
Public Works, 2005 Dump Truck	95,628	9,563	62,364	5,056	57,308
			<b>\$779,980</b>	<b>\$71,562</b>	<b>\$708,418</b>

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2006:

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 10 – LONG-TERM DEBT, Continued**

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Fiscal year <u>ending</u>	<u>Principal</u>	<u>Interest</u>	Total Lease <u>Obligation</u>
2007	\$ 190,335	28,053	218,388
2008	196,680	21,709	218,389
2009	184,188	13,398	197,586
2010	67,244	5,565	72,809
2011	69,971	2,837	72,808
	<u>\$ 708,418</u>	<u>71,562</u>	<u>779,980</u>

**E. Compensated Absences**

The Town's policy relating to compensated absences is described in Note 1, H. The long-term portion of this debt, amounting to \$729,326 for governmental activities at June 30, 2006, is expected to be paid in future years from future resources. The Town has estimated that out of the \$729,326, approximately \$40,000 will be due within the next year. In prior years, compensated absences have been liquidated primarily by the general fund.

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**Note 11 - OPERATING LEASES**

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The School Department has entered into seven leases for portable buildings, five expiring July 31, 2008 and two expiring August 31, 2007. For accounting purposes, all of these leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2006 amounted to \$92,400. Future minimum lease payments for these leases are as follows:

Year ended <u>June 30,</u>	
2007	92,400
2008	70,400
2009	11,000
<u>Total</u>	<u>\$ 173,800</u>

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES**

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**A. Overlapping Debt**

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2006, the Town's State valuation of \$1,234,200,000 was 3.59% of the County's State valuation of \$34,366,000,000. The Town's share is 3.59% or \$379,246 of Cumberland County's \$10,560,000 long-term debt outstanding as of June 30, 2006.

The Town is also served by the Portland Water District. At June 30, 2006, the Town's share of self-supporting bonded water debt is 5.37% or \$1,144,978 of total debt of \$21,325,000. At June 30, 2006, the Town's portion of Portland Water District's bonded sewer debt for which the Town of Gorham is directly obligated through sewer user fees is \$1,040,764. The Town also shares an obligation with the Town of Windham for a joint sewer project. Gorham's share of this debt amounts to \$5,298. The Water District annually assesses the Town for its proportionate share of debt issued for engineering and construction costs of a sewage treatment plant.

**B. Contingencies**

Ecomaine, formerly Regional Waste Systems, Inc., a Maine corporation with twenty-one participating municipalities including the Town of Gorham, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of Ecomaine, payable from and secured by a pledge of Ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. Ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to Ecomaine for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2006, outstanding "Incinerator Debt" of Ecomaine totaled \$43,076,000 of which the Gorham share, based on estimated tonnage to be delivered, amounted to \$1,736,581.

The Town has also entered into an agreement with Ecomaine, as one of twenty-one Ecomaine Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at Ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2006, the Town's share is \$281,624 of Ecomaine's outstanding MRF debt of \$5,029,000.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES, Continued**

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Ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$20,737,626 at June 30, 2005, the most recent data available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 4.05% or \$839,821.

**Total Debt and Contingencies**

<u>Governmental Unit</u>	<u>As of June 30, 2006</u>			
	<u>Direct</u> <u>Debt</u>	<u>Overlapping</u> <u>Debt</u>	<u>Contingent</u> <u>Debt</u>	<u>Total</u> <u>Debt</u>
Town of Gorham	\$32,733,250	\$ -	\$ -	\$ 32,733,250
Cumberland County	-	379,246	-	379,246
Portland Water District – sewer debt	-	1,040,764	-	1,040,764
Portland Water District – sewer shared with Town of Windham	-	5,298	-	5,298
Portland Water District - water debt	-	1,144,978	-	1,144,978
Ecomaine:				
Resources recovery system	-	-	1,736,581	1,736,581
Material recycling facility	-	-	281,624	281,624
Landfill closure	-	-	839,821	839,821
<b>Totals</b>	<b><u>\$32,733,250</u></b>	<b><u>\$2,570,286</u></b>	<b><u>\$ 2,858,026</u></b>	<b><u>\$ 38,161,562</u></b>

**C. Arbitrage**

Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. The Town has had several issues for which a rebate calculation is or has been required. As of June 30, 2006, substantially all such calculations have been performed.

**D. Grant Funds**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowance claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES, Continued**

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**E. Litigation**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**F. Conduit Debt**

From time to time, the Town has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Town, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$3,505,000.

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**Note 13 – REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES**

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The State of Maine currently reimburses the Town for a portion of the financing costs of school building and school bus purchases. Continuation of such reimbursement is dependent upon continued appropriation by the state legislature.

Hannaford Brothers has agreed to reimburse the Town for certain debt service costs related to the Village Sewer Construction project. During the years ended June 30, 2006 and 2005, these reimbursements amounted to \$16,625 and \$17,675, respectively. Principal and interest to be reimbursed will total \$488,407 through fiscal year 2008. These reimbursements are recorded as revenue in the Sewer operations special revenue fund for 2006.

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**Note 14 - TAX INCREMENT FINANCING DISTRICT**

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Tax increment financing (TIF) pursuant to Chapter 207 of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance development by utilizing the future increased property tax receipts attributable to the development. Under the statutory framework, the municipality designates a tax increment-financing district and adopts a development program (the Development Program) stating the means and objectives for the development district.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 14 - TAX INCREMENT FINANCING DISTRICT, Continued**

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The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs.

Tax increment financing districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single development district may not exceed 2% of the total acreage of the municipality, (b) the total area of all districts within a municipality may not exceed 5% of the total acreage of the municipality, and (c) the aggregate value of equalized taxable property of all districts within the municipality as of the April 1<sup>st</sup> preceding the date of designation of each such district cannot exceed 5% of the municipality’s total value of equalized taxable property, excluding from this limit any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Section 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5257 of the Maine Revised Statutes, as amended.

In March 1997, the Town designated a 19.97 acre area within the Gorham Industrial Park as the Gorham Industrial Park Municipal Development Tax Increment Financing District (the district). The district included three companies, Mega Industries, a high technology metals fabrication company, Transformit, a high quality fabric structures firm, and Foreside Company, an import-export, wholesale, retail company.

Subsequently, in March 1999, the Town expanded the geographic scope of the district. The expansion allows the Town to assist three additional businesses to be located in the district. The expansion of the district encompasses approximately 6.83 acres of taxable land.

On June 4, 2002, the Town Council approved a minor amendment to the original Tax Increment Financing District as subsequently amended on March 31, 1999, by adding approximately 1.08 acres which is part of Tax Map 12, Lot 33-5, to the District.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 14 - TAX INCREMENT FINANCING DISTRICT, Continued**

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On August 5, 2003, the Town designated approximately 28.1 acres within the Gorham Industrial Park as the ODAT/Grondin Development District. The joint name is to reflect that this district involves efforts of two separate developers on two separate but geographically proximate locations. ODAT is a precision manufacturer of component machine parts and will be constructing a 21,000 square foot manufacturing facility on its 4.9 acre tract of land.

The purpose of the Grondin portion of the district is to encourage the creation of five (5) new industrial lots on 23.14 acres of land: Grondin Properties, LLC will develop a new industrial park access road on part of this 23 acre parcel of land and will be reimbursed from the TIF revenues generated over a 15 year period, up to a maximum of \$429,064 for construction costs related to the development of the new road.

On January 6, 2004, the Town Council approved the creation of a permanent Revolving Loan Fund program with the funding coming from the Town's portion of Tax Increment Financing revenues derived from the ODAT/Grondin Development District.

On March 2, 2004, the Town designated a 6.5-acre parcel of land in the Gorham Industrial Park as the Pettingill Municipal Development District. The Pettingill Ross Company, a sheet metal company, currently located in the Westbrook Industrial Park, has acquired the old Hill-Loma building and intends to improve, rehabilitate, construct and equip a manufacturing facility at this location in the Gorham Industrial Park.

On March 1, 2005, the Town designated a 2.1-acre parcel of land located at 14 County Road (Route 22) as the VIP, Inc. Tax Increment Financing Development District. VIP, Inc., a retail parts, tires, and automotive services business, requested the TIF designation when they found out that one of the conditions of building a new 9,620 sq. ft. retail store on the former Roberts' Welding property would be to construct a center turning lane. VIP estimates that the cost of the turning lane to be in the \$170,000 range, a cost that "makes the project bear an unreasonable amount of its share of rectifying the traffic problem," as stated in a February 14, 2005 letter to Town Manager David Cole. The Town Council in a 4-1 vote approved a 15-year TIF, which would give back 50% of the taxes generated from the increased tax value generated from the new building.

On June 6, 2006, the Town designated three parcels of land totaling 58.3 acres located on Narragansett Street near the existing Moody's Collision Center as the Moody's Collision Centers Municipal Development and Tax Increment Financing District. Moody's Collision Centers, Inc. plans on expanding on the three parcels with additional 6 acre vehicle storage, a 2 acre 17,000 sq. ft. new repair facility, and another 4 acre vehicle storage area. As part of this development activity, Moody's is planning to add the following infrastructure improvements: phase 3 power and T-1 telephone/network service to the new collision repair facility.



**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 14 - TAX INCREMENT FINANCING DISTRICT, Continued**

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The total infrastructure improvements are estimated to costs Moody's \$53,000. The Town Council in a 4-3 vote approved a 15-year TIF, which would give back 50% of the taxes generated from the increased tax value from the new building and improvements up to a maximum of \$46,638.

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**Note 15 - CLASSIFICATION OF NET ASSETS**

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In the Government-wide financial statements net assets are classified in the following categories:

**Invested in Capital Assets, Net of Related Debt** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

**Restricted Net Assets** - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. This category presents restrictions placed on the Permanent fund.

**Unrestricted Net Assets** - Represent the net assets of the Town, not restricted for any project or other purpose.

In the Funds financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Town Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2006, reservations of fund balance are described below:

**Reserved for Non-Current Receivables/Encumbrances** - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received, as well as the portion of receivables not due within the next 12 months after year end.

