

TOWN OF GORHAM, MAINE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



ROBIE GYM

**FOR FISCAL YEAR ENDED
JUNE 30, 2004**

TOWN OF GORHAM, MAINE

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2004

Prepared by:

Maureen R. Finger, Finance Director

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Annual Financial Report
June 30, 2004

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INTRODUCTORY SECTION

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Maureen R. Finger, Finance Director
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September 10, 2004

To the Citizens of the Town of Gorham:

The comprehensive annual financial report of the Town of Gorham for the fiscal year ended June 30, 2004, is hereby submitted. 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.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical, and includes the following:

1. Introductory Section – Letter of transmittal, certificate of achievement for excellence in financial reporting award, the Town's organizational chart and a list of principal officials.
2. Financial Section – Basic Financial Statements which includes Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and the auditor's report on the financial statements and schedules.
3. Statistical Section – Selected financial and demographic information, generally presented on a multi-year basis.

The Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The "Single Audit" is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. 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.

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.

Governmental Structure, Economic Condition and Outlook

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 14,141 residents. 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.

The Town's assessed value for tax year 2003-2004 is \$839,361,000 (excludes the valuation attributable to the State Homestead Exemption), an approximate increase of 4.3% from the tax year 2002-2003 assessment. In the past ten years, the Town's assessed value has increased, and since tax year 1994-1995, it has increased by 72%. Approximately 21% 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 97% for last year and 97% 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 3.5% 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. Census figures indicate that Gorham contained 5,051 year-round housing units in 2000, and increase of 25% over the 1990 figure of 4,048 units, and an increase of over 50% since 1980. Residential development has continued but at a slower pace than the previous, two calendar years. During calendar year 2003, the Code office issued 1,188 permits, which includes 89 single-family dwellings, 39 commercial/institutional structures, and 7 condominium units. This is a 22% reduction from the 1,531 total permits issued in calendar year 2002. The good news is that commercial/industrial permits have remained in the 20 to 40 range for the past four years.

Although Gorham has not been immune to the national recession that has persisted for the past three years, Gorham has managed to keep its economic development efforts on track through several recent attraction and expansion efforts during fiscal year 2004. Currently, there are three construction projects under way in the Gorham Industrial Park. ODAT Machine is constructing a 21,000 sq. ft. manufacturing plant that will enable them to expand their business and create an additional 10-15 jobs. The company is a precision job shop, producing parts for such items as firearms as well as high technology parts. This expansion project was designated as a Tax Increment Financing (TIF) district. Just down the road from ODAT, NESA, Inc. is constructing a 5,000 sq. ft. manufacturing plant. NESA, Inc. is a commercial embroidery business and relocating to Gorham from South Portland. Northern Tool Supply, Inc. now located in Westbrook, is constructing an 8,000 sq. ft. distribution facility.

During fiscal year 2004, other development occurred elsewhere in Town. RJ Grondin & Sons, a Gorham Contractor, completed an industrial subdivision on a 23-acre lot located on lower Main Street near the entrance to the Industrial Park, as well as the construction of a new Industrial Park access road. This industrial subdivision was designated as a Tax Increment Financing (TIF) district. (See Note 14, TAX INCREMENT FINANCING)

Environ Services purchased the first lot, in this new industrial subdivision, to locate a transfer and recycling facility for universal waste. The new facility is to be constructed in phases with the first phase consisting of an 8,000 sq. ft. metal building housing the administrative offices and universal waste processing area.

Across town, on Narragansett Street, Gorham Sports Center opened in February 2004. The facility features the next generation of indoor turf, giving players the opportunity to play on an all rubber inlay turf field. The full size field is 165 ft by 240 ft and can be split into two smaller fields. The facility also contains a training area.

Another major event occurred during fiscal year 2004. After nearly 40 years of studies and discussions, the Maine Department of Transportation and the Town of Gorham approved a proposed bypass route, referred to as Alternative 6D. The proposed route would make a large

loop around the village. The bypass will contain one exit in the southern section and three exits in the northern portion, in addition to the main entry and exit of each portion. The road will have two travel lanes, 8-foot paved shoulders and will have designated speeds of 55 mph. The first phase will run from Brandy Brook Hill, across Weeks Road, and end at the pole line on lower South Street. The second phase will begin at Mosher's Corner, the intersection of Routes 25 and 237, and end at Route 25 in West Gorham.

Construction of the bypass will directly affect the environment and private property owners, by impacting 20.4 acres of wetland and 5.1 acres that are considered to be in flood zones and requiring the acquisition of approximately 25 parcels of privately owned land, with the majority of those containing single family homes. However, implementing the bypass will reduce traffic volume through the Village by 29% and reduce truck traffic by 28%, according to the Maine Department of Transportation. Additionally, there will be 49-75% fewer traffic delays, thus slightly reducing carbon monoxide concentrations in the Village area.

U.S. Rep. Tom Allen announced in March 2004 that \$9.6 million in federal money is expected to become available soon for the long-anticipated Gorham bypass project. The federal money would be the last piece of funding needed for the bypass. The Maine Department of Transportation has already allocated \$2.5 million in its biennial budget. The Town, in its fiscal year 2001, Capital Budget, appropriated \$100,000 to fund the local share costs of this limited access highway.

The Town of Gorham's budget for 2004 showed an increase of 7.56% over 2003. There was an increase of \$1.00 in the mill rate for 2004, which was a 5.43% increase over 2003. The following is a breakdown of mill rate increase.

	FY2002 – 2003	FY 2003 – 2004	\$ Incr	% Chg
Town's Tax Rate	\$ 4.92	\$ 5.09	\$ 0.17	3.53
School's Tax Rate	\$12.76	\$13.56	\$ 0.80	6.27
County's Tax Rate	\$ 0.72	\$ 0.75	\$ 0.03	4.17

The Town's increase can be attributed to the decrease in non-property revenues of \$209,000 or a 4.11% decrease from the fiscal year 2003 non-property revenues. The largest decrease in non-property tax revenues was from the Sale of Trash Bags revenue estimate. In fiscal year 2003, the first year for the pay-per-bag program, the revenue estimate was \$620,100. However, after nearly a year of actual experience, the fiscal year 2004 revenue estimate was reduced to \$375,000, a \$245,100 decrease.

The School's increase can be attributed to the new middle school debt and associated operating cost for the new, larger middle school. The School department estimated that 7.5% of their increase was attributable to the new middle school with the balance associated with operating increases, primarily labor and utilities.

Major Initiatives

As mentioned in last fiscal year's comprehensive annual financial report, the Town issued \$21,225,000 in general obligation bonds to finance two major projects. The larger of the two projects was to construct and equip a new middle school and related facilities and site improvements on a 58-acre parcel of land on Weeks Road for \$20,375,000. On October 14, 2003, the new 2-story, 140,000 square foot building with the capacity for 900 students in grades 6-8 opened. The school boasts larger than normal classrooms (850 sq. ft. vs. the standard 750 sq. ft.) contained in four separate wings, a high school-regulation gym, a 400-seat auditorium with a 2,000 sq. ft. stage, and is outfitted throughout with wireless technology to support computer and laptop use. All classrooms and offices are hardwired for video, TV, and voice/data computer communications.

This state-of-the-art school, both educationally and environmentally, is the first public school in Maine to be entirely heated and cooled by a geothermal mechanical system. The geothermal system consists of 116 wells, each 354' deep, which allow the earth to act as a heat exchanger whereby water in a closed loop is either heated or cooled, depending on the temperature of the earth and the temperature of the water contained in the building loop.

Gorham Middle School, designed by Portland Design Team, is of a new generation of buildings being designed as a high performance school building, and it was built by Davis and Hanscom.

The other project funded with the 2003 bond proceeds was the expansion and renovation of the Baxter Memorial Library. Under the Department Focus section of the Introductory Section, a more detail description of this project can be found.

The fiscal year 2004 capital equipment and capital project appropriations equaled \$86,262 and \$180,000 respectively. The capital equipment funds are for:

1. \$16,892, to make the fourth lease payment (five year lease) on the John Deere Backhoe
2. \$69,370, purchase three police cruisers

The capital projects funded in fiscal year 2004 were:

1. \$160,000, to fund road projects. The Town of Gorham has 247 public roads consisting of approximately 133.7 miles of Town roads and 12.5 miles of State roads. The Town also has approximately 14.5 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. In fiscal year 2004, the top five projects were identified as the most crucial and will utilize the \$160,000:

Road	Length in Miles	Type of Repair	Cost	Cumulative Cost
Highmeadow	0.32	shim & surface	\$20,800	\$20,800
Woodlawn	0.24	shim & surface	\$15,600	\$36,400
Weeks Road	0.40	shim & surface	\$26,000	\$62,400
Weeks Road – Gravel Section	0.38	base & shim	\$50,000	\$112,400
Clay Road	0.59	shim & surface	\$38,350	\$150,750
Phinney Street	0.54	base & surface	\$66,744	\$217,494
Goodall Road	0.18	shim & surface	\$11,700	\$229,194
Solomon Drive	0.58	shim & surface	\$37,700	\$266,894
Adeline Drive	0.33	shim & surface	\$21,450	\$288,344
White Birch Drive	0.06	shim & surface	\$3,900	\$292,244
Newell Road	0.30	shim & surface	\$19,500	\$311,744
Mosher Road	0.30	shim & surface	\$19,500	\$331,244
Barstow Road	1.87	base & surface	\$240,000	\$571,244
Barstow Road		Developer funds	(80,000)	\$491,244
Lover's Lane	0.65	shim & surface	\$42,250	\$533,494

2. \$10,000, to fund NPDES (National Pollution Discharge Elimination System) Phase II. The Town will need to begin implementing this federally mandated program to control storm water runoff. This account will provide a minimum level of funding.
3. \$10,000 – to continue to fund the hardware, software and data for the Town's G.I.S. system. In addition to developing a local database, the Town is planning to integrate with a regional (Greater Portland) database through the Council of Governments, which will eventually allow a citizen in Gorham to access data in another community.

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 2004, \$584,477 was available for allocation to capital equipment and capital project needs. The following is a list of items funded:

1. State Road Projects – Local Share \$235,477

This account pays for the Town's local share of road projects or traffic studies for projects on State and State aid roads. The local share of costs vary depending on the type of project, and it is difficult to predict when a project will be constructed. Listed below are pending projects included in the Maine Department of Transportation (MDOT) Biennial Transportation Plan.

MDOT		Type of	Estimated	% Local	Est. Local
PIN	Location	Work	Costs	Match	Match
8460	Libby Ave – Rte 25 to Patio Park	reclaim	\$ 321,900	20%	\$ 64,380
9329	Libby Ave – Rte 25 to Rte 202	reclaim	1,765,000	25%	500,193
7852	Restore Gambo Rd Bridge for Bike/Ped Use	restore	420,000	20%	84,000
10541	Brackett (from New Portland to Saco St)	reclaim	2,535,000	25%	633,750
	TOTAL				\$1,198,323

Note: The Town does not intend to use a cash match for the Gambo Bridge project, but an in-kind match, and the local match is not included in the totals.

The following projects have been applied for, or are expected to be applied for, but are not yet included in the BTIP.

	Type of	Estimated	% Local	Est. Local
Location	Work	Costs	Match	Match
Traffic Circle @ Mosher's Corner	New construction	\$1,150,000	20%	\$230,000
New access road to Industrial Park	New construction	2,400,000	20%	480,000
Route 114/22 Intersection widening with Burnham Road improvements and two way left turn lane between Gorham Road and South Street.	Full depth reconstruction	1,555,000	15%	232,500

ESTIMATED LOCAL SHARE OF ALL PROJECTS
(not counting Gambo Bridge Project)

\$2,140,823

CURRENT ESTIMATED REVENUE AVAILABLE FROM
LOCAL SHARE RESERVE ACCOUNT

387,922

ESTIMATED UNMET NEED

\$1,752,901

It is expected that the Libby Avenue Project (PIN 9329) will be done in the upcoming construction season, and the Brackett Road Project (PIN 10541) may be ready for the upcoming construction season but will probably not be ready until the following year. The estimated local share of these two projects is \$1,133,943. This additional appropriation would provide \$623,399 toward the current estimated local share costs of these two projects.

2. Supplemental Road Projects \$221,000

The amount of funding in the regular Capital Project account has been significantly reduced. Even with these funds, spending on road projects in the FY2004 budget was greatly reduced. These funds, added to the \$160,000 in the regular Capital Projects account, provided a total of \$381,000 and allowed the Town to add the next seven projects identified by the Public Works Department's pavement management system. See the capital projects listing.

3. Plow Truck and Sander \$95,000

This truck and sander will replace a 1986 Ford L-8000 with 128,000 miles. The 1986 truck currently operates as a front-line truck on a plow route.

4. Auto Defibrillators (3) \$9,000

The Town has two auto defibrillators that are ten years old and need to be replaced. The third defibrillator would be placed on the fire engine at Central Station.

5. Thermal Imaging Camera \$24,000

The Fire Chief requested six new thermal imaging cameras to supplement the three thermal imaging cameras that the Town already has. The Fire Department's eventual goal is to have a camera at each station plus a camera on the ladder truck, squad truck, and engine that are operated by full-time personnel.

Department Focus – Baxter Memorial Library

The Baxter Memorial Library serves as a community resource center meeting the needs of its citizens of all ages for information, enjoyment and life-long learning. The Library circulates books, magazines, videocassettes, audio books, and DVDs. If the Library does not own an item someone wants, the Library staff will gladly order it through the Library's very popular interlibrary loan service. The Library also offers a variety of programs for all ages including three story times for preschoolers, activities for school aged children and young adults, and book discussions for adults. Internet access is also available on the Library's seven public computers. More information on library services and programs may be found on their website at www.baxterlibrary.org.

The Library is open 50 hours per week including four evenings until 8:30 and Saturday mornings (the library is closed on Saturdays from June 15 – September 15). There are 12 full and part-time regular staff, 9 on-call substitutes and 25 regular volunteers. Besides assisting the regular library staff, the volunteers assist with the newly implemented home delivery service. The Baxter Mobile Library has become such a huge success that more volunteers are needed to expand this service. During the 12-month period ending June 30, 2003, the Baxter Library was

closed for approximately six weeks and was functioning at limited capacity for the rest of the year due to a major renovation and expansion project. Even so, the library circulated 91,669 items during that time.

On May 31, 2003, the Baxter Memorial Library held a Grand Opening and Ribbon Cutting Ceremony for the newly renovated and expanded Library. After an extensive and highly successful fund raising campaign, with additional funding coming from the Town's fund balance and General Obligation Bonds, a 7,500 square foot addition was integrated into the original 1908 building, which was a gift from James Phinney Baxter. This brings the total usable square footage of the library to 15,588.

The original Library was constructed of pink granite and the interior is completed in red oak. The addition's brick exterior complements the original structure. The main entrance to the Library was relocated with patrons entering into the fully accessible addition. The addition is a two floor open airy space with the adult services on the main level and the lower level devoted almost completely to children and young adults. The new space flows into the older, newly renovated, section of the library, which includes meeting space and reading room. The charm and character of the original building was maintained through the renovation project.

The Maine Preservation Board of Trustees was so impressed with the historic restoration and expansion design, that they honored the Baxter Library on May 13, 2003 with the prestigious 2003 Statewide Historic Preservation Honor Award. The Baxter Memorial Library was one of only twelve honorees and the only public library to be so honored. Portland Design Team of Portland, Maine designed the renovation and expansion project. LedgeWood, Inc. of Portland managed the construction project.

Financial Information

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 Statute and the Town Charter require an annual audit of all financial records by independent certified public accountants. The audit of fiscal year 2004 was performed for the Town Council, by the firm of Runyon, Kersteen, Ouellette PA, a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Gorham, for the fiscal year

ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. In the opinion of the independent auditor, the Town of Gorham's financial statements, as of June 30, 2004, 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 also, in accordance with *Government Auditing Standards*, have issued a report dated September 01, 2004 on their consideration of the Town of Gorham, Maine's internal control over financial reporting and their tests of the Town's compliance with certain provisions of laws, contracts and grants. This report is available at the Finance Office at the Municipal Center.

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 Manager shall become the adopted budget of the town for the fiscal year.

Debt Administration: As of June 30, 2004, the Town had a total of \$32,902,542 of outstanding general obligation debt. The Town of Gorham currently has an A1 rating from Moody's on its general obligation bond issues. As previously mentioned, the Town's outstanding indebtedness is only 3.5% of the State's equalized value.

Cash Management: The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. Generally, the Town invests funds in certificates of deposit, savings accounts, federal money market accounts, and obligations of the federal government and its agencies 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 average yield for the Town's investments during fiscal year 2004 was 0.89%, producing total investment income for the General Fund of \$67,557 less bank management fees of \$7,009 and interfund transfers of \$14,766 for a net of \$45,782.

Risk Management: Currently, the Town of Gorham 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.

Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Runyon Kersteen Ouellette performed for the Town Council the annual audit for fiscal year end June 30, 2004. 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. 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.

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, 2003. This was the first year 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 second 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, 2003

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.

