

FINANCIAL SECTION

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Independent Auditor's Report

Town Council
Town of Gorham, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, Maine as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, Maine as of June 30, 2005, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2005, on our consideration of the Town of Gorham, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Town Council
Town of Gorham, Maine

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gorham's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Runyar Kersteen Ouellette". The signature is written in a cursive, flowing style.

August 11, 2005
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, 2005. 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 \$28,465,217, an increase of \$2,682,736 or 10% when compared to the beginning net asset figure of \$25,782,481.
- The ending fund balance for Governmental Funds is \$12,555,808. This is an increase of \$311,829 from last fiscal year with \$70,662 the results from operations and \$241,167 the results of a prior period adjustment for accrued compensated absences. Although expenditures exceeded revenues by \$273,646, with capital lease proceeds of \$344,308, the net change was the \$70,662.
- The General Fund's ending fund balance is \$5,799,931, an increase of \$814,712 over the prior year's ending fund balance of \$4,985,219. Of the \$5,799,931, \$379,300 is reserved for encumbrances, \$11,187 is reserved for trash bag inventory and \$528,072 is designated for capital projects, accrued compensated absences and self-funded programs. A detail listing can be found in the notes to basic financial statements, NOTE 16, DESIGNATED FUND BALANCE.
- The Town of Gorham has a fund balance policy. The Town must maintain a General Fund and Special Revenue Fund (School Operations Fund) balance of at least 8% of the yearly School, Town, and Cumberland County appropriations. The combined General Fund and Special Revenue Fund – School Operations Fund undesignated fund balances as of June 30, 2005 was \$3,165,095 or 8.5% of the total FY06 budgeted appropriations. The Town Council uses any excess funds to fund the capital needs of the community as deemed appropriate. The Town Council generally reviews and approves the capital projects during the annual budget process.
- The Town of Gorham's general obligation debt decreased by \$2,474,646 or a 7.5% reduction in the outstanding bonded debt total. No new debt was issued during fiscal year 2005.

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 48 and 49. 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><i>Governmental Activities</i></u>		\$ Chg	% Chg
		2005	2004		
Current & other assets		18,481,686	17,692,623	789,063	4.5%
Capital assets, net		<u>47,464,464</u>	<u>47,258,047</u>	<u>206,417</u>	0.4%
Total assets		65,946,150	64,950,670	995,480	1.5%
Long term debt outstanding		31,758,437	33,858,193	(2,099,756)	-6.2%
Other liabilities		<u>5,722,496</u>	<u>5,309,996</u>	<u>412,500</u>	7.8%
Total liabilities		37,480,933	39,168,189	(1,687,256)	-4.3%
Net assets:					
Invested in:					
Capital assets, net of related debt		16,377,091	13,820,834	2,556,257	18.5%
Restricted		352,781	354,163	(1,382)	-0.4%
Unrestricted		<u>11,735,345</u>	<u>11,607,484</u>	<u>127,861</u>	1.1%
Total net assets		28,465,217	25,782,481	2,682,736	10.4%

The increase of \$789,063 in the current and other assets category is primarily due to the increase in performance bonds received from developers. This reflects the development activity occurring in the Town of Gorham.

The Capital Asset disclosure in the notes to the financial statements, see Note 6, shows how the change in capital assets, net of \$206,417 resulted.

The Long-Term Debt disclosure in the notes to the financial statements, see Note 10, shows how the change in long-term debt outstanding of \$(2,099,756) resulted.

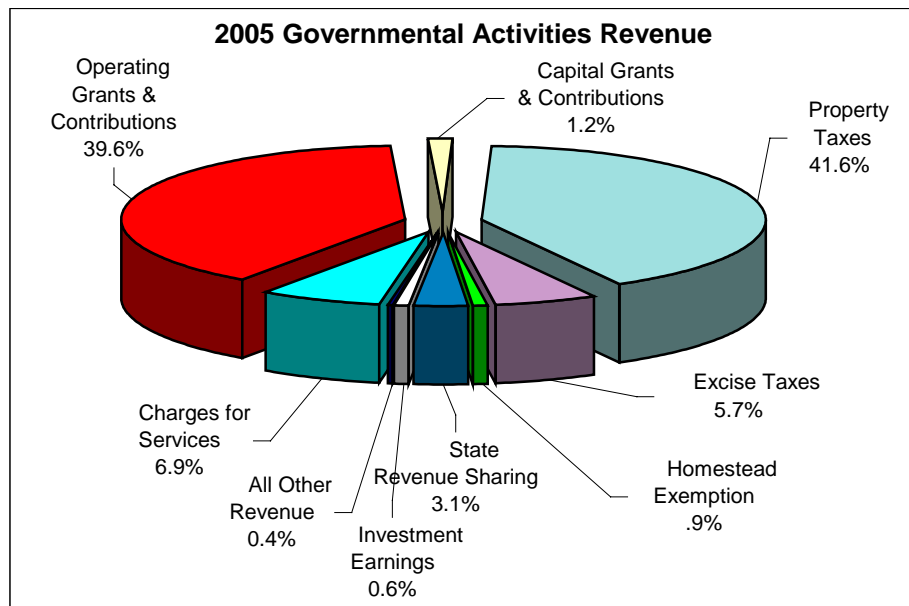
The change in the other liabilities of \$412,500 is mainly due to the increase in the value of performance bonds held as of June 30, 2005 from various developers.