**Reserved for Nonexpendable Trust Principal** - These reserves represent that portion of originally contributed trust fund assets restricted from disbursement.

**Reserved for Inventory** - Represent that portion of General Fund and Special Revenue Fund – School Lunch Fund, restricted for trash bags, and food, supplies and donated commodities, used in the lunch program, respectively.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 16 – DESIGNATED FUND BALANCES**

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At June 30, 2006 and 2005, portions of the General Fund and the Special Revenue Funds' School Operation Fund and Capital Reserve Fund fund balances were appropriated to future periods as follows:

	<u><b>2006</b></u>	<u><b>2005</b></u>
General Fund:		
D.A.R.E.	\$ 8,698	\$ 9,442
Bicycle patrol	376	376
Restorative justice grant	4,742	3,697
Drug forfeiture	4,271	4,250
Little Falls substation	2,272	2,272
Gorham triad	3,728	3,728
Seatbelt enforcement grant	-	(1,956)
Child safety seats	885	885
Fire/rescue donations	25	-
Fire prevention	1,883	2,284
Cumberland County hazmet	14,156	6,313
WMD homeland security	240	(2,914)
Homeland security grant	-	(23,053)
Regional grant - maintenance facility	33,000	-
Narragansett foundation - fire police vehicle	10,339	-
Street opening permits	87,912	53,260
Pay-per-bag startup costs	5,636	5,636
Recycling committee	644	7
Recreation	95,281	149,292
Tree grant	1,358	1,358
Community Center donations	750	750
Vacation/comp/sick reserve	137,877	39,877
Unemployment insurance contingency reserve	21,500	21,500
Accrued compensated absences	256,162	251,068
<b>Total general fund</b>	<b>\$ 691,735</b>	<b>\$ 528,072</b>
Special Revenue Fund:		
School operation fund:		
Budgeted use of fund balance	94,050	281,681
<b>Total school operation fund</b>	<b>\$ 94,050</b>	<b>\$ 281,681</b>

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 16 – DESIGNATED FUND BALANCES, Continued**

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	<u><b>2006</b></u>	<u><b>2005</b></u>
Capital reserve fund:		
Village plan study	\$ 6,000	\$ 6,000
Municipal center	-	35,200
Revaluation	147,162	122,162
Paving	(166,713) *	2,020
South St sidewalk (grant project)	59,218	-
Impact study - residential growth	30	30
State roads projects	273,892	652,634
Longfellow bridge	35,000	35,000
Extension - Wentworth Drive	6,500	6,500
Fire ponds/dry hydrants	31,150	-
Limited access highway	75,000	75,000
Drainage, 130 Main Street	6,219	6,219
Storm water phase II	18,296	15,177
Stumpage	4,789	6,570
South St sidewalk (Heartwood)	136,411	119,431
Morrell Ave sidewalk	85,124	-
Community center granite sign	4,727	4,552
Shaw park	3,500	-
Town clock	75,000	-
Repairs to outlying fire stations	14,326	5,752
Fire Dept master plan	200	22,620
Little Falls tennis courts	1,469	1,469
Baxter Memorial Library Assoc (BMLA)	3,013	4,838
Baxter library expansion	20,437	20,021
Historical society building repairs	2,164	2,164
Recreation facility reserve	125,500	140,000
Narragansett skating	-	20,000
Public Works building	13,119	43,691
Chick property site development	1,947	1,947
Recreation master plan	8,487	-
Baxter museum repairs	17,696	14,046
Municipal/community center project	3,474,354	1,720,006
Public safety building project	113,483	-
Land acquisition	281,525	40,772
Recreation facility impact fee	366,823	218,613

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 16 – DESIGNATED FUND BALANCES, Continued**

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	<u><b>2006</b></u>	<u><b>2005</b></u>
Capital reserve fund:		
Open space impact fee	\$ 63,264	\$ 37,616
Water impact fee	21,143	15,787
Equipment	90,032	88,381
Portable Building - Planning Dept	-	1,792
Administration	6,030	266
Finance software/computer upgrade	192,561	197,569
Compensation study	15,000	-
Assessing	2,780	1,618
Code	4,474	436
Town clerk	2,977	660
Police vests	309	-
Pistol magazines (duty weapons)	1,200	-
Shotguns (replacement)	2,667	-
Cruisers	21,365	16,686
Police	9,561	9,561
Communications	7,276	7,276
Fire	854	854
Rescue	3,545	2,573
Public Works	24,605	26,619
Public Works vehicles	2,061	80,410
Fuel depot	4,421	-
Baxter Library	6,053	5,088
Recreation	1,583	748
Cable TV	342,799	275,953
Planning	6,817	6,817
GIS system	46,659	50,109
Internet	18,711	18,711
Web site development	10,143	10,143
Fire truck reserve	-	130,942
Rescue reserve	130,942	-
Recreation vehicles	2,208	2,208
<b>Total capital reserve fund</b>	<b>\$6,287,888</b>	<b>\$4,331,257</b>
<b>Total governmental funds</b>	<b>\$7,073,673</b>	<b>\$5,141,010</b>

Note: \* Paving deficit due to paving work done in June 2006 but funded with fiscal year 2007 funds.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 17 – BUDGETARY VS. GAAP ACCOUNTING**

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Through June 30, 2006, the Town did not budget for expenditures related to teachers' summer pay on an accrual basis. Additionally, for budgetary purposes, the Town has recorded certain encumbrances as expenditures at year-end. The following is a reconciliation of fund balance for the General Fund and School Operations Fund (Special Revenue Fund) on the basis of accounting principles generally accepted in the United States of America and on the budgetary basis.

	<b><u>General Fund</u></b>	<b><u>Special Revenue School</u></b>
Fund balance (deficit), June 30, 2006 – GAAP basis	\$6,794,609	\$ (1,853,507)
Accrued summer salaries	-	2,079,187
Encumbrances	(298,828)	( 71,070)
<b><u>Fund balance, June 30, 2006 – budgetary basis</u></b>	<b><u>\$6,495,781</u></b>	<b><u>\$ 154,610</u></b>

As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Gorham School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,662,214. These amounts have been included as an intergovernmental revenue and an education expenditure in the General Fund on Statement 2 (GAAP basis). There is no effect on the fund balance at the end of the year.

Additionally, the Gorham School Department has budgeted to utilize \$94,050 of its June 30, 2006 fund balance as part of its fiscal year ending June 30, 2007 budget.

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**Note 18 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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The Town has two landfills, one that holds household refuse and a second, which is used for demolition debris. The first was capped in the 1970's in accordance with Maine Department of Environmental Protection (MDEP) standards at the time. Monitoring wells in the area had shown levels of contamination and MDEP ordered a study be performed to determine the extent of contamination. This study has now been completed. Current MDEP requirements call for testing twice a year which is expected to cost the Town \$10,000 annually. The demolition debris landfill is now presently capped. Because of the study, the engineers do not expect any contamination problems in the future.

**TOWN OF GORHAM, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note 18 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS, Continued**

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All potential postclosure monitoring cost for this site has been deemed immaterial, and therefore no liability for these amounts has been accrued. Postclosure monitoring costs will be included in the Town's operating budget annually.

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**Note 19 – CONSTRUCTION COMMITMENT**

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At June 30, 2006, the Town was committed to contracts for the renovation work at the old Shaw School to turn it into a joint Municipal and Community Center project for approximately \$1,983,985.

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**Note 20 – SUBSEQUENT EVENTS**

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On September 5, 2006, the Gorham Town Council approved establishing a tax-increment-financing district designated as the Nappi Distributors Municipal Development and Tax Increment Financing District. Nappi Distributors intends on constructing a 155,000 square foot facility for warehousing and administration. This TIF period is 20 years with a 52% of the captured tax revenues returned to the developer.

Also on September 5, 2006, the Gorham Town Council approved increasing the sewer rates as follows:

- Base rate for first 100 cubic feet (cf) from \$11.44 per month to \$13.74 per month
- Readiness to serve fee from \$11.44 per month to \$13.74 per month
- Additional HCF after first 100 cf from \$4.44 per month to \$6.29 per month

The current sewer rates have not been adjusted since January 1995. And with the Town moving forward with the project to close the Little Falls Treatment Plant and extend the sewer line down Route 237 to the Westbrook Treatment Plan, which will be funded by new debt service, an increase in the sewer rates was necessary. The new rates will become effective November 1, 2006.

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### **GENERAL FUND**

The general fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs, which are not paid through other funds.