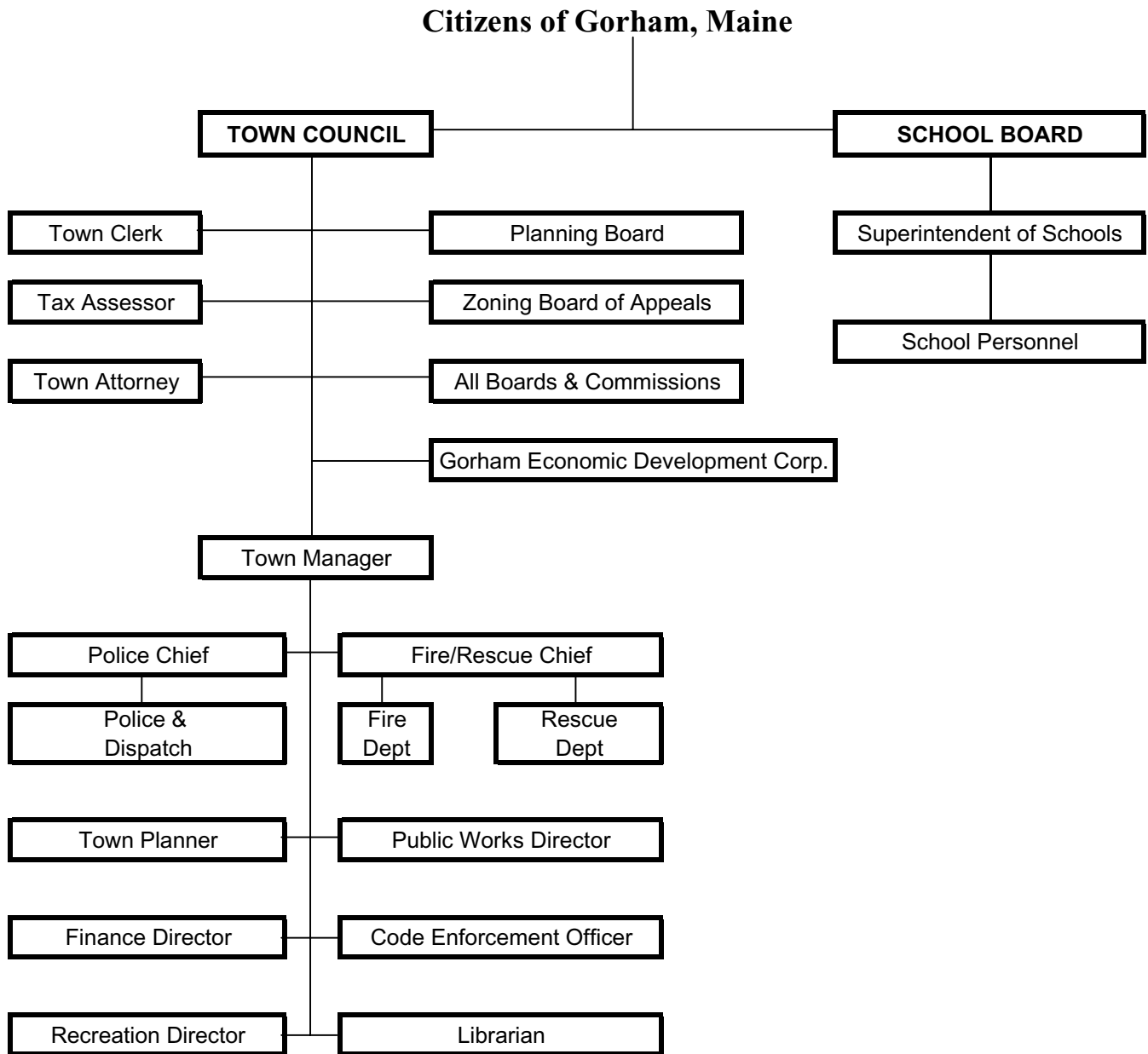


President

Executive Director

Town of Gorham, Maine

Organizational Chart



TOWN OF GORHAM, MAINE
List of Principal Officials
June 30, 2004

Burleigh H. Loveitt, Council Chairman

Philip A. Dugas

Michael J. Phinney

Calvin H. Hamlin

Matthew J. Robinson

Norman E. Justice, Jr.

Jane S. Willett

David O. Cole, Town Manager

D. Brenda Caldwell, Town Clerk

David G. Sawyer, Tax Assessor

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

Thomas E. Ellsworth, Econ. Dev. Dir.

Maureen R. Finger, Finance Dir.

Robert S. Lefebvre, Fire Chief

Pamela E. Turner, Librarian

Deborah F. Fossum, Planner

Ronald W. Shepard, Police Chief

Robert J. Burns, Jr., Public Works Dir.

Cynthia A. Hazelton, Recreation Dir.

Rose Marie South, School Board Chairman

Steven R. Caldwell

Stephen M. Morin

Karen L. Fowler

William D. Neily

James J. Hager, Jr.

Judie A. O'Malley

Michael Moore, School Superintendent

Paul 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 basic financial statements of the Town of Gorham, Maine as of June 30, 2004 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Town of Gorham, Maine's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Gorham, Maine, as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statements No. 34, 36, 37, and 38 as well as GASB Interpretation 6 as of and for the year ended June 30, 2004. This resulted in changes in the Town's method of accounting for certain transactions and a change in the format and content of the basic financial statements.

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

The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Gorham, Maine. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Tables 1 through 13 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 01, 2004 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, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

September 01, 2004
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, 2004. 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 \$25,782,481, an increase of \$2,379,731 or 10% when compared to the beginning net asset figure of \$23,402,750.
- The ending fund balance for Governmental Funds is \$12,243,979. This is a decrease of \$806,005 from last fiscal year. Although expenditures exceeded revenues by \$4,183,229, the completion of the new middle school during fiscal year 2004 with bond proceeds received during fiscal year 2003 was the major reason for expenditures exceeding revenues. The Town issued general obligation bonds for \$3,150,000 in February 2004 to demolish a portion of the Shaw School and renovate the remaining structure, replace the roof at Narragansett School, and jointly purchase an aerial platform fire truck with the Town of Windham. The net affect of the unspent 2004 bond proceeds and the expenditure of the middle school 2003 bond proceeds are the major cause for the decrease in the fund balance.
- The General Fund's ending fund balance is \$4,985,219, an increase of \$566,120 over the prior year's ending fund balance of \$4,419,099. Of the \$4,985,219, \$507,194 is reserved for encumbrances, \$16,676 is reserved for trash bag inventory and \$249,365 is designated for capital projects 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, 2004 was \$3,105,401 or 8.9% of the total FY05 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 the budget process.

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 47 and 48. 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>Governmental Activities</u>			
	2004	2003	\$ Chg	% Chg
Current & Other Assets	17,692,623	17,347,175	345,448	2.0%
Capital Assets, net	<u>47,258,047</u>	<u>43,068,702</u>	<u>4,189,345</u>	9.7%
Total Assets	64,950,670	60,415,877	4,534,793	7.5%
Long Term Debt Outstanding	33,858,193	32,917,709	940,484	2.9%
Other Liabilities	<u>5,309,996</u>	<u>4,095,418</u>	<u>1,214,578</u>	29.7%
Total Liabilities	39,168,189	37,013,127	2,155,062	5.8%
Net Assets:				
Invested in:				
Capital Assets, net of related debt	13,820,834	10,150,993	3,669,841	36.2%
Restricted	354,163	350,383	3,780	1.1%
Unrestricted	<u>11,607,484</u>	<u>12,901,374</u>	<u>(1,293,890)</u>	-10.0%
Total Net Assets	25,782,481	23,402,750	2,379,731	10.2%

The Capital Asset disclosure in the notes to the financial statements, see Note 6, shows how the change in capital assets, net of \$4,189,345 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 \$940,484 resulted.

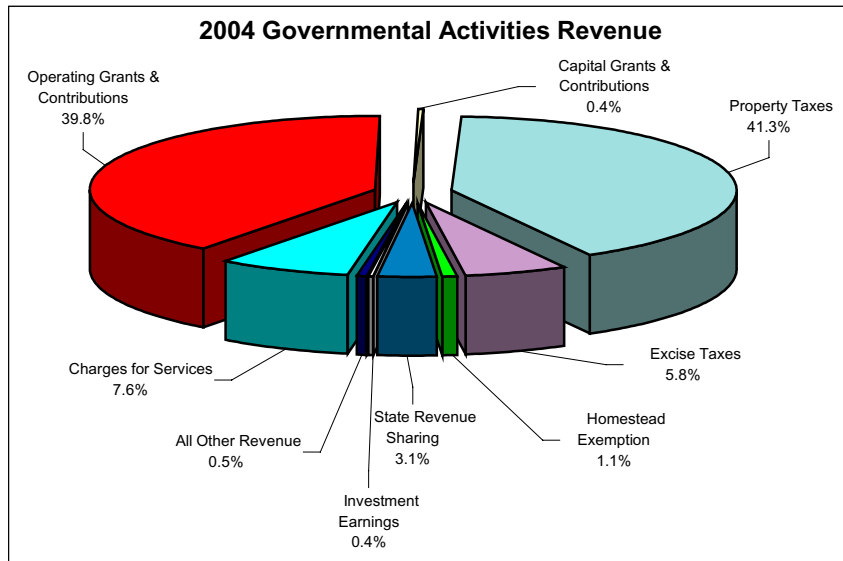
The change in the other liabilities of \$1,214,578 is mainly due to the increase in the value of performance bonds held as of June 30, 2004 from various developers. This is an indication of the development activity occurring in the Town of Gorham.

Changes in Net Assets

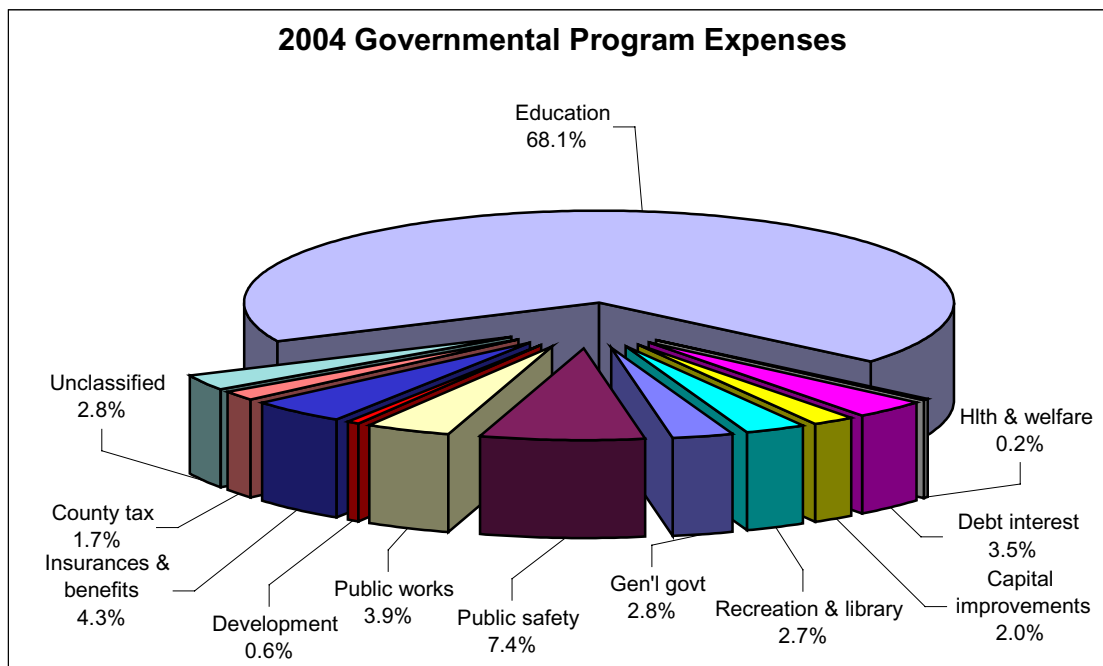
The following is a condensed version of the Statement of Activities.

	<u>Governmental Activities</u>			
	2004	2003	\$ Chg	% Chg
Revenues				
Program revenues:				
Charges for services	2,972,731	2,820,157	152,574	5.4%
Operating grants & contributions	15,671,082	13,897,976	1,773,106	12.8%
Capital grants & contributions	174,005	89,445	84,560	94.5%
General revenues:				
Property taxes	16,253,550	14,808,959	1,444,591	9.8%
Payment in lieu of taxes	52,922	45,233	7,689	17.0%
Motor vehicle & boat excise taxes	2,267,577	2,107,389	160,188	7.6%
Grants and contributions not restricted to specific programs:				
Homestead exemption	410,820	441,123	(30,303)	-6.9%
Other state aid	27,119	22,265	4,854	21.8%
State revenue sharing	1,236,201	1,194,609	41,592	3.5%
Investment earnings	151,965	317,110	(165,145)	-52.1%
Miscellaneous revenues	<u>129,491</u>	<u>194,214</u>	<u>(64,723)</u>	-33.3%
Total revenues:	39,347,463	35,938,480	3,408,983	9.5%
Expenses				
General government	1,038,161	930,640	107,521	11.6%
Public safety	2,759,232	2,475,168	284,064	11.5%
Public works	1,460,737	1,951,405	(490,668)	-25.1%
Health & welfare	57,263	44,010	13,253	30.1%
Recreation, library & museum	983,574	251,339	732,235	291.3%
Development	224,690	227,103	(2,413)	-1.1%
Insurances	232,057	190,597	41,460	21.8%
Employee benefits	1,372,594	1,159,107	213,487	18.4%
County tax	645,663	595,692	49,971	8.4%
Unclassified	1,022,364	998,036	24,328	2.4%
Education	25,284,410	22,720,518	2,563,892	11.3%
Interest on debt	1,304,509	1,251,078	53,431	4.3%
Capital outlay	<u>728,411</u>	<u>944,278</u>	<u>(215,867)</u>	-22.9%
Total expenses:	37,113,665	33,738,971	3,374,694	10.0%
Excess (deficiency) before special items and transfers	2,233,798	2,199,509	34,289	1.6%
Special items	145,933	-	145,933	n/a
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	
Increase (decrease) in net assets:	2,379,731	2,199,509	180,222	8.2%

Approximately 41% of the Town's revenues come from property taxes, while 40% comes from operating grants and contributions. Approximately 75% 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 2004.



The total cost of programs and services, other than education and capital outlay, have remained virtually the same. Education, which makes up 68% of the expenses for fiscal year 2004, increased by \$2,563,892 and is attributed to the new larger middle school opening with higher operating costs, the first debt service payment for the new middle school, and higher employee benefit costs. The following pie chart shows functional expenses for fiscal year 2004.



Governmental Activities

The cost of all governmental activities was \$37,113,665. However, as shown on the Statement of Activities, the amount that the taxpayers of Gorham ended up financing was \$16,253,550 or 41.3%, because some of the cost was paid by those who directly benefit from the programs -- \$2,972,731, or by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$15,671,082, and capital grants and contributions -- \$174,005. The Town also received \$4,276,095 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 2004. In addition, the Town received bond refunding savings of \$145,933 during fiscal year 2004, which has been identified as a special item on Statement 2.

The Town's governmental activities include general government, public safety, public works, health & welfare, recreation, library & museum, development, insurances, employee benefits, county tax, unclassified, education, interest on debt, and capital maintenance.

Governmental activities resulted in an increase to the Town of Gorham's net assets of \$2,379,731.

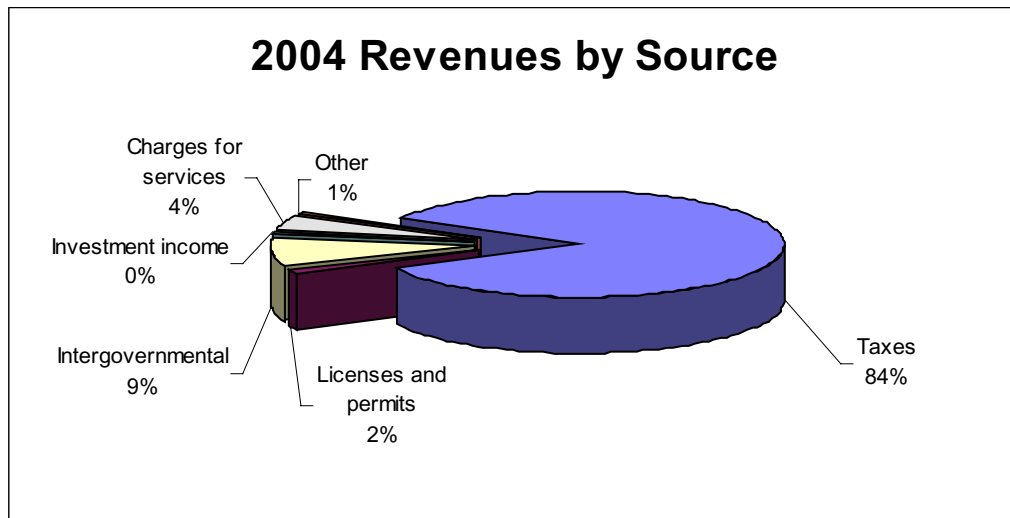
The Town's Funds

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 2004 revenues by source for the General Fund with the 2003 information for comparison while the pie chart summaries the 2004 revenues by source. Information is from Statement 4.

	<u>2004</u>	<u>2003</u>	\$ Chg	% Chg
Revenues by Source				
Taxes	18,405,739	16,817,675	1,588,064	9.4%
Licenses and permits	403,479	265,683	137,796	51.9%
Intergovernmental	1,889,027	1,896,402	(7,375)	-0.4%
Investment income	45,782	86,731	(40,949)	-47.2%
Charges for services	948,434	1,039,249	(90,815)	-8.7%
Other	200,863	117,837	83,026	70.5%
Total Revenue	21,893,324	20,223,577	1,669,747	8.3%



General Fund revenues increased 8.3% over the fiscal year 2003 amount. Below are some of the reasons for the higher revenues.

Taxes: The net appropriation or local tax requirement for FY2004 increased 9.4% or \$1,588,064 over the FY2003 level, with the primary increase due to the Education budget, which increased 10.1% or \$1,079,000.