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**TOWN OF GORHAM, MAINE**  
**Comparative Balance Sheet - General Fund**  
**June 30, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
Cash	\$ 5,071	5,000
Investments	9,096,038	8,382,316
Receivables:		
Accounts	143,744	167,221
Rescue receivable (net of allowance of \$50,000 and 70,000)	114,204	76,582
Taxes receivable - current year	492,503	551,386
Taxes receivable - prior year	5,985	2,627
Tax liens	276,055	208,803
Tax acquired property	3,623	-
Inventory	15,097	11,187
Other assets - performance bonds	2,477,424	2,443,561
<b>Total assets</b>	<b>\$ 12,629,744</b>	<b>11,848,683</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and payroll withholdings	698,263	420,227
Accrued wages and benefits	94,860	160,670
Interfund loans	1,777,628	2,299,591
Deferred tax revenues	513,000	480,000
Middle school impact fees	273,960	244,703
Performance bond deposits	2,477,424	2,443,561
<b>Total liabilities</b>	<b>5,835,135</b>	<b>6,048,752</b>
Fund balance:		
Reserved for:		
Encumbrances	298,828	379,300
Inventory	15,097	11,187
Unreserved:		
Designated	691,735	528,072
Undesignated	5,788,949	4,881,372
<b>Total fund balance</b>	<b>6,794,609</b>	<b>5,799,931</b>
<b>Total liabilities and fund balance</b>	<b>\$ 12,629,744</b>	<b>11,848,683</b>

**TOWN OF GORHAM, MAINE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year ended June 30, 2006**

(with comparative actual amounts for the year ended June 30, 2005)

	2006		Variance Positive (Negative)	2005 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 16,501,505	16,655,014	153,509	16,982,257
Change in deferred property tax revenue	-	(33,000)	(33,000)	(42,000)
Excise taxes	2,316,000	2,480,592	164,592	2,359,645
Interest and costs on taxes	70,000	50,037	(19,963)	53,883
Total taxes	18,887,505	19,152,643	265,138	19,353,785
Licenses and permits:				
Building permits	225,000	514,879	289,879	329,629
Plumbing/electrical fees	22,000	41,001	19,001	32,076
Motor vehicle renewal fees	48,500	50,071	1,571	50,055
Town clerk fees	31,700	42,489	10,789	45,789
Other	6,000	23,058	17,058	20,599
Total licenses and permits	333,200	671,498	338,298	478,148
Intergovernmental:				
State revenue sharing	1,299,600	1,372,122	72,522	1,302,053
Homestead exemption	379,642	379,972	330	369,434
Highway block grant	240,788	279,760	38,972	240,788
DARE	-	20	20	53
Other state grants	20,500	31,716	11,216	27,807
FEMA reimbursement	-	-	-	151,930
Human services assistance	15,000	10,834	(4,166)	10,221
Total intergovernmental	1,955,530	2,074,424	118,894	2,102,286
Investment income	100,000	243,115	143,115	110,166
Charges for services:				
Recreation fees	30,000	30,001	1	20,028
Fire and rescue fees	317,100	409,393	92,293	239,677
Subdivision/development fees	43,560	88,239	44,679	91,901
Sewer inspection fees	3,000	2,900	(100)	7,820
Miscellaneous public works	4,100	5,854	1,754	7,858
Cable TV franchise fee	140,000	91,163	(48,837)	75,102
Solid waste user charges	391,500	404,425	12,925	404,619
Police fees, fines and outside work	21,400	20,239	(1,161)	26,320
University of Southern Maine assistance	12,500	12,500	-	12,500
Total charges for services	963,160	1,064,714	101,554	885,825

**TOWN OF GORHAM, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2006		Variance Positive (Negative)	2005 Actual
	Budget	Actual		
Revenues, continued:				
Other Revenues:				
Cemetery income	\$ 8,000	8,725	725	7,470
Rent	46,080	46,080	-	46,080
Recreation reimbursement	-	483,803	483,803	548,948
Senior Mealsite	12,500	13,710	1,210	12,186
Payment in lieu of taxes	52,439	55,469	3,030	51,083
Miscellaneous	9,000	12,663	3,663	16,014
Miscellaneous unbudgeted	-	501,163	501,163	254,748
Total other revenues	128,019	1,121,613	993,594	936,529
Total revenues	22,367,414	24,328,007	1,960,593	23,866,739
Expenditures:				
Current:				
General government:				
Administration	377,295	367,384	9,911	394,694
Assessing	128,133	97,821	30,312	121,811
Code enforcement	125,591	117,515	8,076	120,586
Elections	230,023	225,388	4,635	226,422
Municipal center	117,982	109,751	8,231	111,433
Technology	82,275	29,212	53,063	-
Shaw municipal center	42,400	12,970	29,430	52,402
Total general government	1,103,699	960,041	143,658	1,027,348
Public Safety:				
Police department	1,314,415	1,321,890	(7,475)	1,267,055
Fire department	642,938	651,139	(8,201)	650,848
Rescue squad	380,760	366,317	14,443	349,580
Public utilities	110,500	76,727	33,773	105,301
Communications	315,879	311,417	4,462	312,989
Total public safety	2,764,492	2,727,490	37,002	2,685,773
Public Works:				
Public works maintenance	1,173,016	1,226,603	(53,587)	1,234,859
Solid waste removal	897,452	850,150	47,302	724,738
Engineering	75,000	47,959	27,041	-
Total public works	2,145,468	2,124,712	20,756	1,959,597
Health and Welfare	67,693	45,423	22,270	52,199
Recreation:				
Baxter Memorial Library	401,834	398,761	3,073	382,339
Baxter Museum	8,009	4,332	3,677	6,367
Little Falls Library	1,800	1,800	-	1,800
North Gorham Library	10,000	10,000	-	12,593
Parks and conservation	500	500	-	(29)
Recreation	188,027	186,350	1,677	177,637
Recreation - reimbursable programs	-	537,839	(537,839)	514,212
Total recreation	610,170	1,139,582	(529,412)	1,094,919

**TOWN OF GORHAM, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	<b>2006</b>		<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
Expenditures, continued:				
Current, continued:				
Development:				
Planning	\$ 187,212	186,906	306	178,829
Social services	600	600	-	600
Appeals board/assessment appeals	1,650	532	1,118	657
G.P.C.O.G.	14,141	14,141	-	13,434
Total development	203,603	202,179	1,424	193,520
Insurances:				
Multi peril policy	136,000	129,480	6,520	121,044
Public liability	13,000	16,496	(3,496)	11,307
Worker's compensation	119,690	101,054	18,636	97,263
MMA insurance premium	11,275	10,910	365	10,910
Total insurance	279,965	257,940	22,025	240,524
Employee benefits:				
Group life insurance	600	752	(152)	640
Retirement	251,500	250,418	1,082	153,783
Major medical insurance	841,700	770,586	71,114	796,449
Direct unemployment compensation	2,500	1,957	543	2,494
Social security	350,765	312,288	38,477	312,854
Employee assistance program	1,000	1,050	(50)	600
Total employee benefits	1,448,065	1,337,051	111,014	1,266,820
Intergovernmental - County Tax	677,471	677,471	-	659,977
Unclassified:				
Contingency	74,278	27,000	47,278	42,716
Town clock	500	500	-	1,300
Memorial day	2,100	1,736	364	1,668
Gorham cable TV	84,585	73,057	11,528	69,488
Gorham sno-goers	1,000	1,000	-	-
Miscellaneous unbudgeted	-	287,839	(287,839)	261,899
Total unclassified	162,463	391,132	(228,669)	377,071
Debt service (excluding education):				
Principal	608,522	594,122	14,400	368,140
Interest	411,585	346,638	64,947	210,333
Total debt service	1,020,107	940,760	79,347	578,473

**TOWN OF GORHAM, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2006		Variance Positive (Negative)	2005 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Total expenditures	\$ 10,483,196	10,803,781	(320,585)	10,136,221
Excess of revenues over expenditures	11,884,218	13,524,226	1,640,008	13,730,518
Other financing sources (uses):				
Transfers to school fund	(11,540,653)	(11,540,653)	-	(12,588,286)
Transfers to special revenue - economic development	(63,000)	(53,486)	9,514	(58,299)
Transfers to special revenue - capital reserve	(563,565)	(1,128,424)	(564,859)	(507,726)
Transfers in from special revenue - TIF and capital reserve funds	283,000	273,486	(9,514)	125,232
Total other financing sources (uses)	(11,884,218)	(12,449,077)	(564,859)	(13,029,079)
Excess of revenues and other financing sources over expenditures and other uses - budgetary basis		1,075,149	1,075,149	701,439
Reconciliation to GAAP basis:				
Change in encumbrances		(80,471)		(127,894)
		(80,471)		(127,894)
Net change in fund balance		994,678		573,545
Fund balance, beginning of year		5,799,931		5,226,386
Fund balance, end of year	\$	6,794,609		5,799,931

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**ALL OTHER GOVERNMENTAL FUNDS**



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**TOWN OF GORHAM, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2006**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 122,838	-	-	122,838
Investments	59,501	445,275	576,290	1,081,066
Accounts receivable	90,878	-	-	90,878
Intergovernmental	99,490	-	-	99,490
Inventory	20,203	-	-	20,203
Interfund loans receivable	1,563,940	129,986	11,664	1,705,590
<b>Total assets</b>	<b>\$ 1,956,850</b>	<b>575,261</b>	<b>587,954</b>	<b>3,120,065</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	17,445	-	6,659	24,104
Deferred Medicaid revenues	92,951	-	-	92,951
Interfund loans payable	206,051	-	10,698	216,749
<b>Total liabilities</b>	<b>316,447</b>	<b>-</b>	<b>17,357</b>	<b>333,804</b>
Fund balances:				
Reserved for:				
Inventory	20,203	-	-	20,203
Unreserved:				
Designated	-	-	384,443	384,443
Undesignated	1,620,200	575,261	186,154	2,381,615
<b>Total fund balance</b>	<b>1,640,403</b>	<b>575,261</b>	<b>570,597</b>	<b>2,786,261</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,956,850</b>	<b>575,261</b>	<b>587,954</b>	<b>3,120,065</b>

**TOWN OF GORHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 263,793	-	-	263,793
Intergovernmental	1,288,834	112,237	-	1,401,071
Investment income	2,084	23,139	6,955	32,178
Other revenue	1,420,849	16,000	12,164	1,449,013
Total revenues	2,975,560	151,376	19,119	3,146,055
Expenditures:				
Current:				
Education	1,166,810	-	-	1,166,810
Public works - sewer	624,582	-	-	624,582
Other:				
Food services	927,436	-	-	927,436
Miscellaneous	240,603	-	14,912	255,515
Debt service:				
Principal	208,650	-	2,358	211,008
Interest and other costs	41,298	-	87	41,385
Capital improvements	-	47,683	-	47,683
Total expenditures	3,209,379	47,683	17,357	3,274,419
Excess (deficiency) of revenues over (under) expenditures	(233,819)	103,693	1,762	(128,364)
Other financing sources (uses):				
Transfer from other funds	55,278	100,000	-	155,278
Transfer to other funds	(84,294)	(303,170)	-	(387,464)
Total other financing sources (uses)	(29,016)	(203,170)	-	(232,186)
Net change in fund balances	(262,835)	(99,477)	1,762	(360,550)
Fund balances, beginning of year	1,903,238	674,738	568,835	3,146,811
Fund balances, end of year	\$ 1,640,403	575,261	570,597	2,786,261

## **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

**School Operations Fund** -- To account for the operations of the Town of Gorham School Department, the revenues of which are dedicated by State statute for school purposes. The School Fund has been presented as a major fund. See Statement 3 and 4.

**School Special Revenue Funds** -- To account for various federal and state grants for special programs administered by the School Department, as well as the activity of miscellaneous school programs.

**School Lunch Fund** -- To account for the activity of the school lunch program.

**Sewer Operations** -- To account for the revenues and expenditures of the Sewer operations.

**Little Falls Sewer Reserve and Loan Fund** -- To account for the financial activity of a reserve established for the Little Falls Sewer and of certain loans provided to sewer users.

**Economic Development Fund** -- To account for a reserve earmarked for the Gorham Industrial Park.

**Capital Reserve** -- To account for a reserve earmarked for future capital outlays. The Capital Reserve has been presented as a major fund. See Statement 3 and 4.

**Recreation Funds**-- To account for the activity of miscellaneous recreation programs.

**Public Safety Funds** -- To account for the activity that benefits various fire companies and public safety groups.

**Gorham Senior Citizens** -- To account for the activities that benefit the senior citizens of Gorham.

**TIF Funds** -- To account for the activity of the Gorham Industrial Park redevelopment district, the Grondin-ODAT development district, and the Pettingill Ross development district.

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**TOWN OF GORHAM, MAINE**  
**Combining Balance Sheet**  
**Special Revenue Funds**

June 30, 2006  
(with comparative actual amounts for the year ended June 30, 2005)

Little Falls											
	School Special Revenue Funds	School Lunch Fund	Sewer Operations	Sewer Reserve and Loan Fund	Economic Development Fund	Recreation Funds	Public Safety Funds	Gorham Senior Citizens	TIF Funds	Totals	
										2006	2005
ASSETS											
Cash	\$ -	53,710	-	-	16,104	7,586	45,438	-	-	122,838	231,996
Investments	-	-	-	49,450	-	-	-	10,051	-	59,501	59,130
Accounts receivable	1,086	2,597	87,195	-	-	-	-	-	-	90,878	149,814
Due from other governments	67,612	31,878	-	-	-	-	-	-	-	99,490	66,160
Inventory	-	20,203	-	-	-	-	-	-	-	20,203	20,000
Interfund loans receivable	260,401	-	889,536	14,552	23,639	-	-	-	375,812	1,563,940	1,538,912
Total assets	\$ 329,099	108,388	976,731	64,002	39,743	7,586	45,438	10,051	375,812	1,956,850	2,066,012
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	17,445	-	-	-	-	-	-	-	-	17,445	800
Deferred Medicaid revenues	92,951	-	-	-	-	-	-	-	-	92,951	-
Interfund loans payable	96,422	109,629	-	-	-	-	-	-	-	206,051	161,974
Total liabilities	206,818	109,629	-	-	-	-	-	-	-	316,447	162,774
Fund balances:											
Reserved for:											
Inventory	-	20,203	-	-	-	-	-	-	-	20,203	20,000
Unreserved:											
Undesignated	122,281	(21,444)	976,731	64,002	39,743	7,586	45,438	10,051	375,812	1,620,200	1,883,238
Total fund balances (deficit)	122,281	(1,241)	976,731	64,002	39,743	7,586	45,438	10,051	375,812	1,640,403	1,903,238
Total liabilities and fund balances	\$ 329,099	108,388	976,731	64,002	39,743	7,586	45,438	10,051	375,812	1,956,850	2,066,012

**TOWN OF GORHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Special Revenue Funds**  
**For the year ended June 30, 2006**  
**(with comparative actual amounts for the year ended June 30, 2005)**

Little Falls											
Sewer											
Reserve											
and Loan											
Fund											
Economic											
Development											
Fund											
Recreation											
Funds											
Public											
Safety											
Funds											
Gorham											
Senior											
Citizens											
TIF											
Funds											
Totals											
2006											
2005											
Revenues:											
Intergovernmental:											
Federal grants	\$	842,500	-	-	-	-	-	-	-	842,500	843,313
Other state grants		216,427	-	-	-	-	-	-	-	216,427	439,977
USDA subsidies		-	229,907	-	-	-	-	-	-	229,907	220,436
Total intergovernmental		1,058,927	229,907	-	-	-	-	-	-	1,288,834	1,503,726
Investment income		-	1,697	-	308	16	-	-	63	2,084	2,542
Other revenues:											
Property taxes		-	-	-	-	-	-	-	263,793	263,793	251,748
Hannaford payment		-	-	16,625	-	-	-	-	-	16,625	17,675
User fees		-	-	736,093	-	-	-	-	-	736,093	785,438
Miscellaneous		-	641,067	-	-	62	13,583	13,419	-	668,131	670,295
Total other revenues		-	641,067	752,718	-	62	13,583	13,419	263,793	1,684,642	1,725,156
Total revenues		1,058,927	872,671	752,718	308	78	13,583	13,419	63	2,975,560	3,231,424
Expenditures:											
Current:											
Education:											
Federal education grants		876,325	-	-	-	-	-	-	-	876,325	993,472
State grants and special uses		290,485	-	-	-	-	-	-	-	290,485	378,920
Total education		1,166,810	-	-	-	-	-	-	-	1,166,810	1,372,392
Public works - sewer costs		-	-	624,582	-	-	-	-	-	624,582	534,636
Other:											
Food services		-	927,436	-	-	-	-	-	-	927,436	875,101
Miscellaneous		-	-	-	-	53,486	17,570	11,082	158,465	240,603	202,764
Total other		-	927,436	-	-	53,486	17,570	11,082	158,465	1,168,039	1,077,865
Debt service:											
Principal		-	-	208,650	-	-	-	-	-	208,650	194,000
Interest		-	-	41,298	-	-	-	-	-	41,298	56,411
Total debt service		-	-	249,948	-	-	-	-	-	249,948	250,411
Total expenditures		1,166,810	927,436	874,530	-	53,486	17,570	11,082	158,465	3,209,379	3,235,304

**TOWN OF GORHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Special Revenue Funds**  
**For the year ended June 30, 2006**  
**(with comparative actual amounts for the year ended June 30, 2005)**

	School Special Revenue Funds	School Lunch Fund	Sewer Operations	Sewer Reserve and Loan Fund	Economic Development Fund	Recreation Funds	Public Safety Funds	Gorham Senior Citizens	TIF Fund	Totals	
										2006	2005
Excess (deficiency) of revenues over (under) expenditures	\$ (107,883)	(54,765)	(121,812)	308	(53,408)	(3,987)	2,337	63	105,328	(233,819)	(3,880)
Other financing sources (uses):											
Transfers in	-	-	-	-	53,486	-	-	-	1,792	55,278	58,299
Transfers out	(30,808)	-	-	-	-	-	-	-	(53,486)	(84,294)	(58,299)
Total other financing sources (uses)	(30,808)	-	-	-	53,486	-	-	-	(51,694)	(29,016)	-
Net change in fund balance	(138,691)	(54,765)	(121,812)	308	78	(3,987)	2,337	63	53,634	(262,835)	(3,880)
Fund balances, beginning of year	260,972	53,524	1,098,543	63,694	39,665	11,573	43,101	9,988	322,178	1,903,238	1,907,118
<b>Fund balances (deficit), end of year</b>	<b>\$ 122,281</b>	<b>(1,241)</b>	<b>976,731</b>	<b>64,002</b>	<b>39,743</b>	<b>7,586</b>	<b>45,438</b>	<b>10,051</b>	<b>375,812</b>	<b>1,640,403</b>	<b>1,903,238</b>



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## **CAPITAL PROJECTS FUND**

Capital projects fund are established to account for resources obtained and expended for the acquisition of major capital facilities.

The Town's individual capital project funds were established for the following purposes:

### **Middle School Construction**

To account for the construction of a new middle school on Weeks Road.

### **Narragansett School Roof Project**

To account for the replacement of the Narragansett School roof.

### **White Rock School Project**

To account for the preliminary work required before submitting a proposal of either renovating the existing White Rock school building or constructing a new elementary school to the State of Maine and requesting funding through the State's School Construction Aid program.

### **Various School Projects**

To account for various maintenance projects for the School Department.

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**TOWN OF GORHAM, MAINE**  
**Combining Balance Sheet**  
**Capital Project Funds**  
**June 30, 2006**

(with comparative actual amounts for the year ended June 30, 2005)

	Middle School Project	Narragansett School Roof Project	White Rock School Project	Various School Project	Totals	
					2006	2005
<b>ASSETS</b>						
Investments	\$ 445,275	-	-	-	445,275	877,025
Interfund receivables	-	-	98,814	31,172	129,986	29,044
<b>Total assets</b>	<b>\$ 445,275</b>	<b>-</b>	<b>98,814</b>	<b>31,172</b>	<b>575,261</b>	<b>906,069</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	-	-	-	-	-	-
Interfund loans payable	-	-	-	-	-	231,331
<b>Total liabilities</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>231,331</b>
Fund balances:						
Unreserved, undesignated	445,275	-	98,814	31,172	575,261	674,738
<b>Total fund balances</b>	<b>445,275</b>	<b>-</b>	<b>98,814</b>	<b>31,172</b>	<b>575,261</b>	<b>674,738</b>
<b>Total liabilities and fund balances</b>	<b>\$ 445,275</b>	<b>-</b>	<b>98,814</b>	<b>31,172</b>	<b>575,261</b>	<b>906,069</b>

**TOWN OF GORHAM, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2006**  
**(with comparative actual amounts for the year ended June 30, 2005)**

	Middle School Project	Narragansett School Roof Project	White Rock School Project	Various School Projects	Totals	
					2006	2005
Revenues:						
Intergovernmental	\$ -	112,237	-	-	112,237	-
Interest income	17,913	5,226	-	-	23,139	17,810
Miscellaneous income	-	-	-	16,000	16,000	5,000
Total revenues	17,913	117,463	-	16,000	151,376	22,810
Expenditures:						
Capital improvements:						
Construction and renovation	32,625	-	1,186	13,872	47,683	188,477
Total capital improvements	32,625	-	1,186	13,872	47,683	188,477
Total expenditures	32,625	-	1,186	13,872	47,683	188,477
Excess (deficiency) of revenues over (under) expenditures	(14,712)	117,463	(1,186)	2,128	103,693	(165,667)
Other financing sources:						
Transfers - in	-	-	100,000	-	100,000	-
Transfers - out	-	(303,170)	-	-	(303,170)	-
Total other financing sources	-	(303,170)	100,000	-	(203,170)	-
Net change in fund balance	(14,712)	(185,707)	98,814	2,128	(99,477)	(165,667)
Fund balances, beginning of year	459,987	185,707	-	29,044	674,738	840,405
Fund balances, end of year	\$ 445,275	-	98,814	31,172	575,261	674,738

## **PERMANENT FUND**

Permanent funds are established to account for assets received by the Town and held in trust.