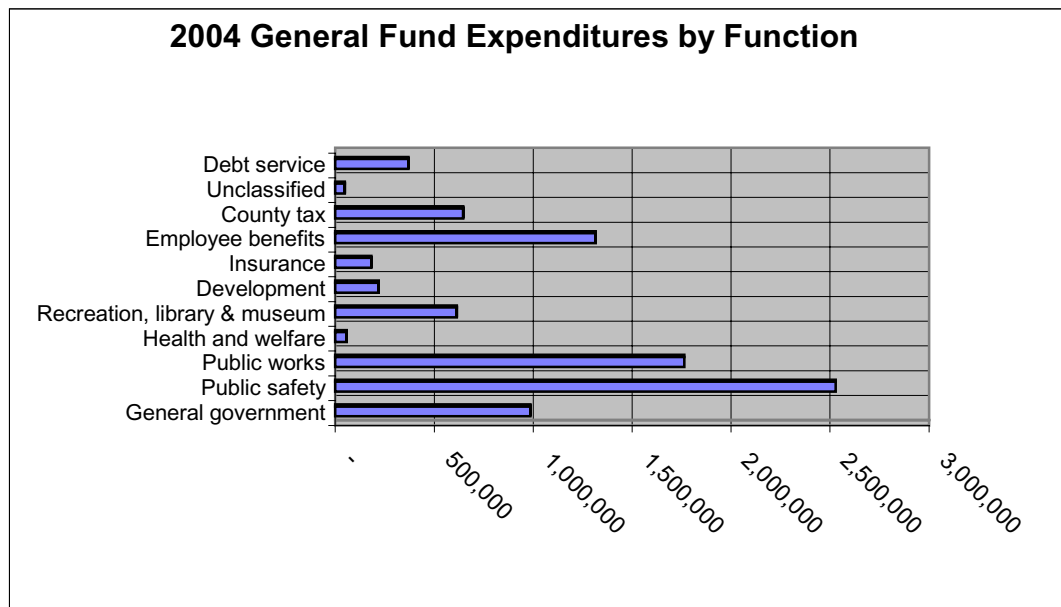
Licenses and permits: The Town Council approved various fee increases in July 2003, which became effective on August 1, 2003. Due to the fee increases, the majority of the building permit fees increased 50% or more. Therefore, we can contribute the \$137,000 increase in the license and permits revenue source to the higher building permit fees. As previously mentioned in the Introduction section, actual building permits issued were slightly down from the previous year.

Interest income: The continued decline in interest rates had contributed to the decrease in investment earnings in fiscal year 2004. As previously mentioned, the average interest rate for fiscal year 2004 was 0.89%, while it was 1.39% for fiscal year 2003. The actual amount invested during the year was approximately 10% or \$2,250,000 higher than the amount invested during fiscal year 2003.

Other: The 70.5% increase in this revenue category can be contributed to the recreation reimbursement revenues, which saw a \$91,620 change when compared to the fiscal year 2003 revenue. Greater participation in recreation programs as well as slightly higher fees have contributed to the higher revenue. This excess revenue is part of the designated fund balance to cover future recreation program costs. (see Note 16, DESIGNATED FUND BALANCE)

The following table summarizes the General Fund expenditures by function for fiscal year 2004 with 2003 information for comparison while the graph displays the General Fund expenditures by function for fiscal year 2004. Information is from Statement 4.

	<u>2004</u>	<u>2003</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditure by function				
General government	986,437	984,903	1,534	0.2%
Public safety	2,528,566	2,345,284	183,282	7.8%
Public works	1,763,986	1,792,614	(28,628)	-1.6%
Health and welfare	57,263	44,010	13,253	30.1%
Recreation, library & museum	613,591	529,559	84,032	15.9%
Development	218,559	229,759	(11,200)	-4.9%
Insurance	182,057	190,597	(8,540)	-4.5%
Employee benefits	1,315,700	1,128,849	186,851	16.6%
County tax	645,663	595,692	49,971	8.4%
Unclassified	47,991	115,059	(67,068)	-58.3%
Debt service	369,733	306,779	62,954	20.5%
Total expenditures	8,729,546	8,263,105	466,441	5.6%



The General Fund expenditures increased by 5.6% over fiscal year 2003 levels. The following information identifies some of the causes for the increase.

Public Safety: Encumbrances for fiscal year ended June 30, 2004 are up \$30,208 from fiscal year 2003 due primarily to the upgrade of three cruisers on order - \$8,100, the purchase of a rescue dummy - \$7,500, and the addition of headsets to the fire trucks and rescue vehicles - \$14,608. Also the addition of a part-time secretary in the Police Department and the increase in wages, fire call pay, and overtime have contributed to the remaining increase in the public safety expenditures.

Health and Welfare: Fiscal year 2004 saw an increase in the number of general assistance clients than previous years resulting in higher general assistance payments for food, rent, and utilities.

Recreation, library and museum: The Baxter Library opened its newly expanded facility during fiscal year 2004. Additional staffing was required to operate the newly expanded facility. The impact of the additional staffing is \$30,000. Besides the additional staffing, the Library experienced higher operation costs such as utilities, heating, building maintenance, internet access, books, and non-print items. These additional expenditures amounted to nearly \$15,200. Finally, the Library's wage increases for fiscal year 2004 amounted to \$22,500. In addition, during fiscal year 2004, the School Board turned over to the Town the old Shaw Junior High once the new middle school opened. The Town now reflects the cost to maintain this building in this category and the fiscal year 2004 impact was \$12,800.

Employee benefits: The Town has its medical insurance with Maine Municipal Association and we experienced an 8% increase in premiums during fiscal year 2004. The impact of this increase as well as two additional participants added to the plan during fiscal year 2004 was \$94,000. The Town also encumbered \$50,000 under the major medical insurance budget for an air handling system for central station's fire bays to deal with a letter from MMA Risk Management staff concerning the exhaust fumes generated by the fire trucks and the air quality resulting in the municipal center. The Town is self-insured for unemployment compensation. Moreover, at year-end, the Town decided to establish a reserve account to assist in funding the potential impact of the Palesky tax cap referendum vote in November 2004. The Town set aside \$20,000 in this reserve account. Finally, the retirement and FICA expenditures are a function of the total wages paid, which had a \$48,200 increase over the fiscal year 2003 expenditures.

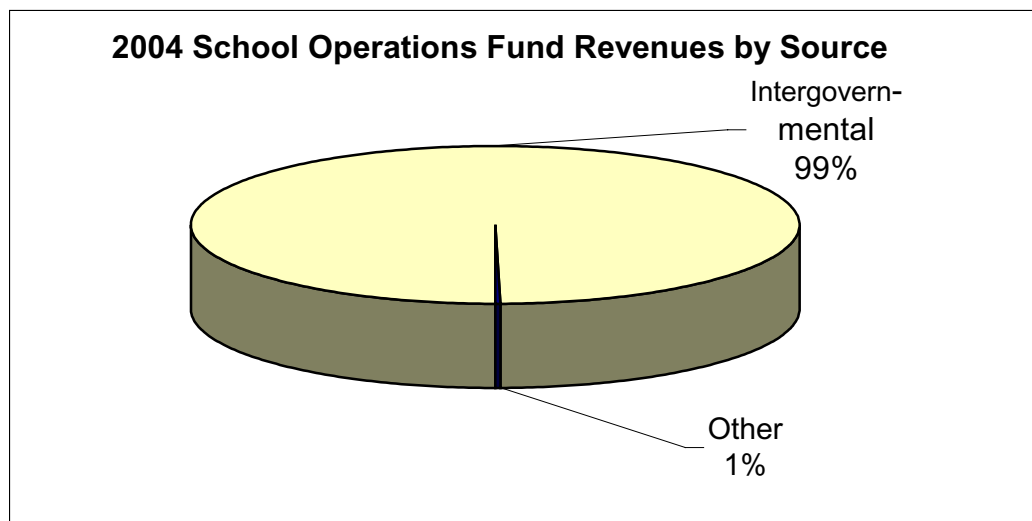
Unclassified: The major change in this category was due to miscellaneous unbudgeted activity that occurred during fiscal year 2004. We saw a change of \$83,795 when compared to fiscal year 2003. Mainly this decrease is attributed to two new reserve accounts established by the Town – one reserve account was established to fund the vacation/comp/sick time payments when an employee terminates employment with the Town (\$44,800); while the other reserve account was established to fund unemployment costs (\$20,000) as mentioned previously under the employee benefits category.

Debt service: The increase is due to the impact of first principal payment for the Baxter Library expansion bond issued during fiscal year 2003.

The following table summarizes the fiscal year 2004 revenues by source for the Special Revenue Fund's School Operations Fund with 2003 information for comparison while the pie chart summarizes the 2004 revenues by source. The information is from Statement 4.

	<u>2004</u>	<u>2003</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenues by Source				
Intergovernmental	14,153,266	12,488,277	1,664,989	13.3%
Other	44,320	66,273	(21,953)	-33.1%
Total Revenue	14,197,586	12,554,550	1,643,036	13.1%

The 13% increase in School Operation Fund revenues is primarily from increased state aid to education and state construction aid, which amounted to an increase of \$1,323,495.

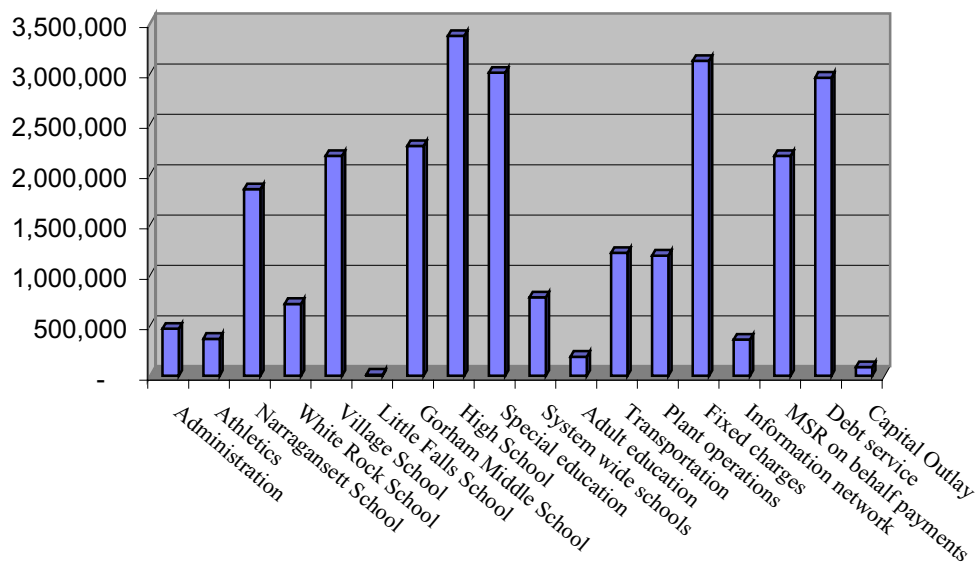


The School Operations Fund's expenditures are 10.4% higher than fiscal year 2003. As mentioned previously under the Changes in Net Assets section, the primary reasons for the increase are higher operating cost for the new middle school, the new debt service for the middle school, and higher employee benefit costs such as health insurance.

The following table summarizes the School Operations Fund expenditures by function for fiscal year 2004 with 2003 information for comparison while the graph displays the expenditures by function for fiscal year 2004. Information is from Statement 4.

	<u>2004</u>	<u>2003</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditures by Function				
Administration	468,096	442,358	25,738	5.8%
Athletics	368,030	342,028	26,002	7.6%
Narragansett School	1,853,626	1,599,845	253,781	15.9%
White Rock School	714,339	799,708	(85,369)	-10.7%
Village School	2,184,525	2,121,049	63,476	3.0%
Little Falls School	11,176	492,460	(481,284)	-97.7%
Gorham Middle School	2,281,955	1,595,439	686,516	43.0%
High School	3,376,099	3,281,275	94,824	2.9%
Special education	3,009,999	2,878,189	131,810	4.6%
System wide schools	779,770	816,190	(36,420)	-4.5%
Adult education	189,543	201,870	(12,327)	-6.1%
Transportation	1,220,713	924,806	295,907	32.0%
Plant operations	1,193,570	1,187,965	5,605	0.5%
Fixed charges	3,127,288	2,331,930	795,358	34.1%
Information network	360,290	342,747	17,543	5.1%
MSR on behalf payments	2,183,495	2,187,055	(3,560)	-0.2%
Debt service	2,960,503	1,817,713	1,142,790	62.9%
Capital Outlay	85,731	530,775	(445,044)	-83.8%
Total Expenses	26,368,748	23,893,402	2,475,346	10.4%

2004 School Fund Expenditures by Function



The following table summarizes the fiscal year 2004 revenues by source for the Special Revenue Fund's Capital Reserve Fund with 2003 information for comparison. The information is from Statement 4.

	<u>2004</u>	<u>2003</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenue by Source				
Investment income	29,063	33,873	(4,810)	-14.2%
Unclassified	397,217	164,410	232,807	141.6%
Total Revenues	426,280	198,283	227,997	115.0%

The major change in revenues is found in the Unclassified category. During fiscal year 2004, the Town received a refund of \$145,933 due to bond refinancing done by the Maine Municipal Bond Bank. The Town Council authorized the use of these funds to finance road projects. The remaining portion of the increase, approximately \$66,000, is due to three new impact fees established by the Town Council. These new impact fees are for recreational facilities, open space acquisition, and a water line extension.

The following table summarizes the Capital Reserve Fund expenditures by function for fiscal year 2004 with 2003 information for comparison. Information is from Statement 4.

	<u>2004</u>	<u>2003</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditures by Function				
Roads and Road Projects	496,510	511,397	(14,887)	-2.9%
Library and Museum	152,326	1,834,867	(1,682,541)	-91.7%
Public Works Facilities	5,830	142,402	(136,572)	-95.9%
Community Center	249,464	-	249,464	n/a
All Other	644,176	545,295	98,881	18.1%
Total Expenses	1,548,307	3,033,961	(1,485,654)	-49.0%

The major change in the Special Revenue Fund's Capital Reserve Fund is in the Library and Museum function. The Baxter Memorial Library expansion project expenses are reported here and the majority of the project occurred during fiscal year 2003.

The Public Works Facilities function decrease is also due to the winding down of the construction expenses related to the new public works facility which began construction during fiscal year 2002 and progressed through fiscal year 2003, with minimal expenses during fiscal year 2004.

During fiscal year 2004, the Town started a new project and that is the partial demolition of the old Shaw School and renovation of the remainder of the building for a new Community Center. The Town issued general obligation bonds of \$2,400,000 in February 2004 to fund this project.

Finally, the Town portion of an aerial fire truck, which the Town jointly purchased with the Town of Windham, is reflected in the All Other function. The Town's share of \$350,000 was financed with general obligation bonds.

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 \$721,289, while actual expenditures were under budgeted appropriations by \$283,953. This resulted in a positive net effect of \$1,005,242. However, after transfers and changes in encumbrances and accrued compensated absences, the change in fund balance was a positive \$398,162.

The undesignated fund balance at \$4,211,984 is still a healthy figure and represents 12.0% of the total general fund and school operations fund budgeted appropriations for FY2005. 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 (\$1,106,583) is factored in the percentage drops to 8.88%. The Town's management anticipates that during the FY2006 budget process, \$308,071 of undesignated fund balance will be used for the Town's Capital Budget Part II.

The original (or adopted) budget for fiscal year 2003-2004 amount of \$33,451,458 (expenditures of \$33,125,159 plus transfers of \$326,299), compared to the final budget amount of \$33,451,458 (expenditures of \$33,125,159 plus transfers of \$326,299) is the same. There were a number of appropriation adjustments between the departments in particular general government, public safety, recreation, insurances and employee benefits, unclassified, and debt service.

Capital Asset and Debt Administration

Capital Assets

At the end of 2004, the Town had invested \$22,506,033 in a broad range of capital assets. The following chart identifies the assets that were added during fiscal year 2004, but does not include the construction in progress projects – renovation of the old Shaw School into a community center and replacement of the Narragansett School roof.

Category	Category Total
Historical Treasurers/Artwork	
Middle School artwork: Sky is the Limit	15,250
Middle School artwork: stained glass	15,319
Middle School artwork: ceramic mural	10,450
	<hr/>
	41,019
Land	5,000
	<hr/>
	5,000

Category		Category Total
Land improvements		
Baxter Library, fencing	4,550	
Baxter Library, exterior stone sign	8,486	
Education, Middle School parking lots/driveway/walkways	237,630	
Education, Middle School irrigation system/landscaping	71,800	
Education, Middle School site work	2,510,200	
Education, Middle School geothermal wells	<u>641,892</u>	
		3,474,558
Buildings and building improvements		
Education, Middle School	<u>14,610,954</u>	
		14,610,954
Machinery and equipment		
Education, shop and grounds equipment	61,939	
Education, Middle School TV studio equipment	80,524	
Education, Middle School athletic equipment	34,670	
Education, Middle School scoreboards/control case	12,000	
Public Safety equipment	94,220	
Recreation, Cable TV studio equipment	<u>4,314</u>	
		287,667
Furniture and office equipment		
General Government, furniture and equipment	16,545	
Education, GHS security system	50,279	
Education, Middle School theatre lighting	34,909	
Education, Middle School furnishings	961,226	
Education, Middle School auditorium/gym seating	103,292	
Education, Middle School kitchen equipment	227,454	
Baxter Library, furniture/fixtures for new addition	80,336	
Public Safety furniture	5,095	
Recreation, copier	<u>6,113</u>	
		1,485,249
Computer equipment	<u>5,000</u>	
		5,000
Vehicles		
Police vehicles	74,378	
Fire vehicles	354,500	
Public Works vehicles	87,165	
School vehicles	<u>246,025</u>	
		762,068
Infrastructure		
Roads	<u>1,435,909</u>	
		1,435,909
Total Assets Added During FY2004		<u><u>22,107,424</u></u>

During fiscal year 2004, a number of assets were transferred from one function/activity to another function/activity. The following chart shows these transfers.

Category	Function and Activity	Amount Transferred
Buildings and building improvements		
	Education, Shaw Junior High School	(1,361,000)
	General Govt, old Shaw School/Community Center	1,361,000
Vehicles		
	Public Safety (Police), 1999 Ford Crown Victory	(20,690)
	General Govt (Assessing), 1999 Ford Crown Victory	20,690
	Public Safety (Police), 1987 Chevy Astro Van	(5,000)
	Public Works, 1987 Chevy Astro Van	5,000

The depreciation expense for 2004 was \$2,167,748. 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 \$4,189,345 or 9.7%, over last fiscal year.