### **Cemetery Perpetual Care**

Various funds established to be used for the care and upkeep of the various town cemeteries.

### **Parks and Recreation Grounds**

Various funds established to be used for the care and upkeep of the various parks in Gorham, as well as the Soldiers' monument in Gorham Village. The parks include Robie, Fort Hill, and Phinney.

### **Baxter Library and Museum**

Various funds established to be used for the benefit of the Baxter Memorial Library and Baxter Museum.

### **Schools**

Various funds established to be used for the purchase of equipment, library books, and pictures at Gorham High School.

### **Public Purposes and Civic Improvements**

Various funds established to be used for any public purpose at the discretion of the Town Council.

### **Miscellaneous**

Various funds established to be used for various benefits from permanent improvements, support and maintenance of Gorham's poor and indigent residents, eye care for Gorham students, and construction and upkeep of Gidding Chapel in Eastern Cemetery.

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## TOWN OF GORHAM, MAINE

## Combining Balance Sheet

## Permanent Funds

June 30, 2006

(with comparative actual amounts for the year ended June 30, 2005)

		Cemetery Perpetual Care	Parks and Recreation Grounds	Baxter Library and Museum	Schools	Public Purpose and Civic Improvements	Totals	
							Miscellaneous	2006
ASSETS								
Investments	\$	163,950	12,406	188,243	37,937	14,342	159,412	594,049
Interfund loans receivable		11,550	-	114	-	-	-	6,983
Total assets		175,500	12,406	188,357	37,937	14,342	159,412	601,032
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		6,659	-	-	-	-	-	5,546
Interfund loans payable		-	-	10,298	-	-	400	26,651
Total liabilities		6,659	-	10,298	-	-	400	32,197
Fund balances:								
Principal		168,829	5,222	134,224	5,170	9,372	61,626	352,781
Unexpended income		12	7,184	43,835	32,767	4,970	97,386	216,054
Total fund balances		168,841	12,406	178,059	37,937	14,342	159,012	568,835
Total liabilities and fund balances								
	\$	175,500	12,406	188,357	37,937	14,342	159,412	601,032



**TOWN OF GORHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Permanent Funds**  
**For the year ended June 30, 2006**  
**(with comparative actual amounts for the year ended June 30, 2005)**

		Parks and Cemetery Perpetual Care	Baxter Library and Museum	Schools	Public Purpose and Civic Improvements	Miscellaneous	Totals
		Grounds	Recreation	Library	Schools	Improvements	2006 2005
<b>Revenues:</b>							
Investment income	\$	1,016	78	1,275	236	89	6,955 8,349
Other miscellaneous		-	-	-	-	-	- -
Donations		11,550	-	114	-	-	500 12,164
Total revenues		12,566	78	1,389	236	89	4,761 19,119
							23,801
<b>Expenditures:</b>							
<b>Current:</b>							
Debt Service:							
Principal		-	-	2,358	-	-	2,358 2,358
Interest and other charges		-	-	87	-	-	87 260
Other miscellaneous		6,659	-	7,853	-	-	400 14,912
Total expenditures		6,659	-	10,298	-	-	400 17,357
							45,657
Net change in fund balance		5,907	78	(8,909)	236	89	4,361 1,762
							(21,856)
Fund balances, beginning of year		162,934	12,328	186,968	37,701	14,253	154,651 568,835
Fund balances, end of year	\$	168,841	12,406	178,059	37,937	14,342	159,012 570,597
							568,835

## **FIDUCIARY FUNDS**

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**TOWN OF GORHAM, MAINE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<b>Agency Funds</b>	<b>Private- purpose Trust Funds</b>
<b>ASSETS</b>		
Cash	\$ 199,935	-
Investments	-	31,094
<b>Total assets</b>	<b>199,935</b>	<b>31,094</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Due to student groups	199,935	-
Accounts payable	-	600
<b>Total liabilities</b>	<b>199,935</b>	<b>600</b>
Net assets:		
Principal	-	29,836
Unexpended income	-	658
<b>Total net assets</b>	<b>-</b>	<b>30,494</b>
<b>Total liabilities and and net assets</b>	<b>\$ 199,935</b>	<b>31,094</b>

**TOWN OF GORHAM, MAINE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

(with comparative actual amounts for June 30, 2005)

	Agency Funds								Totals	
	High School Activity Fund	White Rock Activity Fund	Narragansett Office	Narragansett PIE	Village Activity Fund	Middle School Activity Fund	GCVE	Special Education		
									2006	2005
<b>ASSETS</b>										
Cash	\$ 131,920	13,822	2,952	15,186	13,863	19,960	2,215	17	199,935	215,361
<b>Total assets</b>	<b>131,920</b>	<b>13,822</b>	<b>2,952</b>	<b>15,186</b>	<b>13,863</b>	<b>19,960</b>	<b>2,215</b>	<b>17</b>	<b>199,935</b>	<b>215,361</b>
<b>LIABILITIES AND NET ASSETS</b>										
Liabilities:										
Due to student groups	131,920	13,822	2,952	15,186	13,863	19,960	2,215	17	199,935	215,361
<b>Total liabilities</b>	<b>131,920</b>	<b>13,822</b>	<b>2,952</b>	<b>15,186</b>	<b>13,863</b>	<b>19,960</b>	<b>2,215</b>	<b>17</b>	<b>199,935</b>	<b>215,361</b>
Net assets:										
Principal	-	-	-	-	-	-	-	-	-	-
Unexpended income	-	-	-	-	-	-	-	-	-	-
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>\$ 131,920</b>	<b>13,822</b>	<b>2,952</b>	<b>15,186</b>	<b>13,863</b>	<b>19,960</b>	<b>2,215</b>	<b>17</b>	<b>199,935</b>	<b>215,361</b>

**TOWN OF GORHAM, MAINE**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

(with comparative actual amounts for June 30, 2005)

	Private-purpose Trust Funds							Totals	
	Malcolm Smith Scholarship	Bob Grant Memorial Scholarship	Harry Shevis Scholarship	Watson Family Trust Scholarship	Thomas Fogg Scholarship	Arthur/Jane Fogg Scholarship			
								2006	2005
<b>ASSETS</b>									
Investments	\$	2,976	2,378	3,270	12,638	8,362	1,470	31,094	30,349
<b>Total assets</b>		<b>2,976</b>	<b>2,378</b>	<b>3,270</b>	<b>12,638</b>	<b>8,362</b>	<b>1,470</b>	<b>31,094</b>	<b>30,349</b>
<b>LIABILITIES AND NET ASSETS</b>									
Liabilities:									
Accounts payable		100	100	100	300	-	-	600	450
<b>Total liabilities</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>450</b>
Net assets:									
Principal		2,776	2,208	3,070	11,950	8,362	1,470	29,836	29,257
Unexpended income		100	70	100	388	-	-	658	642
<b>Total net assets</b>		<b>2,876</b>	<b>2,278</b>	<b>3,170</b>	<b>12,338</b>	<b>8,362</b>	<b>1,470</b>	<b>30,494</b>	<b>29,899</b>
<b>Total liabilities and and net assets</b>	<b>\$</b>	<b>2,976</b>	<b>2,378</b>	<b>3,270</b>	<b>12,638</b>	<b>8,362</b>	<b>1,470</b>	<b>31,094</b>	<b>30,349</b>

**TOWN OF GORHAM, MAINE**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Private-purpose**  
**For the year ended June 30, 2006**  
**(with comparative actual amounts for June 30, 2005)**

	<b>Malcolm Smith Scholarship</b>	<b>Bob Grant Memorial Scholarship</b>	<b>Harry Shevis Scholarship</b>	<b>Watson Family Trust Scholarship</b>	<b>Thomas Fogg Scholarship</b>	<b>Arthur &amp; Jane Fogg Scholarship</b>	<b>Totals</b>	
							<b>2006</b>	<b>2005</b>
<b>Additions:</b>								
Contributions:								
Donations	\$ -	-	1,000	-	-	-	1,000	500
Investment earnings:								
Interest	125	97	116	526	342	60	1,266	1,050
Net increase/(decrease) in the fair value of investments	(106)	(83)	(95)	(446)	(290)	(51)	(1,071)	(578)
<b>Total additions</b>	<b>19</b>	<b>14</b>	<b>1,021</b>	<b>80</b>	<b>52</b>	<b>9</b>	<b>1,195</b>	<b>972</b>
<b>Deductions:</b>								
Current:								
Scholarships awarded	100	100	100	300	-	-	600	450
<b>Total deductions</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>450</b>
Changes in net assets	(81)	(86)	921	(220)	52	9	595	522
Net assets, beginning of year	2,957	2,364	2,249	12,558	8,310	1,461	29,899	29,377
<b>Net assets, end of year</b>	<b>\$ 2,876</b>	<b>2,278</b>	<b>3,170</b>	<b>12,338</b>	<b>8,362</b>	<b>1,470</b>	<b>30,494</b>	<b>29,899</b>