Capital Assets (net of depreciation) Governmental Activities				
	<u>2004</u>	<u>2003</u>	<u>\$ Change</u>	<u>% Chg</u>
Land	1,579,159	1,574,159	5,000	0.3%
Books/Historical Treasures/Artwork	1,083,774	1,042,755	41,019	3.9%
Construction in Progress	398,609	16,104,737	(15,706,128)	-97.5%
Land improvements	3,925,611	565,844	3,359,767	593.8%
Buildings and building improvements	30,417,492	16,779,613	13,637,879	81.3%
Machinery and equipment	845,654	646,422	199,232	30.8%
Furniture and office equipment	1,629,509	319,247	1,310,262	410.4%
Computer equipment	120,823	165,463	(44,640)	-27.0%
Vehicles	2,777,017	2,500,875	276,142	11.0%
Infrastructure	<u>4,480,399</u>	<u>3,369,587</u>	<u>1,110,812</u>	<u>33.0%</u>
Totals	47,258,047	43,068,702	4,189,345	9.7%

The Town has appropriated \$280,442 in fiscal year 2005 for the following capital expenditures: three police cruisers, backhoe lease payment, 3 dispatch chairs, lease purchase for a dump truck and pickup truck, various road projects, funds to continue the implementation of the federally mandated program to control storm water runoff, and continued funding of the Town's G.I.S. program. Additionally, the Council reallocated \$185,180 in bond refunding savings and completed capital project reserve account balances to supplement road projects and state road projects – local share.

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

At year-end, the Town had \$32,902,542 outstanding general obligation bonds versus \$32,052,238 last fiscal year end – an increase of 2.65%. The significant increase was due to the issuance of bonds to finance the replacement of the Narragansett School Roof -- \$400,000, the local share of a 2001 aerial platform unit being purchased jointly with the Town of Windham -- \$350,000, and renovate the Shaw Middle School into a community center, superintendent's office and council chambers -- \$2,400,000.

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

At the Town Council's January 13, 2004 workshop, the Council identified and established the following goals as higher priorities to focus on:

1. ***Monitor, lobby, and facilitate progress on the Gorham By-Pass.*** As mentioned previously, the Council in conjunction with the Maine Department of Transportation has approved the two by-pass routes after extensive public hearings. With the State and Federal funding approved for this project, the Town is looking forward to the first phase to begin with the hopes of seeing the southern route completed within the next three to five years.
2. ***Add a new right-turn lane at Mechanic Street.*** The Town Council at its October 7, 2003 meeting approved the purchase of land for the purpose of constructing a right-turn lane at the intersection of Mechanic Street and New Portland Road. The Council also reallocated funds from a completed capital reserve project to fund the land acquisition and construction of the right-hand turn lane.
3. ***Continue implementation of the Growth Study.*** The Town Council at its December 2, 2003 meeting approved the reallocation of \$10,000 from a capital project reserve account to provide funding for the on-going study on the impact of rapid residential growth and to develop options to help the Town meet appropriate infrastructure needs.
4. ***Develop a master Plan for Public Safety (Fire and Rescue Services and Police).*** Funding of \$15,000 was approved in the FY2005 budget to pay for a Fire Department Master Plan. Currently, the town relies heavily on a call fire/rescue force to respond to a majority of its calls.
5. ***Decide on reuse of the Little Falls School.*** At this time, the Gorham School Board has decided to retain the Little Falls School for school purposes. The Council has placed this goal on hold, until such time the School Board decides to turn over the school to the Town.

6. ***Develop a sewer extension Master Plan.*** With the rapid residential growth seen in the past few years, the Council agrees that the extension of water and sewer infrastructure is important to the community. With the development of a sewer extension plan, the Council will have guidance on the areas that would benefit most from sewer line extensions.
7. ***Review whether Call Fire/Rescue personnel at Public Works should respond to calls when at work.*** A component of the master plan for public safety is whether to continue to allow public works' employees who are members of the call force to respond to call when at work. It was determined that this practice would continue.
8. ***If an opportunity develops, close Little Falls Sewer Plant, and extend sewer to Portland Water District's plant in Westbrook.*** A small sewer plant that is shared with the Town of Windham currently serves the Little Falls section of town. The Town of Windham has an old mill in the area that if converted to senior housing would cause a capacity issue for the sewer plant. When the mill project moves forward, both communities will need to address this issue with either expanding the existing sewer plant or installing the sewer lines necessary to connect to the treatment plant located in Westbrook.
9. ***Promote the development of more Industrial Park lots.*** The Council during FY2004 approved two new tax-increment financing districts. The State has approved the first of the two new districts. The funds generated from this district will go to fund a revolving loan fund to assist businesses in Gorham. Furthermore, one of the properties in this new district has been subdivided to create five new industrial park lots.
10. ***Develop and implement a plan to manage the Town's technology. Possible strategies include a cooperative arrangement with the School Department.*** As the town's various technology needs have increased, reliance on existing staff who have limited computer knowledge and outside contractors has also increased. With rising demands, limited staff knowledge, and increased vendor costs, the Town Manager has convinced the council that the Town needs to develop a plan to manage the Town's technology.

In addition, several other priorities that the Council identified were:

- Keeping the property tax rate as low as possible.
- Conducting a comprehensive review of the planning, regulatory and development process.

The Town of Gorham's officials considered the identified goals when adopting the 2005 fiscal year budget. Funding for a Master Plan on the Fire/Rescue operations was approved along with the addition of a part-time Inspection and Compliance Coordinator.

Given the "hot" issue of tax reform and the potential impact of the Maine Tax Payers Action Network referendum question on the November ballot, the primary objective was to keep the property tax increase to a minimum.

On May 11, 2004, the Town Council approved a total gross appropriation of \$34,966,630 to fund municipal and education operations, and the county tax. This is an increase of \$1,515,172 or 4.5% over the FY2004 appropriation. After applying non-property tax revenues, transfers and use of fund balance the FY2005 net appropriation is \$17,734,692, an increase of \$1,041,390 or 6.2%.

The assessed valuation for the Town went from \$860,479,500 to \$886,734,600, a 3% increase. The majority of the \$26,255,100 growth can be contributed to new value while a slight increase is the result of minor value adjustments on existing properties. The Town of Gorham's tax rate went from \$19.40 to \$20.00, a 3.1% increase.

The Town's municipal appropriation is \$9,417,210, a 6.3% increase over the FY2004 budget. Included in the municipal budget are funds for the new principal and interest debt payments for the project to convert the Shaw School into a Community Center, and the debt for the Town's share of the new aerial platform fire truck that was jointly purchased with the Town of Windham. An increase in non-property tax revenues, primarily vehicle excise taxes, of \$337,623 or 6.9%, transfers from the TIF Fund and Capital Reserve Fund, have resulted in a net appropriation of \$4,058,977, a modest 2.2% or \$87,561 increase. The municipal tax rate will go from \$5.09 to \$5.06.

The Town's education budget is \$24,889,443, a 3.9% or \$945,741 increase over the FY2004 budget. The major components of the budget increase included:

- 2.8% for existing programs (mainly increases in salary and benefits)
- 1.1% for needed new positions

Although the School Department saw a reduction in their use of fund balance and the middle school impact fees (these are used to help pay the debt service on the new middle school), with a modest increase in State Aid to Education funding, the net education appropriation is \$12,588,286, an increase of \$924,007 or 7.9% over FY2004. The results is an education tax rate increase of \$0.64 or 4.75%, and will go from \$13.56 per thousand to \$14.20 per thousand.

The county tax assessment was up 2.2% or \$14,314, but resulted in a slight decrease in the tax rate for the County Tax. The rate went from \$0.75 to \$0.74.

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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TOWN OF GORHAM, MAINE
Statement of Net Assets
June 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 213,688
Investments	14,422,849
Receivables:	
Accounts	264,824
Intergovernmental	151,484
Rescue receivable (net of allowance of \$60,000)	138,994
Taxes receivable - current year	483,208
Taxes receivable - prior year	19,707
Tax liens	216,654
Notes	13,371
Inventory	41,142
Other	1,726,702
Non-depreciable capital assets	3,061,542
Depreciable capital assets, net	44,196,505
Total assets	64,950,670
LIABILITIES	
Accounts payable and other current liabilities	1,092,599
Accrued wages and benefits	2,046,887
Compensated absences payable	241,167
Performance bond deposits	1,726,702
Middle School impact fees	202,641
Noncurrent liabilities	
Due within one year	2,619,186
Due in more than one year	31,239,007
Total liabilities	39,168,189
NET ASSETS	
Invested in capital assets, net of related debt	13,820,834
Restricted for:	
Nonexpendable trust principal	354,163
Unrestricted	11,607,484
Total net assets	\$ 25,782,481

See accompanying notes to financial statements.

Statement 2

TOWN OF GORHAM, MAINE
Statement of Activities
For the Year Ended June 30, 2004

Functions/programs	Program Revenues				Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government	
					Governmental activities	Total
Primary government:						
Governmental activities:						
General government	\$ 1,038,161	403,479	6,570	-	(628,112)	(628,112)
Public safety	2,759,232	1,167,015	30,712	18,718	(1,542,787)	(1,542,787)
Public works	1,460,737	420,736	205,148	21,200	(813,653)	(813,653)
Health & welfare	57,263	13,712	12,604	-	(30,947)	(30,947)
Recreation	983,574	124,983	27,860	41,580	(789,151)	(789,151)
Development	224,690	55,508	-	-	(169,182)	(169,182)
Insurances	232,057	-	-	-	(232,057)	(232,057)
Employee benefits	1,372,594	-	-	-	(1,372,594)	(1,372,594)
County tax	645,663	-	-	-	(645,663)	(645,663)
Unclassified	1,022,364	787,298	223,592	-	(11,474)	(11,474)
Education	2,528,410	-	15,164,596	-	(10,119,814)	(10,119,814)
Interest on debt	1,304,509	-	-	-	(1,304,509)	(1,304,509)
Capital maintenance	728,411	-	-	92,507	(635,904)	(635,904)
Total governmental activities	37,113,665	2,972,731	15,671,082	174,005	(18,295,847)	(18,295,847)
Total primary government	\$ 37,113,665	2,972,731	15,671,082	174,005	(18,295,847)	(18,295,847)
General revenues:						
Property taxes, levied for general purposes					16,253,550	16,253,550
Payment in lieu of taxes					52,922	52,922
Motor vehicle and boat excise taxes					2,267,577	2,267,577
Grants and contributions not restricted to specific programs:						
Homestead exemption					410,820	410,820
Other State aid					27,119	27,119
State Revenue Sharing					1,236,201	1,236,201
Unrestricted investment earnings					151,965	151,965
Miscellaneous revenues					129,491	129,491
Special item - bond refunding					145,933	145,933
Transfers					-	-
Total general revenues and transfers					20,675,578	20,675,578
Change in net assets					2,379,731	2,379,731
Net assets - beginning					23,402,750	23,402,750
Net assets - ending					25,782,481	25,782,481

See accompanying notes to financial statements.

TOWN OF CORHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2004

	General	School Operations Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash	\$ 3,137	-	-	210,551	213,688
Investments	8,112,763	-	4,560,559	1,749,527	14,422,849
Receivables:					
Accounts	100,450	2,046	-	162,328	264,824
Rescue receivable (net of allowance of \$60,000)	138,994	-	-	-	138,994
Taxes receivable - current year	483,208	-	-	-	483,208
Taxes receivable - prior year	19,707	-	-	-	19,707
Tax liens	216,654	-	-	-	216,654
Notes	-	-	13,371	-	13,371
Due from other governments	-	75,693	-	75,791	151,484
Interfund loans receivable	-	1,387,252	97,691	1,550,511	3,035,454
Other assets - performance bonds & impact fees	1,726,702	-	-	-	1,726,702
Inventory	16,676	-	-	24,466	41,142
Total assets	\$ 10,818,291	1,464,991	4,671,621	3,773,174	20,728,077
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	437,952	15,604	198,799	140,892	793,247
Accrued wages and benefits	141,421	1,905,466	-	-	2,046,887
Compensated absences payable	241,167	-	-	-	241,167
Interfund loans	2,645,189	96,197	-	294,068	3,035,454
Deferred tax revenues	438,000	-	-	-	438,000
Performance bond deposits	1,726,702	-	-	-	1,726,702
Middle school impact fees	202,641	-	-	-	202,641
Total liabilities	5,833,072	2,017,267	198,799	434,960	8,484,098
Fund balances:					
Reserved for:					
Noncurrent receivables/encumbrances	507,194	491,752	13,371	-	1,012,317
Nonexpendable trust principal	-	-	-	354,163	354,163
Inventory	16,676	-	-	24,466	41,142
Unreserved:					
Designated	249,365	62,555	4,094,646	-	4,406,566
Undesignated, reported in:					
General fund	4,211,984	-	-	-	4,211,984
Special revenue funds	-	(1,106,583)	364,805	1,882,652	1,140,874
Capital projects funds	-	-	-	840,405	840,405
Permanent funds	-	-	-	236,528	236,528
Total fund balances	4,985,219	(552,276)	4,472,822	3,338,214	12,243,979
Total liabilities and fund balances	\$ 10,818,291	1,464,991	4,671,621	3,773,174	
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 and depreciable capital assets as reported on Statement 1					
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds.					
Deferred revenues -- more specifically property taxes not reported on Statement 1					
Net assets of governmental activities					47,258,047
					(34,157,545)
					438,000
					25,782,481

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, 2004

	General	School Operations Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 18,405,739	-	-	217,356	18,623,095
Licenses and permits	403,479	-	-	-	403,479
Intergovernmental	1,889,027	14,153,266	-	1,234,922	17,277,215
Investment income	45,782	-	29,063	16,844	91,689
Charges for services	948,434	-	-	-	948,434
Unclassified	200,863	44,320	397,217	1,548,776	2,191,176
Total revenues	21,893,324	14,197,586	426,280	3,017,898	39,535,088
Expenditures:					
Current:					
General government	986,437	-	-	-	986,437
Public safety	2,528,566	-	-	-	2,528,566
Public works	1,763,986	-	-	507,780	2,271,766
Health & welfare	57,263	-	-	-	57,263
Recreation	613,591	-	-	-	613,591
Development	218,559	-	-	-	218,559
Insurances	182,057	-	-	-	182,057
Employee benefits	1,315,700	-	-	-	1,315,700
County tax	645,663	-	-	-	645,663
Unclassified	47,991	-	-	1,132,948	1,180,939
Education	-	23,322,514	-	952,986	24,275,500
Debt service					
Principal	225,161	1,892,727	-	181,758	2,299,646
Interest and other charges	144,572	1,067,776	-	70,778	1,283,126
Capital maintenance	-	85,731	595,880	-	681,611
Capital improvements	-	-	952,427	4,225,466	5,177,893
Total expenditures	8,729,546	26,368,748	1,548,307	7,071,716	43,718,317
Excess (deficiency) of revenues over (under) expenditures	13,163,778	(12,171,162)	(1,122,027)	(4,053,818)	(4,183,229)
Other financing sources (uses):					
Capital lease proceeds	-	227,224	-	-	227,224
Long-term debt issued	-	-	2,750,000	400,000	3,150,000
Transfers in	-	11,704,120	873,343	90,162	12,667,625
Transfers out	(12,597,658)	-	-	(69,967)	(12,667,625)
Total other financing sources (uses)	(12,597,658)	11,931,344	3,623,343	420,195	3,377,224
Net change in fund balances	566,120	(239,818)	2,501,316	(3,633,623)	(806,005)
Fund balances (deficit), beginning of year	4,419,099	(312,458)	1,971,506	6,971,837	13,049,984
Fund balances (deficit), end of year	\$ 4,985,219	(552,276)	4,472,822	3,338,214	12,243,979

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, 2004

Net change in fund balances - total governmental funds (from Statement 4)	\$ (806,005)
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 (\$5,770,227) exceeded depreciation expense (\$1,979,491) in the current period.	
	4,189,345
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(36,000)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. (Note 10)	
	(850,304)
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)	
	(56,894)
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)	
	(33,286)
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.	
	(27,125)
Change in net assets of governmental activities (see Statement 2)	\$ 2,379,731

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, 2004

	General Fund			Budgeted Special Revenue Funds		
	Budgeted amounts		Variance with Final Budget Positive (Negative)	School Operations Fund		Variance with Final Budget Positive (Negative)
	Original	Final		Original	Final	
Revenues:						
Taxes	\$ 17,815,659	17,815,659	18,405,739	-	-	-
Licenses and permits	229,000	229,000	403,479	-	-	-
Intergovernmental	1,870,699	1,870,699	1,889,027	11,538,423	11,719,772	181,349
Investment income	125,000	125,000	45,782	-	-	-
Charges for services	1,004,258	1,004,258	948,434	19,000	17,759	(1,241)
Other revenues	127,419	127,419	200,863	265,000	276,561	11,561
Total revenues	21,172,035	21,172,035	21,893,324	11,822,423	12,014,092	191,669
Expenditures:						
Current:						
General government	957,885	957,299	976,039	-	-	-
Public safety	2,570,588	2,574,030	2,558,775	-	-	-
Public works	1,934,734	1,934,734	1,855,367	-	-	-
Health & welfare	66,750	66,750	57,263	-	-	-
Recreation	593,930	596,430	604,843	-	-	-
Development	228,485	228,485	224,690	-	-	-
Insurances and employee benefits	1,600,113	1,609,657	1,547,427	-	-	-
Education	-	-	-	23,943,702	23,951,680	(7,978)
County tax	645,663	645,663	645,663	-	-	-
Unclassified	144,248	131,848	57,704	-	-	-
Debt service	439,061	436,561	369,733	-	-	-
Capital maintenance	-	-	-	-	-	-
Total expenditures	9,181,457	9,181,457	8,897,504	23,943,702	23,951,680	(7,978)
Excess (deficiency) of revenues over (under) expenditures	11,990,578	11,990,578	12,995,820	(12,121,279)	(11,937,588)	183,691
Other financing sources (uses):						
Utilization of prior year surplus	-	-	-	-	457,000	-
Transfers to school fund	(11,664,279)	(11,664,279)	(11,664,279)	-	11,664,279	39,841
Transfers to special revenue - economic development	(60,037)	(60,037)	(60,036)	1	-	-
Transfers to special revenue - capital reserve	(266,262)	(266,262)	(873,343)	-	-	-
Total other financing sources (uses)	(11,990,578)	(11,990,578)	(12,597,658)	12,121,279	11,704,120	(417,159)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis			398,162		(233,468)	(233,468)
Reconciliation to GAAP basis:						
Change in accrued compensated absences	-	-	(330)	-	-	-
Change in accrued payroll	-	-	-	-	(172,127)	-
Change in encumbrances	-	-	168,288	-	165,777	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis			566,120		(239,818)	(239,818)
Fund balance (deficit), beginning of year			4,419,099		(312,458)	(312,458)
Fund balance (deficit), end of year	\$		4,985,219		(552,276)	(552,276)

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

		Agency Fund (School Activity)	Private Purpose Trust Fund (Scholarships)	Total
ASSETS				
Cash	\$	189,946	-	189,946
Investments		-	30,027	30,027
Total assets		189,946	30,027	219,973
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to student groups		189,946	-	189,946
Accounts payable			650	650
Total liabilities		189,946	650	190,596
Net assets:				
Held in trust	\$	-	29,377	29,377

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, 2004

	Private Purpose Trust Fund (Scholarships)	Total
Additions:		
Donations	\$ 1,950	1,950
Investment income	(113)	(113)
Total additions	1,837	1,837
Deductions:		
Scholarships awarded	650	650
Total deductions	650	650
Change in net assets	1,187	1,187
Net assets, beginning of year	28,190	28,190
Net assets, end of year	\$ 29,377	29,377

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 changes in net assets) 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, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and 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, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. The Town considers property taxes as available if they are collected within 60 days after year-end. Licenses and permits, charges for services, 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 that has not matured are recognized when paid. Allocation of costs, such as depreciation, is not recognized in the governmental funds.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Capital assets are defined by the Town 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, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 completed an internal update for fiscal year 2004. 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

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. The Town accrues accumulated vacation leave and vested sick leave. The portion of the liability, which is expected to be paid with current financial resources, is accrued in the General Fund with the balance reported in the government-wide financial statement.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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, 2004, expenditures exceeded appropriations in the following departments as shown on Exhibit A-2 and the school operations fund as shown on Statement 6:

General Government	\$18,740
Recreation	8,413
Education	7,978

General government was over expended due to legal costs related to land use issues and new development.

The overage in the Recreation category was due to the old Shaw School being turned over to the Town from the Department of Education. The on-going maintenance costs were unbudgeted by the Town.

These over expenditures lapsed to fund balance.

C. Deficit Fund Equity

The School Operations Fund has a deficit fund balance of \$552,276 at June 30, 2004. 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.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 3 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town 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. 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, 2004.

Note 4 - DEPOSITS AND INVESTMENTS

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

A. Deposits

The Town's deposits are categorized as follows to give an indication of the level of risk assumed by the Town at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Town or by the Town's agent in the Town's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the Town's name; and Category 3 includes uninsured and uncollateralized deposits.

At June 30, 2004, cash and cash equivalents consisted of the following:

	<u>Carrying amount</u>	<u>Bank balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>
Checking, savings, NOW, and certificates of deposit accounts	402,884	402,884	315,309	--	87,575
Petty Cash	<u>750</u>	--	--	--	--
Totals	<u>403,634</u>	<u>402,884</u>	<u>315,309</u>	<u>--</u>	<u>87,575</u>

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 4 - DEPOSITS AND INVESTMENTS, Continued

B. Investments

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's investments are categorized as follows to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes investments that are held by the Town or its agent in the Town's name or insured bank deposits. Category 2 includes uninsured and unregistered investments held by the financial institution's trust department in the Town's name, or uninsured bank deposits secured by collateral held in the Town's name. Category 3 includes all other investments or bank deposits.

At June 30, 2004, investments consisted of the following:

	Carrying value		<u>Category</u>	
	<u>(fair value)</u>	<u>1</u>	<u>2</u>	<u>3</u>
U.S. Government Agencies	3,649,863	--	3,649,863	--
Commercial Paper	8,512,975	--	--	8,512,975
Repurchase Agreements	2,273,755	--	2,273,755	--
Common Stock	<u>16,283</u>	<u>16,283</u>	--	--
Totals	\$ <u>14,452,876</u>	<u>16,283</u>	<u>5,923,618</u>	<u>8,512,975</u>

Due to higher cash flows at certain times during the year, the Town's investments in U.S. government agencies, commercial paper and repurchase agreements fluctuate significantly.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 5 - PROPERTY TAXES

Property taxes for the current year were committed on September 1, 2003, 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 100% of market value and 89.5% of the estimated State valuation of \$937,300,000.

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 \$194,578 for the year ended June 30, 2004. 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 2004 and 2003 levies:

	<u>2004</u>	<u>2003</u>
Assessed Value	\$839,361,000	\$804,992,300
Tax Rate (per \$1,000)	<u>19.40</u>	<u>18.40</u>
Commitment	\$ 16,283,603	\$ 14,811,858
Supplemental Taxes Assessed	<u>27,533</u>	<u>40,376</u>
	\$ 16,311,136	\$ 14,852,234
Less: Abatements	48,193	33,991
Collections	<u>15,779,735</u>	<u>14,436,942</u>
Receivable at June 30, 2004 and 2003	<u>\$ 483,208</u>	<u>\$ 381,301</u>
Due Date(s)	½ 11/01/2003	½ 10/15/2002
	½ 05/01/2004	½ 05/15/2003
Interest Rates on Delinquent Taxes	7.00%	8.75%
Collection Rate	97.04%	97.43%

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 5 - PROPERTY TAXES, Continued

Of the total taxes committed for the year ended June 30, 2004, \$217,356 was allocated to the Gorham Industrial Park Municipal Development Tax Increment Financing District. The following amounts were allocated to various companies located within the district: Big Water Realty -- \$9,120, CMJ, Inc. -- \$7,494, Foreside Management Co. -- \$55,897, Gushee Enterprises -- \$27,049, Hampstead Associates -- \$23,598, Mega Industries -- \$36,350, Montalvo Properties - \$46,482, and Transformat -- \$11,365. (see Note 14, TAX INCREMENT FINANCING DISTRICT)

Note 6 – CAPITAL ASSETS

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.

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Governmental Activities:				
Capital assets, not being depreciated:				
Books/Historical Treasures/Artwork	1,042,755	41,019	-	1,083,774
Land	1,574,159	5,000	-	1,579,159
Construction in Progress	16,104,737	398,609	16,104,737	398,609
Total capital assets, not being depreciated	18,721,651	444,628	16,104,737	3,061,542
Capital assets, being depreciated:				
Land improvements	828,120	3,474,558	-	4,302,678
Buildings and building improvements	25,996,167	14,610,954	-	40,607,121
Machinery and equipment	869,910	287,667	-	1,157,577
Furniture and office equipment	464,478	1,485,249	-	1,949,727
Computer equipment	284,059	5,000	-	289,059
Vehicles	6,254,306	762,068	232,460	6,783,914
Infrastructure	16,077,779	1,435,909	-	17,513,688
Total capital assets being depreciated	50,774,819	22,061,405	232,460	72,603,764

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 6 – CAPITAL ASSETS, Continued

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Less accumulated depreciation for:				
Land improvements	262,276	114,791	-	377,067
Buildings and building improvements	9,216,554	973,075	-	10,189,629
Machinery and equipment	223,487	88,436	-	311,923
Furniture and office equipment	145,231	174,987	-	320,218
Computer equipment	118,596	49,640	-	168,236
Vehicles	3,753,431	441,723	188,257	4,006,897
Infrastructure	12,708,193	325,096	-	13,033,289
Total accumulated depreciation	26,427,768	2,167,748	188,257	28,407,259
Total capital assets being depreciated, net	24,347,051	19,893,657	44,203	44,196,505
Governmental activities capital assets, net	43,068,702	20,338,285	16,148,940	47,258,047

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

Governmental activities:

General government	\$ 76,316
Public safety	257,899
Public works, including depreciation of general infrastructure assets	500,070
Recreation and library	89,596
Education	<u>1,243,867</u>

Total depreciation expense – governmental activities: \$ 2,167,748

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 7 – PENSION PLANS

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. The Town's contribution to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2004, 2003 and 2002 are \$0, \$0 and \$0, respectively, equal to the required contributions for each year.

B. MSRS Teacher's Group

Description of Plan – All school teachers, 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, 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 State of Maine Department of Education is required, by the same statute, to contribute the employer contribution, which amounts to \$2,183,495 (17.62%) for the fiscal year 2004. There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.62% of their compensation. This cost is charged to the applicable grant.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 7 – PENSION PLANS , Continued

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 \$137,419 for the year ended June 30, 2004, and \$120,047 for the year ended June 30, 2003. 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 \$320,301 including F.I.C.A. and Medicare to the Social Security Retirement Program on behalf of Town employees for the year ended June 30, 2004 and \$303,678 for the year ended June 30, 2003.

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 \$264,563 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, 2004 and \$244,443 for the year ended June 30, 2003.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 8 – INTERFUND ACCOUNTS

Individual interfund loans receivable and payable balances at June 30, 2004, were as follows:

<u>Fund</u>	<u>Interfund loan receivable</u>	<u>Interfund loans payable</u>
General fund	\$ -	\$ 2,645,189
School operations fund	1,387,252	96,197
Capital reserve fund	97,691	-
Other governmental funds:		
Special revenue funds:		
School lunch fund	-	101,820
School special revenue funds	311,632	26,980
Tax increment financing district	245,230	-
Sewer operations	921,725	-
Little Falls sewer reserve and loan fund	14,553	-
Economic Development fund	23,371	-
Capital project funds:		
Middle School construction	-	69,478
Narragansett school roof	-	74,945
Various school projects	30,561	-
Permanent funds:		
Cemetery perpetual care	3,350	-
Baxter library and museum	89	20,845
Total other governmental funds	1,550,511	294,068
Totals:	\$ 3,035,454	\$ 3,035,454

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, 2004

Note 8 – INTERFUND ACCOUNTS, Continued

Interfund transfers during the year ended June 30, 2004 consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 12,597,658
School operations fund	11,704,120	-
Capital reserve fund	873,343	-
Other governmental funds:		
Special revenue funds:		
School special revenue funds	-	30,126
Economic Development fund	60,036	-
Capital project funds:		
Gorham high school addition	-	39,841
Various school projects	30,126	-
Total other governmental funds	90,162	69,967
Totals:	\$ 12,667,625	\$ 12,667,625

The general fund transfer outs comprised of the following:

1. To provide the school operations fund with the local tax allocation for education (\$11,664,279)
2. 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 (\$873,343)
3. To provide funding for the Special revenue fund's economic development fund. (\$60,036)

The transfers out in the Special revenue fund's school special revenue funds were due to the close out of various inactive projects to the Capital project fund's various school projects fund. (\$30,126)

Finally, the Gorham high school addition account was closed out and the funds transferred to the Special revenue fund's school operations fund. (\$39,841)

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 9 – DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of the following:

School operations fund – State agency clients	\$	75,693
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Other governmental funds:

 Special revenue funds:

School special revenue funds – Local Entitlement		66,089
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School Lunch – USDA subsidy		9,702
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Total other governmental funds		75,791
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Total	\$	151,484
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Note 10 – LONG-TERM DEBT

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, 2004, the Town was in compliance with these limitations. (see Table 9, STATISTICAL SECTION)

B. Changes in Long Term Debt

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 32,052,238	3,150,000	2,299,696	32,902,542	2,474,646
Capital leases	501,385	227,224	193,938	534,671	144,540
Accrued sick leave	364,086	66,287	9,393	420,980	(see Note 1, H)
Governmental activity					
Long-term liabilities	\$ 32,917,709	3,443,511	2,503,027	33,858,193	2,619,186

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 10 – LONG-TERM DEBT, Continued

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, 2004, are comprised of the following:

	Date of Issue	Original Issue Amount	Date of Maturity	Interest Rate	Balance	Balance by Bond
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%	\$ 905,000	\$ 905,000
Robie Gym improvements & Baxter Library handicapped access	6/2/1988	80,250	10/25/2008	5.9-7.7%	40,600	
Public Works, dump truck, transfer trailer, truck scale	6/2/1988	117,700	10/25/2008	5.9-7.7%	31,360	
Public Safety, aerial ladder truck & lucas tool	6/2/1988	310,300	10/25/2008	5.9-7.7%	62,160	
General Gov't, voting machines	6/2/1988	26,750	10/25/2008	5.9-7.7%	5,880	140,000
Rebuild tennis courts and Baxter Library handicapped addition	10/26/1988	75,000	10/25/2008	6.5-7.4%	22,700	
Public Works, hauler truck, back hoe, paving box	10/26/1988	174,000	10/25/2008	6.5-7.4%	52,700	
Public Safety, repair and pump tank 3	10/26/1988	50,000	10/25/2008	6.5-7.4%	15,200	
General Gov't, computer upgrade	10/26/1988	31,000	10/25/2008	6.5-7.4%	9,400	100,000
Public Safety, tanker truck and re-roof West Gorham fire station	5/4/1989	234,000	10/25/2004	7.25%	12,080	
Public Works, local share Rt 25	5/4/1989	45,500	10/25/2004	7.25%	2,360	
General Gov't, municipal center renovations, architect fees	5/4/1989	96,000	10/25/2004	7.25%	4,960	
Education, Village school renovations	5/4/1989	400,000	10/25/2004	7.25%	20,600	40,000
Education, Village school addition	5/4/1989	4,100,000	10/25/2009	7.25-7.3%	1,230,000	1,230,000
Robie Gym windows, Chick recreation area, playground	5/24/1990	21,600	10/25/2010	7.1-7.2%	7,501	
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%	114,705	
Public Safety, new rescue and base radio upgrade	5/24/1990	106,000	10/25/2010	7.1-7.2%	37,194	

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 10 – LONG-TERM DEBT, Continued

	Date of Issue	Original Issue Amount	Date of Maturity	Interest Rate	Balance	Balance by Bond
Education, Village & High schools' asbestos abatement, and High School roof	05/24/1990	437,570	10/25/2010	7.1-7.2%	153,150	312,550
Education, GHS & Little Falls renovations	10/25/1990	714,438	10/25/2005	7.0-7.375%	95,293	
Baxter Library, renovations and equipment	10/25/1990	35,350	10/25/2005	7.0-7.375%	4,699	99,992
Education, GHS expansion	09/01/1993	11,565,000	09/01/2013	4.6-5.25%	5,740,000	5,740,000
Pubic Works, new facility	06/01/2000	1,295,000	06/01/2020	5.7-5.75%	1,040,000	1,040,000
Education, Middle School construction	09/01/2002	20,375,000	11/01/2022	2.25-4.375%	19,355,000	
Baxter Library, addition and renovations	09/01/2002	850,000	11/01/2017	2.25-4.375%	790,000	20,145,000
Shaw School/Community Center, renovations	02/01/2004	2,400,000	02/01/2024	3.25-4.35%	2,400,000	
Narragansett School, roof replacement	02/01/2004	400,000	02/01/2024	3.25-4.35%	400,000	
Public Safety, 50% share of fire truck	02/01/2004	350,000	02/01/2024	3.25-4.35%	350,000	3,150,000
Total governmental activities:					\$ 32,902,542	\$ 32,902,542

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:

Fiscal Year Ended June 30,	Principal	Interest	Total
2005	2,474,646	1,334,503	3,809,149
2006	2,444,646	1,230,484	3,675,130
2007	2,409,650	1,096,777	3,506,427
2008	2,424,650	999,343	3,423,993
2009	2,174,650	916,890	3,091,540
2010-2014	9,659,300	3,350,807	13,010,107
2015-2019	6,415,000	1,722,031	8,137,031
2020-2023	4,900,000	454,628	5,354,628
Total	<u>\$ 32,902,542</u>	<u>\$ 11,105,463</u>	<u>\$ 44,008,005</u>

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 10 – LONG-TERM DEBT, Continued

On February 1, 2004, the Town issued general obligation debt of \$3,150,000 for the purpose of demolishing the two oldest sections of Shaw School on South Street and renovating the remaining structure to house the Superintendent of Schools office, the Town's Recreation Department, and a public meeting room, to fund the Town's share of a new aerial platform fire truck to be owned, maintained and paid for jointly with the Town of Windham to provide fire protection to the Little Falls/South Windham areas of the two municipalities, and to fund the replacement of the Narragansett School roof.

As of the June 30, 2004, the Gorham School Department had received word from the State of Maine, Department of Education that the roof replacement at Narragansett School would qualify for state revolving loan funds. If the Town accepts these funds, the general obligation bonds issued for the same project will need to be reallocated by the residents of Gorham through a referendum vote. At the time of the financial statements being issued, the State revolving loan funds have yet to be accepted by the Town.

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 in an agreement for a backhoe. 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, 2004:

	Original Purchase Price	Annual Depreciation Expense	Total Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Public Works, John Deere Backhoe	73,715	7,372	16,891	199	16,692
Education, nine (9) School Buses	417,169	34,149	383,067	32,927	350,140
Education, Photocopiers,	205,526	see note	<u>187,136</u>	<u>19,297</u>	<u>167,839</u>
			<u>\$ 587,094</u>	<u>\$ 52,423</u>	<u>\$ 534,671</u>

Note: Individually, the copiers were below the capitalization threshold, therefore, they have not been capitalized.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 10 – LONG-TERM DEBT, Continued

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, 2004:

Fiscal year <u>ending</u>	<u>Principal</u>	<u>Interest</u>	Total Lease <u>Obligation</u>
2005	144,540	15,143	159,683
2006	125,685	17,106	142,791
2007	106,048	11,353	117,401
2008	110,613	6,790	117,403
2009	47,785	2,031	49,816
	534,671	52,423	587,094

E. Compensated Absences

The Town's policy relating to compensated absences is described in Note 1. The long-term portion of this debt, amounting to \$420,980 for governmental activities at June 30, 2004, is expected to be paid in future years from future resources with an estimated \$241,166 due within one year. In prior years, compensated absences have been liquidated primarily by the general fund.