**TOWN OF GORHAM, MAINE**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2006**

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>ASSETS</b>				
Cash:				
High School Activity Fund	\$ 137,948	325,925	331,953	131,920
White Rock Activity Fund	13,272	17,355	16,805	13,822
Narragansett Office	3,161	5,979	6,188	2,952
Narragansett PIE	12,268	38,338	35,420	15,186
Village Activity Fund	2,762	54,826	43,725	13,863
Middle School Activity Fund	42,940	155,939	178,919	19,960
GCVE	2,847	3,776	4,408	2,215
Special Education	163	3,449	3,595	17
<b>Total assets</b>	<b>\$ 215,361</b>	<b>605,587</b>	<b>621,013</b>	<b>199,935</b>
<b>LIABILITIES</b>				
Funds held for student activities:				
High School Activity Fund	137,948	325,925	331,953	131,920
White Rock Activity Fund	13,272	17,355	16,805	13,822
Narragansett Office	3,161	5,979	6,188	2,952
Narragansett PIE	12,268	38,338	35,420	15,186
Village Activity Fund	2,762	54,826	43,725	13,863
Middle School Activity Fund	42,940	155,939	178,919	19,960
GCVE	2,847	3,776	4,408	2,215
Special Education	163	3,449	3,595	17
<b>Total liabilities</b>	<b>\$ 215,361</b>	<b>605,587</b>	<b>621,013</b>	<b>199,935</b>



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**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

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**TOWN OF GORHAM, MAINE**  
**Capital Assets Used in the Operation of Governmental Funds - By Source**  
**June 30, 2006**  
**(with comparative actual amounts for the year ended June 30, 2005)**

	<b>Totals</b>	
	<b>2006</b>	<b>2005</b>
Governmental fund capital assets:		
Land and buildings	\$ 47,336,716	47,068,108
Furniture and equipment	11,957,240	11,526,272
Infrastructure	25,064,490	19,466,021
<b>Total governmental fund capital assets</b>	<b>\$ 84,358,446</b>	<b>78,060,401</b>
Investments in governmental fund capital assets by source:		
General fund	79,910,969	77,417,551
Capital project funds	4,447,477	642,850
<b>Total governmental fund capital assets</b>	<b>\$ 84,358,446</b>	<b>78,060,401</b>

**TOWN OF GORHAM, MAINE**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity**  
**June 30, 2006**  
**(with comparative actual amounts for the year ended June 30, 2005)**

Function and Activity	Land and buildings	Furniture and equipment	Infrastructure	Totals	
				2006	2005
General government	\$ 2,965,692	237,105	-	3,202,797	3,342,369
Education	39,214,294	4,137,495	-	43,351,789	43,324,990
Public safety	570,380	3,791,795	-	4,362,175	4,212,446
Public works	1,753,811	2,423,832	20,617,013	24,794,656	22,813,726
Recreation, library and museum	2,832,539	276,739	-	3,109,278	2,633,746
Construction in progress	-	-	4,447,477	4,447,477	642,850
Book collection, historical treasures and artwork	-	1,090,274	-	1,090,274	1,090,274
<b>Total governmental fund capital assets</b>	<b>\$ 47,336,716</b>	<b>11,957,240</b>	<b>25,064,490</b>	<b>84,358,446</b>	<b>78,060,401</b>

## Exhibit G-3

**Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity**  
**For the year ended June 30, 2006**

Function and Activity	Balance 2005	Additions	Deletions	Balance
				2006
General government	\$ 3,342,369	20,428	160,000	3,202,797
Education	43,324,990	118,012	91,213	43,351,789
Public safety	4,212,446	208,995	59,266	4,362,175
Public works	22,813,726	2,171,930	191,000	24,794,656
Recreation, library and museum	2,633,746	475,532	-	3,109,278
Construction in progress	642,850	3,804,627	-	4,447,477
Book collection, historical treasures and artwork	1,090,274	-	-	1,090,274
<b>Totals</b>	<b>\$ 78,060,401</b>	<b>6,799,524</b>	<b>501,479</b>	<b>84,358,446</b>

Note: Addition and Deletion totals include the assets transferred from one function/activity to another function/activity during fiscal year 2006 and amounts to \$105,205.

## STATISTICAL SECTION

This part of the Town of Gorham's comprehensive annual financial report presents in detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Town's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>121</b>
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	<b>126</b>
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
<b>Debt Capacity</b>	<b>130</b>
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b>	<b>134</b>
<i>These schedules offer demographic and economic indicators.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**Table 1**

**TOWN OF GORHAM, MAINE**  
**Net Assets by Component**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 10,150,993	\$ 13,820,834	\$ 16,377,091	\$ 17,962,590
Restricted	350,383	354,163	352,781	384,443
Unrestricted	12,901,374	11,607,484	11,735,345	13,430,419
Total governmental activities net assets	\$ <u>23,402,750</u>	\$ <u>25,782,481</u>	\$ <u>28,465,217</u>	\$ <u>31,777,452</u>

(1) Fiscal year 2003 is the initial year of implementation of GASB Statement No. 34.



Table 2

**TOWN OF GORHAM, MAINE**  
**Changes in Net Assets**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,281,895	\$ 2,562,887	\$ 3,925,978	\$ 4,023,144
Public safety	2,496,047	2,819,226	2,879,251	2,979,424
Public works	1,957,858	1,973,330	3,262,818	3,517,160
Health & welfare	44,010	57,263	52,415	45,423
Recreation	267,235	1,039,901	1,264,777	1,229,648
Development	425,216	445,018	377,263	414,130
County tax <sup>3</sup>	595,692	645,663	-	-
Education	23,475,662	26,265,868	27,770,333	30,564,714
Interest on debt	1,251,078	1,158,576	1,306,889	1,370,154
Capital maintenance <sup>2</sup>	944,278	-	-	-
Total governmental activities expenses	<u>33,738,971</u>	<u>36,967,732</u>	<u>40,839,724</u>	<u>44,143,797</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	352,799	474,992	553,250	762,661
Public safety	1,176,497	1,167,015	265,997	435,752
Public works	530,137	420,736	1,205,385	1,181,418
Health & welfare	12,735	13,712	12,186	13,710
Recreation	35,739	124,983	568,976	513,804
Development	51,735	55,508	99,721	91,139
Education	574,896	633,132	660,199	669,220
Operating grants and contributions	13,897,976	15,671,082	16,493,334	19,244,840
Capital grants and contributions	175,064	256,658	1,800,096	2,262,981
Total governmental activities program revenues	<u>16,807,578</u>	<u>18,817,818</u>	<u>21,659,144</u>	<u>25,175,525</u>
Net (expense)/revenue, governmental activities	<u>(16,931,393)</u>	<u>(18,149,914)</u>	<u>(19,180,580)</u>	<u>(18,968,272)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes, levied for general purposes	14,808,959	16,253,550	17,234,005	16,918,807
Payment in lieu of taxes	45,233	52,922	51,083	55,469
Motor vehicle and boat excise taxes	2,107,389	2,267,577	2,359,645	2,480,592
Grants and contributions not restricted				
Homestead exemption	441,123	410,820	369,434	379,972
Other state aid	22,265	27,119	27,807	31,716
State revenue sharing	1,194,609	1,236,201	1,302,053	1,372,122
Unrestricted investment earnings	317,110	151,965	273,500	628,511
Miscellaneous revenues	194,214	129,491	245,789	251,818
Special item - sale of property	-	-	-	161,500
Total governmental activities	<u>19,130,902</u>	<u>20,529,645</u>	<u>21,863,316</u>	<u>22,280,507</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ <u>2,199,509</u>	\$ <u>2,379,731</u>	\$ <u>2,682,736</u>	\$ <u>3,312,235</u>

(1) Fiscal year 2003 is the initial year of implementation of GASB Statement No. 34.

<sup>2</sup> Fiscal year 2003 is the only year that reported capital maintenance expenses. Fiscal year 2004 figures restated.

<sup>3</sup> Fiscal year 2002 and 2003 are the only years that reported county tax expenses separately. Fiscal year 2005 figure was restated and county tax expenses reported in general government. Fiscal year 2006 going forward will have the county tax expenses in the general government category.

Table 3

**TOWN OF GORHAM, MAINE**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Interest &amp; Costs on Taxes</b>	<b>Excise Taxes</b>	<b>Total</b>
2003	\$ 14,828,959	\$ 76,937	\$ 2,107,389	\$ 17,013,285
2004	16,289,550	65,968	2,267,577	18,623,095
2005	17,192,005	53,883	2,359,645	19,605,533
2006	16,885,807	50,037	2,480,592	19,416,436

(1) Fiscal year 2003 is the initial year of implementation of GASB Statement No. 34.

Table 4

**TOWN OF GORHAM, MAINE**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years (1)**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 378,959	\$ 523,870	\$ 390,487	\$ 313,925
Unreserved	4,040,140	4,461,349	5,409,444	6,480,684
Total General Fund	<u>4,419,099</u>	<u>4,985,219</u>	<u>5,799,931</u>	<u>6,794,609</u>
All other governmental funds				
Reserved	709,198	883,752	946,732	487,466
Unreserved, reported in:				
Special revenue funds	3,008,281	5,298,075	4,636,672	6,123,327
Capital project funds	4,657,117 <sup>2</sup>	840,405	674,738	575,261
Permanent funds	256,289	236,528	216,054	186,154
Total all other governmental funds	<u>\$ 8,630,885</u>	<u>\$ 7,258,760</u>	<u>\$ 6,474,196</u>	<u>\$ 7,372,208</u>

(1) Fiscal year 2003 is the initial year of implementation of GASB Statement No. 34.