Note 11 - OPERATING LEASES

The School Department has entered into seven leases for portable buildings, all expiring July 31, 2005. For accounting purposes, all of these leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2004 amounted to \$92,400. Future minimum lease payments for these leases are as follows:

Year ended <u>June 30,</u>	
2005	92,400
2006	7,000
Total	\$ 99,400

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES

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, 2004, the Town's State valuation of \$937,300,000 was 3.54% of the County's State valuation of \$26,458,600,000. The Town's share is 3.54% or \$516,499 of Cumberland County's \$14,580,000 long-term debt outstanding as of June 30, 2004.

The Town is also served by the Portland Water District. At June 30, 2004, the Town's share of self-supporting bonded water debt is 5.25% or \$1,366,847 of total debt of \$26,015,000. At June 30, 2004, 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 \$429,350. Additionally, the Town shares an obligation with the City of Westbrook for a joint sewer project. Gorham's share of this debt amounts to \$257,248. The Town also shares an obligation with the Town of Windham for a joint sewer project. Gorham's share of this debt amounts to \$8,830. 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

Regional Waste Systems, Inc. (RWS), a Maine corporation with twenty 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 RWS, payable from and secured by a pledge of RWS 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. RWS 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 RWS 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, 2004, outstanding "Incinerator Debt" of RWS totaled \$56,725,000 of which the Gorham share, based on estimated tonnage to be delivered, amounted to \$2,316,756.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES, Continued

The Town has also entered into an agreement with Regional Waste Systems, Inc., as one of twenty RWS Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility (“MRF”) at RWS’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, 2004, the Town’s share is \$342,160 of RWS’s outstanding MRF debt of \$6,110,000.

RWS operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$18,895,132 at June 30, 2003, the most recent data available. The Town’s proportionate share of these estimated landfill closure and postclosure care costs is 4.13% or \$780,870.

Total Debt and Contingencies

	As of June 30, 2004			
<u>Governmental Unit</u>	<u>Direct Debt</u>	<u>Overlapping Debt</u>	<u>Contingent Debt</u>	<u>Total Debt</u>
Town of Gorham	\$32,902,542	-	-	\$32,902,542
Cumberland County	-	516,499	-	516,499
Portland Water District – sewer debt	-	429,350	-	429,350
Portland Water District – sewer shared with City of Westbrook	-	257,248	-	257,248
Portland Water District – sewer shared with Town of Windham	-	8,830	-	8,830
Portland Water District - water debt	-	1,366,847	-	1,366,847
Regional Waste Systems:				
Resources recovery system	-	-	2,316,756	2,316,756
Material recycling facility	-	-	342,160	342,160
Landfill closure	-	-	780,870	780,870
Totals	<u>\$32,902,542</u>	<u>\$ 2,578,774</u>	<u>\$ 3,439,786</u>	<u>\$38,921,102</u>

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, 2004, substantially all such calculations have been performed.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES, Continued

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.

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.

Note 13 – REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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, 2004 and 2003, these reimbursements amounted to \$18,718 and \$19,744, 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 2004.

Note 14 - TAX INCREMENT FINANCING DISTRICT

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. 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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 14 - TAX INCREMENT FINANCING DISTRICT, Continued

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 1st 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.

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.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 14 - TAX INCREMENT FINANCING DISTRICT, Continued

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.

Note 15 - CLASSIFICATION OF NET ASSETS

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.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 15 - CLASSIFICATION OF NET ASSETS, Continued

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, 2004, 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.

Note 16 – DESIGNATED FUND BALANCES

At June 30, 2004 and 2003, 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>2004</u>	<u>2003</u>
General Fund:		
D.A.R.E.	\$ 9,388	\$ 12,253
Bicycle patrol	376	376
Restorative justice grant	4,205	2,805
Drug forfeiture	2,387	2,375
Little Falls substation	2,272	2,272
Police K-9	10	10
Gorham triad	3,728	3,728
Child safety seats	885	885
Fire prevention	3,060	2,115
Fire/rescue donations	641	641
FEMA fire grant	2,154	-
Street opening permits	32,365	35,483

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 16 – DESIGNATED FUND BALANCES, Continued

	<u>2004</u>	<u>2003</u>
Pay-per-bag startup costs	5,636	5,636
Recycling committee	(225)	1,100
Recreation	114,556	52,718
Tree grant	2,377	2,377
Community Center donations	750	-
Vacation/comp/sick reserve	44,800	-
Unemployment insurance contingency reserve	20,000	-
Capital budget – Part II	-	584,477
Total general fund: \$	249,365	\$ 709,251
 Special Revenue Fund:		
School operation fund:		
Education capital projects	62,555	148,582
Total school operation fund: \$	62,555	\$ 148,582
 Capital reserve fund:		
GIS system	33,069	27,969
Village plan study	6,000	6,000
Municipal Center	2,047	1,942
Revaluation	22,162	22,162
Development rights - consultants	-	10,000
Paving	128,518	57,624
Impact study - residential growth	8,973	1,713
State roads projects	653,705	387,922
Tire pile cleanup	-	500
Longfellow bridge	35,000	35,000
Landfill closure	-	4,646
Extension - Wentworth Drive	6,500	6,500
Fire ponds, dry hydrants	-	3,273
Rte 237 improvements	-	46,000
Limited access highway	75,000	75,000
Drainage, 130 Main Street	6,219	6,219
Storm water phase II	8,566	-
Mechanic St turn lane/land acquisition	2,471	-
Stumpage	6,570	-
Repairs to outlying fire stations	3,000	13,000

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 16 – DESIGNATED FUND BALANCES, Continued

	<u>2004</u>	<u>2003</u>
New Portland Road construction	-	5,146
New traffic lights	-	28,954
Baxter Memorial Library Assoc (BMLA)	4,369	6,070
Baxter Library expansion	5,145	106,517
Historical society building repairs	2,163	2,163
Recreation facility reserve	161,500	137,000
Narragansett skating	20,000	20,000
Public Works building	85,737	90,080
Chick property site development	(2,187)	1,947
Facility security reserve	127	1,206
Baxter Museum repairs	21,950	16,876
Community Center/Shaw school project	2,161,805	-
Land acquisition	40,772	20,772
Recreation facility impact fee	55,556	-
Open space impact fee	9,851	-
Water impact fee	600	-
Equipment	92,248	98,341
Portable Building - Planning Dept	2,716	5,036
Administration	266	266
Finance server/town computer upgrade	21,761	28,229
Assessing	762	2,440
Code	-	1,432
Town clerk	-	4,278
Video system (laptops) - Police	3,815	3,925
Police vests	-	537
Video cameras/computers - Police	68	68
Cruisers	-	989
Police	7,673	7,950
Communications	5,943	4,540
Dispatch Center upgrade	136	3,827
Fire	364	364
Accountability transmitters - Fire	243	243
Auto Defibrillators - Fire	147	-
Thermal Imaging Camera - Fire	3,935	-
Computer system upgrade - Fire	-	410
Protective clothing - Fire	99	8,865
Rescue	2,208	436
Public Works	29,108	17,609

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 16 – DESIGNATED FUND BALANCES, Continued

	<u>2004</u>	<u>2003</u>
Public Works vehicles	5,651	689
Baxter Library	3,288	3,119
Me Infonet system setup - Baxter	600	600
Recreation	-	2,554
Cable TV	181,498	103,159
Planning	4,925	3,558
Internet	18,711	18,711
Web site development	10,143	10,143
Fire truck reserve	130,942	127,816
Recreation vehicles	2,208	2,208
Total capital reserve fund:	\$ 4,094,646	\$ 1,604,543
Total governmental funds:	\$ 4,406,566	\$ 2,462,376

Note 17 – BUDGETARY VS. GAAP ACCOUNTING

Through June 30, 2004, the Town did not budget for revenues and expenditures related to teachers' summer pay and vacation and sick time 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.

	<u>General Fund</u>	<u>Special Revenue School</u>
Fund balance (deficit), June 30, 2004 – GAAP basis	\$4,985,219	(552,276)
Vacation accrual	241,167	-
Accrued summer salaries	-	1,838,792
Encumbrances	(507,194)	(491,752)
Fund balance, June 30, 2004 – budgetary basis:	\$4,719,192	\$ 794,764

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2004

Note 18 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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 \$11,700 annually. The demolition debris landfill is now presently capped. Because of the study, the engineers do not expect any contamination problems in the future. All potential postclosure monitoring cost for this site has been deemed immaterial, and therefore no liability for these amounts have been accrued. Postclosure monitoring costs will be included in the Town's operating budget annually.

Note 19 – CONSTRUCTION COMMITMENT

At June 30, 2004, the Town was negotiating to replace the Shaw School Community Center architect. On July 6, 2004, the Town entered into a contract with another architectural firm to provide strategic planning and architectural services for the Shaw School Community Center project for an amount not to exceed \$166,885.

At June 30, 2004, the School Department was committed to a contract for the replacement of the Narragansett School roof for approximately \$135,000.

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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.

TOWN OF GORHAM, MAINE
Comparative Balance Sheets - General Fund
June 30, 2004 and 2003

	2004	2003
ASSETS		
Cash	\$ 3,137	3,062
Investments	8,112,763	7,307,697
Receivables:		
Accounts	100,450	86,226
Rescue receivable (net of allowance of \$60,000 and 60,000)	138,994	143,369
Taxes receivable - current year	483,208	381,301
Taxes receivable - prior year	19,707	20,589
Tax liens	216,654	223,098
Inventory	16,676	40,054
Other assets - performance bonds	1,726,702	496,038
Total assets	\$ 10,818,291	8,701,434
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	437,952	238,885
Accrued wages and benefits	141,421	107,595
Compensated absences payable	241,167	240,837
Interfund loans	2,645,189	2,444,755
Deferred tax revenues	438,000	474,000
Middle school impact fees	202,641	280,225
Performance bond deposits	1,726,702	496,038
Total liabilities	5,833,072	4,282,335
Fund balance:		
Reserved for:		
Encumbrances	507,194	338,905
Inventory	16,676	40,054
Unreserved:		
Designated	249,365	709,251
Undesignated	4,211,984	3,330,889
Total fund balance	4,985,219	4,419,099
Total liabilities and fund balance	\$ 10,818,291	8,701,434

TOWN OF GORHAM, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year ended June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

	2004		Variance Positive (Negative)	2003 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 15,871,659	16,036,194	164,535	14,613,349
Change in deferred property tax revenue	-	36,000	36,000	20,000
Excise taxes	1,869,000	2,267,577	398,577	2,107,389
Interest and costs on taxes	75,000	65,968	(9,032)	76,937
Total taxes	17,815,659	18,405,739	590,080	16,817,675
Licenses and permits:				
Building permits	125,000	273,512	148,512	144,914
Plumbing/electrical fees	16,000	14,622	(1,378)	17,132
Motor vehicle renewal fees	45,150	49,839	4,689	48,279
Town clerk fees	34,200	43,949	9,749	39,240
Other	8,650	21,557	12,907	16,118
Total licenses and permits	229,000	403,479	174,479	265,683
Intergovernmental:				
State revenue sharing	1,210,000	1,236,201	26,201	1,194,609
Homestead exemption	409,699	410,820	1,121	441,123
Highway block grant	214,500	205,148	(9,352)	214,588
COPS fast grant	-	-	-	18,000
DARE	-	(2,865)	(2,865)	(2,907)
Other state grants	19,000	27,119	8,119	22,265
Human services assistance	17,500	12,604	(4,896)	8,724
Total intergovernmental	1,870,699	1,889,027	18,328	1,896,402
Investment income	125,000	45,782	(79,218)	86,731
Charges for services:				
Recreation fees	60,000	63,145	3,145	65,521
Fire and rescue fees	291,950	308,867	16,917	279,665
Subdivision/development fees	28,160	53,198	25,038	50,535
Sewer inspection fees	1,900	2,310	410	1,200
Miscellaneous public works	4,100	3,593	(507)	4,344
School bus maintenance	125,600	-	(125,600)	106,949
Cable TV Franchise Fee	81,148	71,513	(9,635)	72,832
Solid waste user charges	381,000	409,903	28,903	410,271
Police fees, fines and outside work	17,900	23,405	5,505	21,148
University of Southern Maine assistance	12,500	12,500	-	12,500
Internet service fees	-	-	-	14,284
Total charges for services	1,004,258	948,434	(55,824)	1,039,249

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

	2004		Variance Positive (Negative)	2003 Actual
	Budget	Actual		
Revenues, continued:				
Other Revenues:				
Cemetery income	10,000	7,240	(2,760)	8,573
Rent	46,080	46,080	-	69,120
Recreation reimbursement	-	61,838	61,838	(29,782)
Senior Mealsite	10,000	13,712	3,712	12,735
Payment in lieu of taxes	52,439	52,922	483	45,233
Miscellaneous	8,900	19,071	10,171	11,958
Total other revenues	127,419	200,863	73,444	117,837
Total revenues	21,172,035	21,893,324	721,289	20,223,577
Expenditures:				
Current:				
General government:				
Administration	468,989	487,020	(18,031)	504,645
Assessing	119,133	117,608	1,525	118,908
Code enforcement	110,731	112,748	(2,017)	107,915
Elections	135,158	139,470	(4,312)	127,757
Municipal center	123,288	119,193	4,095	119,371
Total general government	957,299	976,039	(18,740)	978,596
Public Safety:				
Police department	1,224,045	1,220,279	3,766	1,152,676
Fire department	594,458	606,143	(11,685)	582,390
Rescue squad	354,194	338,964	15,230	309,169
Public utilities	113,400	108,263	5,137	109,167
Communications	287,933	285,126	2,807	251,525
Total public safety	2,574,030	2,558,775	15,255	2,404,927
Public Works:				
Public works maintenance	1,173,584	1,072,763	100,821	1,117,156
Solid waste removal	761,150	782,604	(21,454)	768,816
Total public works	1,934,734	1,855,367	79,367	1,885,972
Health and Welfare	66,750	57,263	9,487	44,010
Recreation:				
Baxter memorial library	369,194	368,856	338	301,143
Baxter museum	7,803	2,570	5,233	(9,182)
Little falls library	1,800	1,800	-	1,800
North gorham library	12,500	12,500	-	10,000
Parks and conservation	500	500	-	999
Recreation	204,633	205,789	(1,156)	198,857
Community Center	-	12,828	(12,828)	-
Total recreation	596,430	604,843	(8,413)	503,617

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

	2004		Variance Positive (Negative)	2003 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Development:				
Planning	178,244	175,509	2,735	177,089
Social services	34,350	34,350	-	34,350
Appeals board/assessment appeals	1,750	690	1,060	1,523
G.P.C.O.G.	14,141	14,141	-	14,141
Total Development	228,485	224,690	3,795	227,103
Insurances:				
Multi peril policy	106,000	107,803	(1,803)	86,462
Public liability	10,400	14,918	(4,518)	8,624
Worker's compensation	106,148	98,692	7,456	85,190
MMA insurance premium	10,500	10,644	(144)	10,321
Total insurance	233,048	232,057	991	190,597
Employee Benefits:				
Group life insurance	700	567	133	530
Retirement	195,342	138,184	57,158	115,761
Major medical insurance	859,219	849,581	9,638	705,541
Direct unemployment compensation	2,500	20,000	(17,500)	25
Social security	317,848	306,486	11,362	280,652
Employee assistance program	1,000	552	448	(543)
Total employee benefits	1,376,609	1,315,370	61,239	1,101,966
Intergovernmental - County Tax	645,663	645,663	-	595,692
Unclassified:				
Contingency	54,600	50,800	3,800	26,452
Town clock	500	500	-	500
Memorial day	2,100	1,908	192	1,620
Gorham cable TV	73,148	70,114	3,034	62,832
Gorham sno-goers	1,500	-	1,500	-
Miscellaneous unbudgeted	-	(65,618)	65,618	18,177
Total unclassified	131,848	57,704	74,144	109,581
Debt service (excluding education):				
Principal	225,162	225,161	1	159,561
Interest	211,399	144,572	66,827	142,218
Total debt service	436,561	369,733	66,828	301,779

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

	2004		Variance Positive (Negative)	2003 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Capital outlays:				
Capital improvements	-	-	-	412
Total capital outlay	-	-	-	412
Total expenditures	9,181,457	8,897,504	283,953	8,344,252
Excess of revenues over expenditures	11,990,578	12,995,820	1,005,242	11,879,325
Other financing sources (uses):				
Transfers to school fund	(11,664,279)	(11,664,279)	-	(10,685,010)
Transfers to special revenue - economic development	(60,037)	(60,036)	1	(56,832)
Transfers to special revenue - capital reserve	(266,262)	(873,343)	(607,081)	(1,510,996)
Total other financing sources (uses)	(11,990,578)	(12,597,658)	(607,080)	(12,252,838)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis		398,162	398,162	(373,513)
Reconciliation to GAAP basis:				
Change in accrued compensated absences		(330)		(26,883)
Change in encumbrances		168,288		108,030
		167,958		81,147
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis		566,120		(292,366)
Fund balance, beginning of year		4,419,099		4,711,465
Fund balance, end of year	\$	4,985,219		4,419,099

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF GORHAM, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 210,551	-	-	210,551
Investments	58,215	1,083,215	608,097	1,749,527
Accounts receivable	162,328	-	-	162,328
Intergovernmental	75,791	-	-	75,791
Inventory	24,466	-	-	24,466
Interfund loans receivable	1,516,511	30,561	3,439	1,550,511
Total assets	\$ 2,047,862	1,113,776	611,536	3,773,174
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	11,944	128,948	-	140,892
Interfund loans payable	128,800	144,423	20,845	294,068
Total liabilities	140,744	273,371	20,845	434,960
Fund balances:				
Reserved for:				
Inventory	24,466	-	-	24,466
Unreserved:				
Designated	-	-	354,163	354,163
Undesignated	1,882,652	840,405	236,528	2,959,585
Total fund balance	1,907,118	840,405	590,691	3,338,214
Total liabilities and fund balances	\$ 2,047,862	1,113,776	611,536	3,773,174

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 217,356	-	-	217,356
Intergovernmental	1,234,922	-	-	1,234,922
Investment income	(122)	18,469	(1,503)	16,844
Other revenue	1,529,026	-	19,750	1,548,776
Total revenues	2,981,182	18,469	18,247	3,017,898
Expenditures:				
Current:				
Education	952,986	-	-	952,986
Public works - sewer	507,780	-	-	507,780
Other:				
Food services	848,927	-	-	848,927
Miscellaneous	252,584	-	31,437	284,021
Debt service:				
Principal	179,400	-	2,358	181,758
Interest and other costs	70,345	-	433	70,778
Capital improvements	-	4,225,466	-	4,225,466
Total expenditures	2,812,022	4,225,466	34,228	7,071,716
Excess (deficiency) of revenues over (under) expenditures	169,160	(4,206,997)	(15,981)	(4,053,818)
Other financing sources (uses):				
Long-term debt issued	-	400,000	-	400,000
Transfer from other funds	60,036	30,126	-	90,162
Transfer to other funds	(30,126)	(39,841)	-	(69,967)
Total other financing sources (uses)	29,910	390,285	-	420,195
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	199,070	(3,816,712)	(15,981)	(3,633,623)
Fund balances, beginning of year	1,708,048	4,657,117	606,672	6,971,837
Fund balances, end of year	\$ 1,907,118	840,405	590,691	3,338,214

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SPECIAL REVENUE FUNDS

Special revenue funds account for specific resources the expenditure of which is 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 activity that benefit the senior citizens of Gorham.

TIF Fund -- To account for the activity of the Gorham Industrial Park redevelopment district. This is to ensure that the eight established companies can successfully expand their business in the Gorham Industrial Park.

TOWN OF GORHAM, MAINE
Combining Balance Sheet
Special Revenue Funds
June 30, 2004

(with comparative actual amounts for the year ended June 30, 2003)

	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 Fund	Totals
ASSETS										
Cash	\$ 11,277	131,607	-	-	16,051	10,668	40,948	-	-	183,762
Investments	-	-	-	48,381	-	-	-	9,834	-	58,215
Accounts receivable	-	3,576	158,752	-	-	-	-	-	-	162,328
Due from other governments	66,089	9,702	-	-	-	-	-	-	-	75,791
Inventory	-	24,466	-	-	-	-	-	-	-	24,466
Interfund loans receivable	311,632	-	921,725	14,553	23,371	-	-	-	245,230	1,516,511
Total assets	\$ 388,998	169,351	1,080,477	62,934	39,422	10,668	40,948	9,834	245,230	2,047,862
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	11,944	-	-	-	-	-	-	-	-	11,944
Interfund loans payable	26,980	101,820	-	-	-	-	-	-	-	128,800
Total liabilities	38,924	101,820	-	-	-	-	-	-	-	140,744
Fund balances:										
Reserved for:										
Inventory	-	24,466	-	-	-	-	-	-	-	24,466
Unreserved:										
Undesignated	350,074	43,065	1,080,477	62,934	39,422	10,668	40,948	9,834	245,230	1,882,652
Total fund balances	350,074	67,531	1,080,477	62,934	39,422	10,668	40,948	9,834	245,230	1,907,118
Total liabilities and fund balances	\$ 388,998	169,351	1,080,477	62,934	39,422	10,668	40,948	9,834	245,230	2,047,862
										1,845,074

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the year ended June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

	Little Falls										Totals	
	School Special Revenue Funds	School Lunch Fund	Sewer Operations Fund	Sewer Reserve and Loan Fund	Economic Development Fund	Recreation Funds	Public Safety Funds	Gorham Senior Citizens	TIF Fund		2004	2003
Revenues:												
Intergovernmental:												
Federal grants	784,265	-	-	-	-	-	-	-	-	-	784,265	685,845
Other state grants	227,065	-	-	-	-	-	-	-	-	-	227,065	244,282
USDA subsidies	-	223,592	-	-	-	-	-	-	-	-	223,592	197,580
Total intergovernmental	1,011,330	223,592	-	-	-	-	-	-	-	-	1,234,922	1,127,707
Investment Income	-	-	-	(171)	83	-	-	(34)	-	-	(122)	2,364
Other Revenues:												
Property taxes	-	-	-	-	-	-	-	-	217,356	-	217,356	195,610
Hamaforrd payment	-	-	18,718	-	-	-	-	-	-	-	18,718	19,744
User fees	-	-	834,743	-	-	-	-	-	-	-	834,743	875,684
Miscellaneous	-	633,132	-	-	270	21,086	21,077	-	-	-	675,565	617,420
Total other revenues	-	633,132	853,461	-	270	21,086	21,077	-	217,356	-	1,746,382	1,708,458
Total revenues	\$ 1,011,330	856,724	853,461	(171)	353	21,086	21,077	(34)	217,356	-	2,981,182	2,838,529
Expenditures:												
Current:												
Education:												
Federal education grants	642,946	-	-	-	-	-	-	-	-	-	642,946	645,472
State grants and special uses	310,040	-	-	-	-	-	-	-	-	-	310,040	210,315
Total education	952,986	-	-	-	-	-	-	-	-	-	952,986	855,787
Public works - sewer costs	-	-	507,780	-	-	-	-	-	-	-	507,780	472,434
Other:												
Food services	-	848,927	-	-	-	-	-	-	-	-	848,927	755,144
Miscellaneous	-	-	-	-	60,667	16,202	21,115	-	154,600	-	252,584	227,052
Total other	-	848,927	-	-	60,667	16,202	21,115	-	154,600	-	1,101,511	982,196
Debt Service:												
Principal	-	-	179,400	-	-	-	-	-	-	-	179,400	170,000
Interest	-	-	70,345	-	-	-	-	-	-	-	70,345	83,174
Total debt service	-	-	249,745	-	-	-	-	-	-	-	249,745	253,174
Total expenditures	952,986	848,927	757,525	-	60,667	16,202	21,115	-	154,600	-	2,812,022	2,563,591

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the year ended June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

	Little Falls										Totals	
	School Special Revenue Funds	School Lunch Fund	Sewer Operations Fund	Sewer Reserve and Loan Fund	Economic Development Fund	Recreation Funds	Public Safety Funds	Gorham Senior Citizens	TIF Fund		2004	2003
Excess (deficiency) of revenues over (under) expenditures	58,344	7,797	95,936	(171)	(60,314)	4,884	(38)	(34)	62,756		169,160	274,938
Other financing sources (uses):												
Transfers in	-	-	-	-	60,036	-	-	-	-		60,036	56,832
Transfers out	(30,126)	-	-	-	-	-	-	-	-		(30,126)	-
Total other financing sources (uses)	(30,126)	-	-	-	60,036	-	-	-	-		29,910	56,832
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	28,218	7,797	95,936	(171)	(278)	4,884	(38)	(34)	62,756		199,070	331,770
Fund balances, beginning of year	321,856	59,734	984,541	63,105	39,700	5,784	40,986	9,868	182,474		1,708,048	1,376,278
Fund balances, end of year	\$ 350,074	67,531	1,080,477	62,934	39,422	10,668	40,948	9,834	245,230		1,907,118	1,708,048

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:

High School Addition

To account for the expansion of the high school.

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.

Various School Projects

To account for various maintenance projects for the School Department.

TOWN OF GORHAM, MAINE
Combining Balance Sheet
Capital Project Funds
June 30, 2004

(with comparative actual amounts for the year ended June 30, 2003)

		High School Addition	Middle School Project	Narragansett School Roof Project	Various School Project	Totals	
						2004	2003
ASSETS							
Investments	\$	-	681,296	401,919	-	1,083,215	5,280,991
Interfund receivables		-	-	-	30,561	30,561	16,960
Total assets	\$	-	681,296	401,919	30,561	1,113,776	5,297,951
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		-	54,698	74,250	-	128,948	384,228
Interfund loans		-	69,478	74,945	-	144,423	256,606
Total liabilities		-	124,176	149,195	-	273,371	640,834
Fund balances:							
Unreserved, undesignated		-	557,120	252,724	30,561	840,405	4,657,117
Total fund balances		-	557,120	252,724	30,561	840,405	4,657,117
Total liabilities and fund balances	\$	-	681,296	401,919	30,561	1,113,776	5,297,951

TOWN OF GORHAM, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

	High School Addition	Middle School Project	Narragansett School Roof Project	Various School Projects	Totals	
					2004	2003
Revenues:						
Interest income	\$ -	16,550	1,919	-	18,469	174,577
Miscellaneous income	-	-	-	-	-	-
Total revenues	-	16,550	1,919	-	18,469	174,577
Expenditures:						
Debt Service:						
Principal	-	-	-	-	-	2,467,000
Interest	-	-	-	-	-	56,902
Capital improvements:						
Construction and renovation	-	4,076,271	149,195	-	4,225,466	13,046,960
Total capital improvements	-	4,076,271	149,195	-	4,225,466	15,570,862
Total expenditures	-	4,076,271	149,195	-	4,225,466	15,570,862
Excess (deficiency) of revenues over (under) expenditures	-	(4,059,721)	(147,276)	-	(4,206,997)	(15,396,285)
Other financing sources:						
Long-term debt issued	-	-	400,000	-	400,000	20,375,000
Transfers - in	-	-	-	30,126	30,126	-
Transfers - out	(39,841)	-	-	-	(39,841)	(100,000)
Total other financing sources	(39,841)	-	400,000	30,126	390,285	20,275,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(39,841)	(4,059,721)	252,724	30,126	(3,816,712)	4,878,715
Fund balances, beginning of year	39,841	4,616,841	-	435	4,657,117	(221,598)
Fund balances, end of year	\$ -	557,120	252,724	30,561	840,405	4,657,117

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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.

Exhibit E-1

TOWN OF GORHAM, MAINE
Combining Balance Sheet
Permanent Funds
June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

		Cemetery Perpetual Care	Parks and Recreation Grounds	Baxter Library and Museum	Schools	Public Purpose and Civic Improvements	Totals	
							Miscellaneous	2004
ASSETS								
Cash	\$	-	-	-	-	-	-	-
Investments		161,124	12,138	230,203	37,117	14,032	608,097	611,491
Interfund loans receivable		3,350	-	89	-	-	3,439	4,596
Total assets		164,474	12,138	230,292	37,117	14,032	611,536	616,087
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		-	-	-	-	-	-	6,454
Interfund loans		-	-	20,845	-	-	20,845	2,961
Total liabilities		-	-	20,845	-	-	20,845	9,415
Fund balances:								
Principal		164,464	4,125	109,694	5,170	9,372	354,163	350,383
Unexpended income		10	8,013	99,753	31,947	4,660	236,528	256,289
Total fund balances		164,474	12,138	209,447	37,117	14,032	590,691	606,672
Total liabilities and fund balances \$ 164,474 12,138 230,292 37,117 14,032 611,536 616,087								

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Permanent Funds
For the year ended June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

		Cemetery Perpetual Care	Parks and Recreation Grounds	Baxter Library and Museum	Schools	Public Purpose Improvements and Civic	Miscellaneous	Totals	
								2004	2003
Revenues:									
Investment income	\$	(556)	(43)	(807)	(131)	(50)	84	(1,503)	23,525
Other miscellaneous		-	-	-	-	-	1,928	1,928	3,902
Donations		3,350	-	13,472	-	-	1,000	17,822	22,434
Total revenues		2,794	(43)	12,665	(131)	(50)	3,012	18,247	49,861
Expenditures:									
Current:									
Debt Service:									
Principal		-	-	2,358	-	-	-	2,358	2,357
Interest and other charges		-	-	433	-	-	-	433	604
Other miscellaneous		-	-	31,437	-	-	-	31,437	14,289
Total expenditures		-	-	34,228	-	-	-	34,228	17,250
Excess (deficiency) of revenues over (under) expenditures		2,794	(43)	(21,563)	(131)	(50)	3,012	(15,981)	32,611
Fund balances, beginning of year		161,680	12,181	231,010	37,248	14,082	150,471	606,672	574,061
Fund balances, end of year	\$	164,474	12,138	209,447	37,117	14,032	153,483	590,691	606,672

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FIDUCIARY FUNDS

TOWN OF GORHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds

For the year ended June 30, 2004

(with comparative actual amounts for the year ended June 30, 2003)

	Agency Funds									
	High School Activity Fund	White Rock Activity Fund	Narragansett Office	Narragansett PIE	Village Activity Fund	Shaw Activity Fund	GCVE	Special Education	Subtotal Agency Funds	
ASSETS										
Cash	\$ 114,944	11,848	2,439	8,813	4,058	45,176	2,592	76	189,946	
Investments	-	-	-	-	-	-	-	-	-	
Total assets	114,944	11,848	2,439	8,813	4,058	45,176	2,592	76	189,946	
LIABILITIES AND NET ASSETS										
Liabilities:										
Due to student groups	114,944	11,848	2,439	8,813	4,058	45,176	2,592	76	189,946	
Accounts payable	-	-	-	-	-	-	-	-	-	
Total liabilities	114,944	11,848	2,439	8,813	4,058	45,176	2,592	76	189,946	
Net assets:										
Principal	-	-	-	-	-	-	-	-	-	
Unexpended income	-	-	-	-	-	-	-	-	-	
Total net assets	-	-	-	-	-	-	-	-	-	
Total liabilities and net assets	\$ 114,944	11,848	2,439	8,813	4,058	45,176	2,592	76	189,946	

TOWN OF GORHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds

For the year ended June 30, 2004

(with comparative actual amounts for the year ended June 30, 2003)

	Private-purpose Trust Funds										Totals	
	Watson							Subtotal				
	Malcolm Smith Scholarship	Bob Grant Memorial Scholarship	Harry Shevis Scholarship	Family Trust Scholarship	Thomas Fogg Scholarship	Arthur/Jane Fogg Scholarship	Private-purpose Trust Funds	2004	2003			
ASSETS												
Cash	\$ -	-	-	-	-	-	-	189,946	190,287			
Investments	3,109	2,426	1,915	12,958	8,181	1,438	30,027	30,027	28,790			
	3,109	2,426	1,915	12,958	8,181	1,438	30,027	219,973	219,077			
LIABILITIES AND NET ASSETS												
Liabilities:												
Due to student groups	-	-	-	-	-	-	-	189,946	190,287			
Accounts payable	100	100	100	350	-	-	650	650	600			
	100	100	100	350	-	-	650	190,596	190,887			
Net assets:												
Principal	3,009	2,326	1,815	12,608	8,181	1,438	29,377	29,377	27,531			
Unexpended income	-	-	-	-	-	-	-	-	659			
	3,009	2,326	1,815	12,608	8,181	1,438	29,377	29,377	28,190			
Total liabilities and net assets	\$ 3,109	2,426	1,915	12,958	8,181	1,438	30,027	219,973	219,077			

TOWN OF GORHAM, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private-purpose
For the year ended June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

	Bob		Watson		Arthur &		Totals
	Malcolm Smith	Grant Memorial	Harry Shevis	Family Trust	Thomas Fogg	Jane Fogg	
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	2003
							2004
Additions:							
Donations		500				1,450	1,950
Investment income	(11)	(11)	(6)	(44)	(29)	(12)	(113)
Total additions	(11)	489	(6)	(44)	(29)	1,438	1,837
							1,122
Deductions:							
Current:							
Scholarships awarded	100	100	100	350	-	-	600
Total deductions	100	100	100	350	-	-	600
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(111)	389	(106)	(394)	(29)	1,438	522
Net assets, beginning of year	3,120	1,937	1,921	13,002	8,210	-	27,668
Net assets, end of year	\$ 3,009	2,326	1,815	12,608	8,181	1,438	28,190

TOWN OF GORHAM, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
ASSETS				
Cash	\$ 190,287	468,835	469,176	189,946
Investments	-	-	-	-
Total assets	\$ 190,287	468,835	469,176	189,946
LIABILITIES				
Funds held for student activities	190,287	468,835	469,176	189,946
Accounts payable	-	-	-	-
Due to Town	-	-	-	-
Total liabilities	\$ 190,287	468,835	469,176	189,946

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

TOWN OF GORHAM, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

	Totals	
	2004	2003
General fixed assets:		
Land and buildings	\$ 46,887,567	44,503,183
Furniture and equipment	11,264,051	8,915,508
Infrastructure	17,513,688	16,077,779
Total governmental fund capital assets	\$ 75,665,306	69,496,470
Investments in general fixed assets by source:		
General fund	75,266,697	53,391,733
Capital project funds	398,609	16,104,737
Total governmental fund capital assets	\$ 75,665,306	69,496,470

TOWN OF GORHAM, MAINE
Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity
June 30, 2004
(with comparative actual amounts for the year ended June 30, 2003)

Function and Activity		Land and buildings	Furniture and equipment	Infrastructure	Totals	
					2004	2003
General government	\$	2,985,770	231,291	-	3,217,061	1,830,514
Education		38,920,315	4,027,302	-	42,947,617	24,480,642
Public safety		539,134	3,575,469	-	4,114,603	3,754,951
Public works		1,707,000	2,139,208	17,513,688	21,359,896	19,842,924
Health, sanitation and welfare		-	-	-	-	-
Recreation, library and museum		2,336,739	207,007	-	2,543,746	2,439,947
Construction in progress		398,609	-	-	398,609	16,104,737
Book collection, historical treasures and artwork		-	1,083,774	-	1,083,774	1,042,755
Total governmental fund capital assets	\$	46,887,567	11,264,051	17,513,688	75,665,306	69,496,470