<sup>2</sup> The increase in capital project funds unreserved fund balance was due to unspent bond proceeds from an issuance during the period for capital projects.

Table 5

**TOWN OF GORHAM, MAINE**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years (1)**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>Revenues</b>				
Taxes	\$ 17,013,285	\$ 18,623,095	\$ 19,605,533	\$ 19,416,436
Licenses and permits	265,683	403,479	478,148	671,498
Intergovernmental	15,512,386	17,277,215	17,889,358	20,496,153
Investment income	321,070	91,689	219,617	578,474
Charges for services	1,039,249	948,434	1,710,070	1,878,026
Other	1,887,704	2,191,176	2,268,251	2,553,714
Total General Fund	<u>36,039,377</u>	<u>39,535,088</u>	<u>42,170,977</u>	<u>45,594,301</u>
<b>Expenditures</b>				
General government	2,299,593	2,532,185	3,546,209	3,676,038
Public safety	2,404,927	2,528,566	2,680,546	2,755,743
Public works	2,358,406	2,271,766	2,680,700	2,764,528
Health & welfare	44,010	57,263	52,199	45,423
Recreation	503,617	613,591	1,088,416	1,122,005
Development	227,103	218,559	180,108	196,437
County tax <sup>2</sup>	595,692	645,663	-	-
Unclassified	996,485	1,132,948	1,120,904	1,182,951
Education	22,400,701	24,275,500	25,472,463	27,706,039
Debt Service				
Principal	3,671,646	2,299,646	2,474,646	2,694,646
Interest	1,227,883	1,283,126	1,321,723	1,386,092
Capital maintenance	3,565,148	681,611	914,079	1,176,816
Capital improvements	13,046,960	5,177,893	912,630	4,606,632
Total expenditures	<u>53,342,171</u>	<u>43,718,317</u>	<u>42,444,623</u>	<u>49,313,350</u>
<b>Other financing sources (uses)</b>				
Capital lease proceeds	323,256	227,224	344,308	330,058
Long term debt issued	21,225,000	3,150,000	-	5,000,000
Transfers in	10,841,842	12,667,625	13,279,543	13,401,011
Transfers out	(10,841,842)	(12,667,625)	(13,279,543)	(13,401,011)
Total other financing sources (uses)	<u>21,548,256</u>	<u>3,377,224</u>	<u>344,308</u>	<u>5,330,058</u>
Net change in fund balances	\$ 4,245,462	\$ (806,005)	\$ 70,662	\$ 1,611,009
Debt service as a percentage of noncapital expenditures	15.4%	10.5%	10.3%	10.3%

(1) Fiscal year 2003 is the initial year of implementation of GASB Statement No. 34.

<sup>2</sup> Fiscal year 2002 and 2003 are the only years that reported county tax expenses separately. Fiscal year 2005 figure was restated and county tax expenses reported in general government. Fiscal year 2006 going forward will have the county tax expenses in the general government function.

Table 6

**TOWN OF GORHAM, MAINE**  
**Assessed Value and State Equalized Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>		<b>Personal Property</b>	<b>Less Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value <sup>1</sup></b>	<b>Total Direct Tax Rate</b>	<b>State Equalized Value <sup>2</sup></b>	<b>Assessed Value as a Percentage of Equalized Value</b>
	<b>Residential Property</b>	<b>Commercial Property</b>						
1997	\$ 507,605,200	\$ 83,818,500	\$ 20,370,300	\$ 99,222,800	\$ 512,571,200	19.10	\$ 508,600,000	100.8%
1998	524,006,200	91,573,000	22,309,900	102,804,100	535,085,000	19.40	528,000,000	101.3%
1999	514,719,000	94,091,800	21,676,800	103,219,400	527,268,200	19.80	567,650,000	92.9%
2000	535,353,000	93,630,800	31,960,200	105,998,400	554,945,600	20.50	609,150,000	91.1%
2001	501,722,200	162,259,600	39,489,200	125,864,100	577,606,900	21.40	643,800,000	89.7%
2002	689,785,700	242,742,500	40,933,200	193,603,600	779,857,800	17.40	716,650,000	108.8%
2003	719,958,800	244,000,100	42,637,800	201,604,400	804,992,300	18.40	835,200,000	96.4%
2004	758,447,900	240,177,400	43,985,800	203,250,100	839,361,000	19.40	937,300,000	89.6%
2005	782,949,600	238,791,800	46,492,900	199,926,400	868,307,900	20.00	1,085,600,000	80.0%
2006	808,313,900	237,869,000	44,511,600	220,950,100	869,744,400	19.50	1,234,200,000	70.5%

Sources:

<sup>1</sup> Gorham Assessing office. The substantial increase seen in fiscal year 2002 is due to a revaluation.

<sup>2</sup> State of Maine, Bureau of Taxation

Table 7

**TOWN OF GORHAM, MAINE**  
**Property Tax Rates - All Direct and Overlapping**  
**Governments (Per \$1,000 of Assessed Value)**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Direct</b>		<b>Overlapping</b>	<b>Total Tax Rate</b>
	<b>Municipal Tax Rate</b>	<b>School Tax Rate</b>	<b>County Tax Rate</b>	
1997	5.65	12.63	0.82	19.10
1998	5.74	12.85	0.81	19.40
1999	5.75	13.27	0.78	19.80
2000	5.84	13.94	0.72	20.50
2001	6.05	14.59	0.76	21.40
2002	4.58	12.20	0.62	17.40 <sup>1</sup>
2003	4.92	12.76	0.72	18.40
2004	5.09	13.56	0.75	19.40
2005	5.06	14.20	0.74	20.00
2006	5.76	12.98	0.76	19.50

Source: Gorham Assessing office.

<sup>1</sup> The drop in the tax rate for fiscal year 2002 was the result of revaluation.

Table 8

**TOWN OF GORHAM, MAINE**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2006			1997		
	Current year assessed value	Rank	Percentage of total assessed value	Current year assessed value	Rank	Percentage of total assessed value
Central Maine Power Co	\$ 21,691,000	1	2.49%	\$ 14,261,700	1	2.78%
Grondin, R J & Phillip	11,221,600	2	1.29%	3,851,500	5	0.75%
Gorham House	10,070,100	3	1.16%	6,521,200	2	1.27%
American Tool Co	6,930,800	4	0.80%	4,802,200	3	0.94%
Maritimes & Northeast Pipeline LLC	6,828,900	5	0.79%			
Gorham Savings Bank	6,740,700	6	0.78%	1,869,800	8	0.36%
Hannaford Brothers	6,102,300	7	0.70%			
Scott Paper	5,713,200	8	0.66%	2,394,500	6	0.47%
Shaw Brothers Construction Co	5,270,400	9	0.61%			
Maine Mobile Homes	5,107,700	10	0.59%			
Sebago, Inc.				4,300,000	4	0.84%
Cottle Realty				1,996,900	7	0.39%
Goldman Machine Tool Group, Inc.				1,644,800	9	0.32%
Eight Corners				1,394,000	10	0.27%
Totals	\$ 85,676,700		9.87%	\$ 43,036,600		8.39%

Source: Gorham Assessing office.

Table 9

**TOWN OF GORHAM, MAINE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year <sup>1</sup></b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1997	\$ 9,801,003	\$ 9,438,354	96.3%	\$ 358,270	\$ 9,796,624	100.0%
1998	10,398,609	9,998,915	96.2%	394,294	10,393,209	99.9%
1999	10,476,528	10,137,863	96.8%	333,586	10,471,449	100.0%
2000	11,381,979	10,917,744	95.9%	457,921	11,375,665	99.9%
2001	12,485,788	12,132,184	97.2%	344,728	12,476,912	99.9%
2002	13,626,308	13,138,832	96.4%	470,526	13,609,358	99.9%
2003	14,852,234	14,470,933	97.4%	351,563	14,822,496	99.8%
2004	16,311,136	15,827,928	97.0%	429,597	16,257,525	99.7%
2005	17,379,982	16,828,596	96.8%	408,954	17,237,550	99.2%
2006	16,980,208	16,487,705	97.1%	-	16,487,705	97.1%

<sup>1</sup> Tax commitment plus supplemental taxes assessed during fiscal year.



Table 10

**TOWN OF GORHAM, MAINE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Debt	Capital Leases			
1997	\$ 17,094,964	\$ 624,818	\$ 17,719,782	10.19%	\$ 1,364
1998	15,719,918	503,071	16,222,989	9.11%	1,220
1999	14,431,322	378,142	14,809,464	8.13%	1,088
2000	14,511,676	400,113	14,911,789	4.98%	1,055
2001	13,232,030	428,607	13,660,637	4.49%	952
2002	14,498,884	419,344	14,918,228	4.81%	1,019
2003	32,052,238	501,385	32,553,623	10.22%	2,164
2004	32,902,542	534,671	33,437,213	10.43%	2,208
2005	30,427,896	659,477	31,087,373	9.69%	2,053
2006	32,733,250	708,418	33,441,668	10.43%	2,208

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See Table 14, Schedule of Demographic and Economic Statistics, for personal income and population data.

Table 11

**TOWN OF GORHAM, MAINE**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>		<b>General Obligation Debt</b>	<b>State Assessed Value of Property <sup>1</sup></b>		<b>Per Capita <sup>2</sup></b>
1997	\$	17,094,964	3.36%	\$	1,316
1998		15,719,918	2.98%		1,182
1999		14,431,322	2.54%		1,060
2000		14,511,676	2.38%		1,026
2001		13,232,030	2.06%		922
2002		14,498,884	2.02%		990
2003		32,052,238	3.84%		2,131
2004		32,902,542	3.51%		2,173
2005		30,427,896	2.80%		2,009
2006		32,733,250	2.65%		2,161

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See Table 6, Schedule of Assessed Value and State Equalized Value of Taxable Property, for property value data.

<sup>2</sup> Population data can be found in the Schedule of Demographic and Economic Statistics, Table 14.

Table 12

**TOWN OF GORHAM, MAINE**  
**Direct and Overlapping Governmental Activities Debt**  
**General Obligation Bonds**  
**As of June 30, 2006**

<b>Jurisdiction</b>	<b>Net general obligation bonded debt outstanding</b>	<b>Percentage applicable to government</b>	<b>Amount applicable to government</b>
Direct:			
Town of Gorham	\$ 32,733,250	100.00%	\$ 32,733,250
Overlapping debt:			
Cumberland County	10,560,000	3.59%	379,246
Portland Water District - sewer debt, Gorham only	25,089,728	4.15%	1,040,764
Portland Water District - sewer shared with Windham	25,089,728	0.02%	5,298
Portland Water District - water debt	21,325,000	5.37%	1,144,978
Contingent debt:			
Ecomaine:			
Resources recovery system	43,076,000	4.03%	1,736,581
Material recycling facility	5,029,000	5.60%	281,624
Landfill closure (see note)	20,737,626	4.05%	839,821
	<b>\$ 183,640,332</b>		<b>\$ 38,161,562</b>

Note: Ecomaine's Landfill closure and postclosure costs and the municipal proportional share are as of June 30, 2005 since the June 30, 2006 figures are unavailable until their annual audit is completed.

Table 13

**TOWN OF GORHAM, MAINE**  
**Statutory Debt Margin Information**  
**Last Ten Fiscal Years**  
**In Accordance with 30 MRSA, Section 5061 as Amended**

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total net debt applicable to limit</b>	<b>Legal Debt Margin</b>	<b>Total net debt applicable to limit as a percentage of debt limit</b>
1997	\$ 76,290,000	\$ 17,094,964	\$ 59,195,036	22.41%
1998	79,200,000	15,719,918	63,480,082	19.85%
1999	85,147,500	14,431,322	70,716,178	16.95%
2000	91,372,500	14,511,676	76,860,824	15.88%
2001	96,570,000	13,232,030	83,337,970	13.70%
2002	107,497,500	12,031,884	95,465,616	11.19%
2003	125,280,000	32,052,238	93,227,762	25.58%
2004	140,595,000	32,902,542	107,692,458	23.40%
2005	162,840,000	30,427,896	132,412,104	18.69%
2006	185,130,000	32,733,250	152,396,750	17.68%

**Legal Debt Margin Calculation for Fiscal Year 2006**

	<b>Outstanding bonds and notes</b>	<b>Percent of state assessed value of \$1,234,200,000</b>	<b>Allowable Amount</b>	<b>Margin</b>
For school purposes	\$ 22,877,737	10.00%	\$ 123,420,000	\$ 100,542,263
For storm or sanitary sewer purposes	453,250	7.50%	92,565,000	92,111,750
For municipal, airport, water, and special district purposes	-	3.00%	37,026,000	37,026,000
For all other purposes	9,402,263	7.50%	92,565,000	83,162,737
<b>Total</b>	<b>\$ 32,733,250</b>	<b>15.00%</b>	<b>\$ 185,130,000</b>	<b>\$ 152,396,750</b>

Table 14

**TOWN OF GORHAM, MAINE**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per Capita	Median Age <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate <sup>4</sup>
			Personal Income <sup>2</sup>			
1997	12,990	\$ 173,949,090	\$ 13,391	30.9	2,524	2.50%
1998	13,296	178,046,736	13,391	30.9	2,566	2.30%
1999	13,610	182,251,510	13,391	30.9	2,599	2.00%
2000	14,141	299,421,534	21,174	34.3	2,625	2.40%
2001	14,354	303,931,596	21,174	34.3	2,583	2.70%
2002	14,640	309,987,360	21,174	34.3	2,633	2.90%
2003	15,041	318,478,134	21,174	34.3	2,708	3.20%
2004	15,145	320,680,230	21,174	34.3	2,760	3.10%
2005	15,145	320,680,230	21,174	34.3	2,761	3.30%
2006	15,145	320,680,230	21,174	34.3	2,725	3.30%

Data Source

<sup>1</sup> U.S. Dept. of Commerce, Bureau of Census

The 1997-1999 figures are based on July Census estimates, while the 2000 is based on the 2000 actual Census data, and the 2001-2004 are based on July Census estimates. The 2005 and 2006 figures are the July 1, 2004 Census estimate.

<sup>2</sup> U.S. Dept. of Commerce, Bureau of Census (1990 and 2000)

<sup>3</sup> Maine Department of Education. Figures are based on April 1 enrollment data. The April 1, 2006 enrollment data, however, is from the Gorham School Dept.

<sup>4</sup> U.S. Department of Labor. The 1997 - 2005 figures are annual rates. The 2006 figure was based on June 2006 data from U.S. Dept. of Commerce, Bureau of Census.

Table 15

**TOWN OF GORHAM, MAINE**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2006			1997 <sup>1</sup>		
	Employees	Rank	Percentage of Gorham's Labor Force	Employees	Rank	Percentage of Gorham's Labor Force
University of Southern Maine*	667	1	7.4%	399	2	5.3%
Town of Gorham: School/Municipal	501	2	5.5%	400	1	5.3%
Gorham House	214	3	2.4%	200	3	2.6%
Hannaford Brothers	180	4	2.0%			
Gorham Savings Bank	167	5	1.8%			
R. J. Grondin	155	6	1.7%	180	5	2.4%
Shaw Brothers Construction, Inc.	130	7	1.4%			
Irwin Industrial Tool (formerly American Tool)	120	8	1.3%	190	4	2.5%
GPX, International Tire Corp (formerly Maine Rubber International)	68	9	0.7%			
Maine Valve Rebuilders	50	10	0.6%			
	2,252		24.8%	1,369		18.1%

Source: Maine Department of Labor and U.S. Department of Labor

<sup>1</sup> Only top five employers information available for fiscal year 1997.

\* Gorham campus only.

Table 16

**TOWN OF GORHAM, MAINE**  
**Full-time Equivalent Town Government Employees by Function**  
**Last Ten Fiscal Years (1)**

<b>Function</b>	<b>Full-time Equivalent Employees as of June 30</b>								
	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
General Government	13	13	14	14	14	15	15	15	16.5
Public Safety:									
Police:									
Officers	16	17	18	20	20	20	20	21	21
Civilians	6	6	6	8	8	8	8	9	2
Fire:									
Firefighters and EMT's	5	5	7	7	7	7	7	7	7
Civilians	2	2	3	3	3	3	3	3	3
Public Works	13	15	15	15	18	18	18	18	19
Recreation	11	11	11	11	12	12	15	15	15
Development	4	4	5	5	4	4	4	4	4
<b>Total</b>	<b>70</b>	<b>73</b>	<b>79</b>	<b>83</b>	<b>86</b>	<b>87</b>	<b>90</b>	<b>92</b>	<b>87.5</b>

(1) Data unavailable for fiscal year 1997, so only nine years of data has been presented.

Table 17

**TOWN OF GORHAM, MAINE**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years (1)**

<b>Function</b>	<b>Fiscal Year <sup>2</sup></b>								
	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
General Government:									
Building permits:									
Single family	82	90	93	94	137	193	84	90	91
Condos	9	20	13	8	0	0	7	13	41
Commercial	17	20	17	31	21	25	31	23	16
Total number permits issued	782	940	1,140	1,145	n/a	n/a	1,118	1,276	1,374
Public Safety:									
Police:									
Number of calls for service	n/a	8,364	8,335	8,553	12,600	16,502	17,359	18,832	17076
Number of physical arrests	n/a	440	318	462	521	462	349	286	353
Number of summons & warnings	n/a	5,474	4,248	4,650	3,711	3,086	3,654	2,525	3168
Parking tickets issued	n/a	n/a	n/a	n/a	n/a	369	662	503	372
Number of accidents investigated	n/a	578	513	588	n/a	649	658	586	668
Fire:									
Number of fire and rescue calls	2,352	2,779	2,537	3,000	3,000	4,719	4,904	5,028	5,285
Public Works:									
Number of roads maintained	221	229	232	233	234	247	256	261	263
Lane miles of roads maintained	241.6	244.6	246.0	246.0	252.8	268.4	273.8	275.0	276.0
Acres of public area maintained	108.1	108.1	108.1	108.1	108.1	108.1	108.1	113.1	113.1
Acres of cemeteries maintained	17.8	17.8	17.8	17.8	17.8	17.8	17.8	19.6	21.1
Recreation:									
Library:									
Number of items circulated	89,304	96,725	97,031	95,585	95,166	106,238	91,669	89,091	91,784

Sources: Various town departments.

(1) Information unavailable for fiscal year 1997, so only nine years of data has been presented.

<sup>2</sup> Information reported for each fiscal year is for prior year's activity. Therefore, the fiscal year 2005 information is for activity in 2004.

n/a = data not available



Table 18

**TOWN OF GORHAM, MAINE**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	10	10	13	13	13	13	13	13	13
Fire stations	6	6	6	6	6	6	6	6	6	6
Public Works:										
Streets (miles) <sup>1</sup>	152.5	156.5	157.2	157.7	157.7	252.8	268.4	273.8	275.0	276.0
Street lights	330	330	330	338	338	342	342	357	357	365
Traffic signals	9	9	9	9	9	10	10	11	11	11
Cemeteries	8	8	8	8	8	8	8	8	8	8
Recreation:										
Libraries	3	3	3	3	3	3	3	3	3	3
Parks acreage	203.8	203.8	203.8	203.8	203.8	203.8	203.8	203.8	203.8	211.3
Parks	4	4	4	4	4	4	4	4	4	5
Tennis courts	7	7	7	7	7	7	7	7	7	7
Outdoor basketball courts	4	4	5	5	5	5	5	5	5	5

Sources: Various town departments.

Note: No capital asset indicators are available for the general government function.

<sup>1</sup> In fiscal year 2002, the Public Works Department changed how it was calculating the total miles of roads in Gorham. They began computing lane miles instead of straight miles.