Exhibit G-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2004

Function and Activity		Balance 2003	Additions	Deletions	Balance 2004
General government	\$	1,830,514	1,403,235	16,688	3,217,061
Education		24,480,642	19,884,794	1,417,819	42,947,617
Public safety		3,754,951	528,193	168,541	4,114,603
Public works		19,842,924	1,533,074	16,102	21,359,896
Health, sanitation and welfare		-	-	-	-
Recreation, library and museum		2,439,947	103,799	-	2,543,746
Construction in progress		16,104,737	398,609	16,104,737	398,609
Book collection, historical treasures and artwork		1,042,755	41,019	-	1,083,774
Totals	\$	69,496,470	23,892,723	17,723,887	75,665,306

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STATISTICAL SECTION

Table 1

TOWN OF GORHAM, MAINE
Government-wide Expenses by Function (1)
Last Ten Fiscal Years

Fiscal year	General government	Public safety	Public works	Health & welfare	Recreation	Development	Insurances	Employee benefits	County tax	Interest on				
										Unclassified	Education	Long-term debt	Capital maintenance	Total
2003	930,640	2,475,168	1,951,405	44,010	251,339	227,103	190,597	1,159,107	595,692	998,036	22,720,518	1,251,078	944,278	33,738,971
2004	1,038,161	2,759,232	1,460,737	57,263	983,574	224,690	232,057	1,372,594	645,663	1,022,364	25,284,410	1,304,509	728,411	37,113,665

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

TOWN OF GORHAM, MAINE
Government-wide Revenues (1)
Last Ten Fiscal Years

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

Table 3

TOWN OF GORHAM, MAINE
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Development	Recreation	Debt Service	Capital Outlay	Miscellaneous/Transfers	School Appropriations	Total
1995	615,171	1,425,212	759,813	165,080	350,028	442,347	176,268	1,390,944	6,093,646	11,418,509
1996	619,125	1,465,826	906,631	167,244	342,593	422,753	10,122	1,878,741	6,198,646	12,011,681
1997	661,039	1,515,912	987,913	175,756	360,600	360,392	51,178	1,859,555	6,475,150	12,447,495
1998	688,717	1,594,867	1,026,955	203,721	371,686	353,698	-	2,790,858	6,874,664	13,905,166
1999	737,334	1,727,205	1,069,332	221,420	398,172	255,973	80,747	3,035,463	7,296,595	14,822,241
2000	808,001	1,961,293	1,123,927	229,514	419,501	172,478	-	3,007,001	8,040,419	15,762,134
2001	828,588	2,130,809	1,363,441	235,212	423,666	289,312	-	3,609,842	8,746,098	17,626,968
2002	888,335	2,309,069	1,501,129	217,130	486,267	293,011	-	3,054,741	9,806,050	18,555,732
2003	978,596	2,404,927	1,885,972	227,103	503,617	301,779	412	3,609,674	10,685,010	20,597,090
2004	976,039	2,558,775	1,855,367	224,690	604,843	369,733	-	3,241,436	11,664,279	21,495,162

Note: The Table above includes only those expenditures and transfers recorded in the General Fund.

Table 4

TOWN OF GORHAM, MAINE
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Licenses and Permits		Inter- governmental	Investment Income	Charges for		Sub- totals	Other Financing Sources		Total
	Taxes				Other Revenues	Services				
1995	10,349,290	120,531	971,290	54,065	127,913	359,736	11,982,825	-	-	11,982,825
1996	10,597,692	139,458	1,025,811	98,106	102,434	419,386	12,382,887	-	-	12,382,887
1997	11,261,397	171,099	1,063,777	113,093	106,735	566,794	13,282,895	-	-	13,282,895
1998	11,851,280	191,714	1,165,505	102,740	111,028	573,655	13,995,922	-	-	13,995,922
1999	12,609,131	221,133	1,374,449	196,130	136,522	595,370	15,132,735	-	-	15,132,735
2000	12,987,699	198,461	2,037,082	245,601	155,667	539,938	16,164,448	-	-	16,164,448
2001	14,312,678	261,209	2,085,873	256,840	134,004	762,484	17,813,088	-	-	17,813,088
2002	15,219,896	315,519	2,090,912	119,463	168,165	912,316	18,826,271	-	-	18,826,271
2003	16,817,675	265,682	1,896,402	86,731	117,837	1,039,250	20,223,577	-	-	20,223,577
2004	18,405,739	403,479	1,889,027	45,782	200,863	948,434	21,893,324	-	-	21,893,324

Note: The Table above includes only those revenues and transfers recorded in the General Fund.

Table 5

TOWN OF GORHAM, MAINE
General Governmental Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Property Taxes	Excise Taxes	Interest and costs on delinquent taxes	Total
1995	9,157,876	1,097,519	93,895	10,349,290
1996	9,338,172	1,189,170	70,350	10,597,692
1997	9,861,095	1,308,194	92,108	11,261,397
1998	10,302,750	1,469,685	78,845	11,851,280
1999	10,481,958	1,604,543	74,811	12,161,312
2000	11,173,881	1,743,434	70,384	12,987,699
2001	12,489,803	1,755,146	67,729	14,312,678
2002	13,224,401	1,930,632	64,863	15,219,895
2003	14,633,349	2,107,389	76,937	16,817,675
2004	16,072,194	2,267,577	65,968	18,405,739

Table 6

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

Fiscal Year	Total levy (1)	Interest and current taxes collected or abated	Percent of levy collected
1995	9,086,613	8,564,680	94.26%
1996	9,383,207	8,860,955	94.43%
1997	9,801,003	9,438,354	96.30%
1998	10,398,609	9,999,844	96.17%
1999	10,476,528	10,137,863	96.77%
2000	11,381,979	10,920,207	95.94%
2001	12,485,788	12,132,203	97.17%
2002	13,626,308	13,138,885	96.42%
2003	14,852,234	14,470,933	97.43%
2004	16,311,136	15,827,928	97.04%

Note:

- (1). Tax commitment plus supplemental taxes assessed during fiscal year.

Table 7

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

Years Ended	Municipal Tax Rate	School Tax Rate	County Tax Rate	Total Tax Rate
June 30, 1995	5.37	12.51	0.72	18.60
June 30, 1996	5.49	12.38	0.83	18.70
June 30, 1997	5.65	12.63	0.82	19.10
June 30, 1998	5.74	12.85	0.81	19.40
June 30, 1999	5.75	13.27	0.78	19.80
June 30, 2000	5.84	13.94	0.72	20.50
June 30, 2001	6.05	14.59	0.76	21.40
June 30, 2002	4.58	12.20	0.62	17.40
June 30, 2003	4.92	12.76	0.72	18.40
June 30, 2004	5.09	13.56	0.75	19.40

NOTE: The drop in the tax rate for fiscal year ended June 30, 2002 was the result of revaluation.

Table 8

TOWN OF GORHAM, MAINE
Assessed and Appraised Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed value (1)	Current estimated valuation (2)	Ratio of assessed to estimated full value
1995	487,249,100	483,950,000	100.7%
1996	500,511,300	494,050,000	101.3%
1997	512,571,200	508,600,000	100.8%
1998	535,085,000	528,000,000	101.3%
1999	527,268,200	567,650,000	92.9%
2000	554,945,600	609,150,000	91.1%
2001	577,591,900	643,800,000	89.7%
2002	779,841,700	716,650,000	108.8%
2003	804,992,300	835,200,000	96.4%
2004	839,361,000	937,300,000	89.6%

Source

(1) Town Assessor, excludes Homestead Exemption

(2) State Bureau of Taxation

Table 9

TOWN OF GORHAM, MAINE
Computation of Statutory Debt Margin
as of June 30, 2004
In Accordance with 30 MRSA, Section 5061 as Amended

	Outstanding bonds and notes	Percent of state assessed value of \$937,300,000	Allowable Amount	Margin
For school purposes	\$ 26,994,057	10.00%	\$ 93,730,000	\$ 66,735,943
For storm or sanitary sewer purposes	855,900	7.50%	70,297,500	69,441,600
For municipal, airport, water, and special district purposes	-	3.00%	28,119,000	28,119,000
For all other purposes	5,052,585	7.50%	70,297,500	65,244,915
Total	\$ 32,902,542	15.00%	\$ 140,595,000	\$ 107,692,458

Table 10

TOWN OF GORHAM, MAINE
Ratio of Bonded Debt to Assessed Value
and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal year	Population(1)	Assessed value	Total bonded debt	Percentage of bonded debt to assessed value	Bonded debt per capita
1995	11,856	487,249,100	19,936,056	4.1%	1,682
1996	11,856	500,511,300	18,477,010	3.7%	1,558
1997	11,856	512,571,200	17,094,964	3.3%	1,442
1998	11,856	535,085,000	15,719,918	2.9%	1,326
1999	11,856	527,268,200	14,431,322	2.7%	1,217
2000	14,141	554,945,600	14,511,676	2.6%	1,026
2001	14,141	577,591,900	13,232,030	2.3%	936
2002	14,141	779,841,700	12,031,884	1.5%	851
2003	14,141	804,992,300	32,052,188	4.0%	2,267
2004	14,141	839,361,000	32,902,542	3.9%	2,327

(1) U.S. Department of Commerce, Bureau of Census (1990 and 2000)

Table 11

TOWN OF GORHAM, MAINE
Ratio of Annual Debt Service for General Bonded
Debt to Total General and School Operations Fund Expenditures
Last Ten Fiscal Years

Fiscal year	<u>Municipal</u>		<u>School Department</u>		Total debt service -- bonded debt	Total General/ School expenditures	Ratio
	Principal	Interest	Principal	Interest			
1995	488,072	223,445	997,974	999,008	2,708,499	18,373,901	14.7%
1996	302,955	119,800	1,041,234	864,155	2,328,144	18,668,008	12.5%
1997	376,428	248,440	1,005,618	803,761	2,434,247	19,799,900	12.3%
1998	394,428	224,615	980,618	745,550	2,345,211	20,573,136	11.4%
1999	315,710	202,284	972,886	688,268	2,179,148	21,549,667	10.1%
2000	241,760	183,763	972,886	630,051	2,028,460	23,438,663	8.7%
2001	309,339	240,799	970,307	572,896	2,093,341	24,868,317	8.4%
2002	327,160	219,205	872,986	523,633	1,942,984	27,163,028	7.2%
2003	331,918	214,419	872,728	945,015	2,364,080	32,156,507	7.4%
2004	406,919	199,049	1,892,727	1,067,776	3,566,471	35,019,318	10.2%

NOTE: This Table lists principal and interest payments for all direct bond obligations of the Town.

Both municipal principal and interest payments as well as School Department principal and interest payments are included in the financial statements under the heading "Debt Service". Education debt service payment is reimbursed in part by subsidies from the State of Maine. Municipal principal and interest payments and total general and school operations fund expenditures above include amounts paid by the Sewer Special Revenue Fund and the Baxter Library and Museum Permanent Fund for General Obligation Debt.

Table 12

TOWN OF GORHAM, MAINE
Ten Largest Taxpayers
June 30, 2004

Taxpayer	Type of business	Current year assessed value	Percentage of total assessed value
Central Maine Power Co	Utility	\$ 25,854,300	3.08%
Grondin, R J & Phillip	Contracting	10,001,900	1.19%
Gorham House	Housing & Convalescent Care	9,803,700	1.17%
Maritimes & Northeast Pipeline LLC	Underground Pipeline	6,831,300	0.81%
Gorham Savings Bank	Banking	6,685,700	0.80%
American Tool Co	Machine Shop	6,586,000	0.78%
Hannaford Brothers	Retail	6,430,900	0.77%
Shaw Brothers Construction Co	Contracting	6,074,200	0.72%
Scott Paper	Manufacturing	5,711,000	0.68%
Foreside Management Company LLC	Distribution	5,157,000	0.61%

Table 13

TOWN OF GORHAM, MAINE
Five Largest Employers
June 30, 2004

Employer	Type of business	Number of employees
University of Southern Maine *	College	381
Town of Gorham	School	400
	Municipal	100
American Tool	Tool manufacturing	220
Gorham House	Housing and convalescent care	200
R. J. Grondin	Contractor	146 (Spring/Summer)

* University of Southern Maine, Gorham campus only

Source

Economic Development Corp., figures are for June 2000

Table 14

TOWN OF GORHAM, MAINE
Computation of Direct, Overlapping, Bonded Debt
General Obligation Bonds
Year ended June 30, 2004

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to government	Amount applicable to government
Direct:			
Town of Gorham	\$ 32,902,542	100.00%	\$ 32,902,542
Overlapping debt:			
Cumberland County	14,580,000	3.54%	516,499
Portland Water District - sewer debt, Gorham only	23,365,159	1.84%	429,350
Portland Water District - sewer shared with Westbrook	23,365,159	1.10%	257,248
Portland Water District - sewer shared with Windham	23,365,159	0.04%	8,830
Portland Water District - water debt	26,015,000	5.25%	1,366,847
Contingent debt:			
Regional Waste Systems:			
Resources recovery system	56,725,000	4.08%	2,316,756
Material recycling facility	6,110,000	5.60%	342,160
Landfill closure (see note)	18,895,132	4.13%	780,870
	\$ 225,323,151		\$ 38,921,102

Note: Regional Waste Systems' Landfill closure and postclosure costs and the municipal proportion share are as of June 30, 2003 since the June 30, 2004 figures are unavailable until their annual audit is completed.

Table 15

TOWN OF GORHAM, MAINE
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Fiscal year	Property Value (1)			Commercial Construction (2)		Residential Construction (2)		Bank deposits (3)
	Commercial	Residential	Total	Number of units	Value	Number of units	Value	
2004	180,911,400	658,449,600	839,361,000	39	7,364,095	89	12,533,622	219,061
2003	174,725,000	630,267,300	804,992,300	25	20,461,785	195	28,338,130	219,061
2002	170,412,300	609,429,400	779,841,700	21	4,134,217	139	18,136,924	146,393
2001	135,811,300	441,765,600	577,576,900	31	12,491,800	105	10,583,500	106,898
2000	125,591,000	429,354,600	554,945,600	18	15,254,300	101	10,305,860	123,436
1999	113,882,900	421,202,100	535,085,000	3	2,128,000	98	8,000,361	217,192
1998	115,768,600	411,499,600	527,268,200	15	7,977,632	82	5,330,000	229,101
1997	104,188,800	408,382,400	512,571,200	19	4,301,000	86	6,120,000	231,656
1996	99,503,000	401,008,300	500,511,300	19	2,286,152	53	3,180,000	240,792
1995	93,386,700	393,862,400	487,249,100	2	500,000	100	5,163,000	232,054

Sources:

- (1) Gorham Assessor's office. The substantial increase seen in fiscal year 2002 is due to a revaluation.
- (2) HUD User, State of the Cities Data and Gorham Code Enforcement office. Figures represent new starts only on a calendar year basis. Residential units are for single family dwellings only, no condos or multi-family dwellings included. The fiscal year 2004 figures are for calendar year 2003 and so forth.
- (3) Maine Bureau of Financial Institutions, Branch Loan and Deposit/Share Survey
June 30, 2003 is the latest figure available.

Table 16

TOWN OF GORHAM, MAINE
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita income (2)	Median age (2)	School enrollment (3)	Unemployment rate (4)
2004	14,141	21,174	34.3	2,763	2.60%
2003	14,141	21,174	34.3	2,708	2.70%
2002	14,141	21,174	34.3	2,633	2.50%
2001	14,141	21,174	34.3	2,583	2.30%
2000	14,141	21,174	34.3	2,625	1.90%
1999	13,610	13,391	30.9	2,599	2.00%
1998	13,296	13,391	30.9	2,566	2.30%
1997	12,990	13,391	30.9	2,524	2.70%
1996	12,820	13,391	30.9	2,444	2.80%
1995	12,725	13,391	30.9	2,376	3.60%

(1) U.S. Dept. of Commerce, Bureau of Census

The 1994-1999 figures are based on July Census estimates, while the 2000-2003 are based on the 2000 actual Census data)

(2) U.S. Dept. of Commerce, Bureau of Census (1990 and 2000)

(3) Maine Department of Education. Figures are based on April 1 enrollment data, except for fiscal year 2004 which is from the October 1 enrollment data since April 1 data is unavailable.

(4) Maine Department of Labor. The 1995 - 2003 figures are annual rates. The 2004 figure is the June 2004 rate.

Table 17

TOWN OF GORHAM, MAINE
Miscellaneous Statistics
June 30, 2004

Date of Incorporation	1764
Form of Government	Council/Manager
Number of Full-time Employees	
School	361
Town	90
Facilities:	
Area in square miles	59.88
Lane miles of streets	273.80
Number of street lights	357 street, 11 traffic
Number of parks	4
Park acreage	203.80
Number of cemeteries	8
Cemetery acreage	17.80
Libraries	3
Tennis courts	7
Outdoor basketball courts	5
Indoor gym	5
Protection:	
No. of fire stations	6
No. of firefighters	110
No. of paramedics	9
No. of calls answered	2,182
No. of inspections conducted	200
No. of police stations	1
No. of police personnel	20
No. of patrol units	13
No. of violations	3,654
No. of service calls	17,359
No. of physical arrests	349
Sewer systems:	
Miles of wastewater pipeline length	18.7 sanitary
No. of treatment plants serving Gorham	2
System design flow, Gorham Village	1.4 mgd
Treatment plant design flow, Little Falls, average	0.04 mgd
Water system:	
Miles of water mains	47.5
No. of service connections	2,388
No. of fire hydrants	241
Average consumption in gallons	170 million per year
Education:	
No. of elementary schools	4
No. of elementary school instructors	136
No. of secondary schools	1
No. of secondary school instructors	57
No. of students	2,763
Average cost per student	\$6,550