Changes in Net Assets

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

	<u>Governmental Activities</u>			
	2005	2004	\$ Chg	% Chg
Revenues				
Program revenues				
Charges for services	2,851,502	2,972,731	(121,229)	-4.1%
Operating grants & contributions	16,405,586	15,671,082	734,504	4.7%
Capital grants & contributions	490,613	174,005	316,608	182.0%
General revenues				
Property taxes	17,234,005	16,253,550	980,455	6.0%
Payment in lieu of taxes	51,083	52,922	(1,839)	-3.5%
Motor vehicle & boat excise taxes	2,359,645	2,267,577	92,068	4.1%
Grants and contributions not restricted to specific programs				
Homestead exemption	369,434	410,820	(41,386)	-10.1%
Other state aid	27,807	27,119	688	2.5%
State revenue sharing	1,302,053	1,236,201	65,852	5.3%
Investment earnings	273,500	151,965	121,535	80.0%
Miscellaneous revenues	<u>78,789</u>	<u>129,491</u>	<u>(50,702)</u>	-39.2%
Total revenues:	41,444,017	39,347,463	2,096,554	5.3%
Expenses				
General government	2,718,015	2,562,887	155,128	6.1%
Public safety	2,896,737	2,819,226	77,511	2.7%
Public works	1,894,758	1,973,330	(78,572)	-4.0%
Health & welfare	52,415	57,263	(4,848)	-8.5%
Recreation, library & museum	893,350	1,039,901	(146,551)	-14.1%
Development	377,263	445,018	(67,755)	-15.2%
County tax	659,977	645,663	14,314	2.2%
Education	27,961,877	26,265,868	1,696,009	6.5%
Interest on debt	<u>1,306,889</u>	<u>1,304,509</u>	<u>2,380</u>	0.2%
Total expenses:	38,761,281	37,113,665	1,647,616	4.4%
Excess (deficiency) before special items and transfers	2,682,736	2,233,798	448,938	20.1%
Special items	-	-	-	n/a
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	n/a
Increase (decrease) in net assets:	2,682,736	2,233,798	448,938	20.1%

Approximately 41.6% of the Town's revenues come from property taxes, while 39.6% comes from operating grants and contributions. Approximately 74% of the operating grants and contributions revenue source comes from state aid to education and state construction aid. The following pie chart shows the sources of revenue for fiscal year 2005.



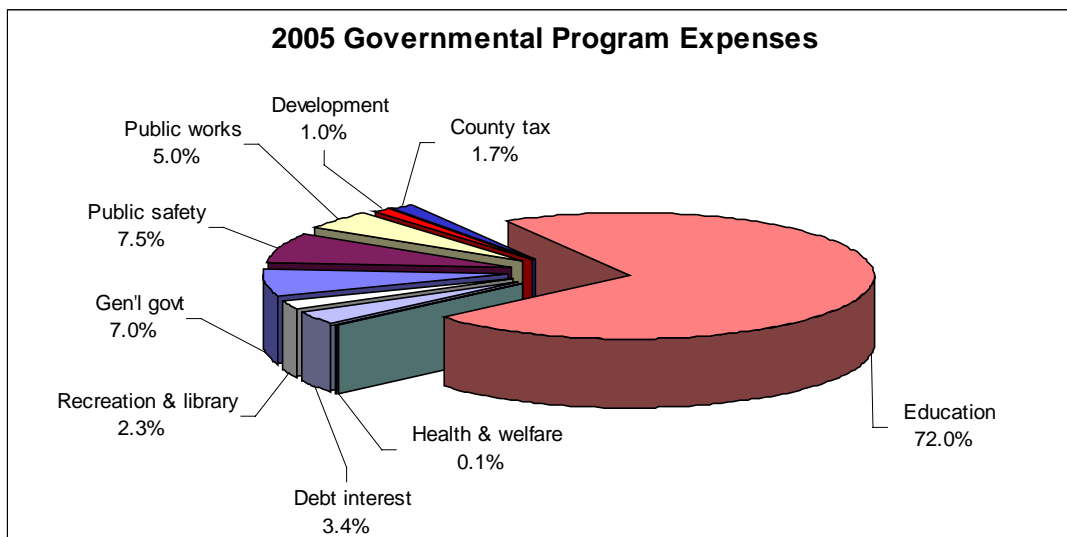
I would like to note that the capital outlays for fiscal year 2005 have been allocated to the appropriate function. Also this fiscal year, we placed the insurance, employee benefits and unclassified expenditures in the General Government category, and adjusted the fiscal year 2004 figures to reflect these changes.

Education, which makes up 72% of the expenses for fiscal year 2005, increased by \$1,696,009 and is attributed to an increase in the capital expenditures, higher depreciation expenditure, increase in grant expenditures, and higher employee benefit costs.

The reason the Recreation, library, and museum category is down by 14.1% or (\$146,551) is that the expansion and renovation of the Baxter Memorial Library was completed during fiscal year 2004.

The Development category is down by 15.2% or (\$67,755) because the Town Council eliminated the payments to outside social service agencies, which accounts for \$33,750 of the reduction. The remainder of the reduction is due to the TIF reimbursements being down by \$38,099 for fiscal year 2005. Many of the companies participating in the TIF program are moving from a 75% reimbursement rate to a 50% reimbursement rate.

The following pie chart shows functional expenses for fiscal year 2005.



Governmental Activities

The cost of all governmental activities was \$38,761,281. However, as shown on the Statement of Activities, the amount that the taxpayers of Gorham ended up financing was \$17,234,005 or 44.5%, because some of the cost was paid by those who directly benefit from the programs --\$2,851,502, or by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$16,405,586, and capital grants and contributions --\$490,613. The Town also received \$4,462,311 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 2005.

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

Governmental activities resulted in an increase to the Town of Gorham's net assets of \$2,682,736.

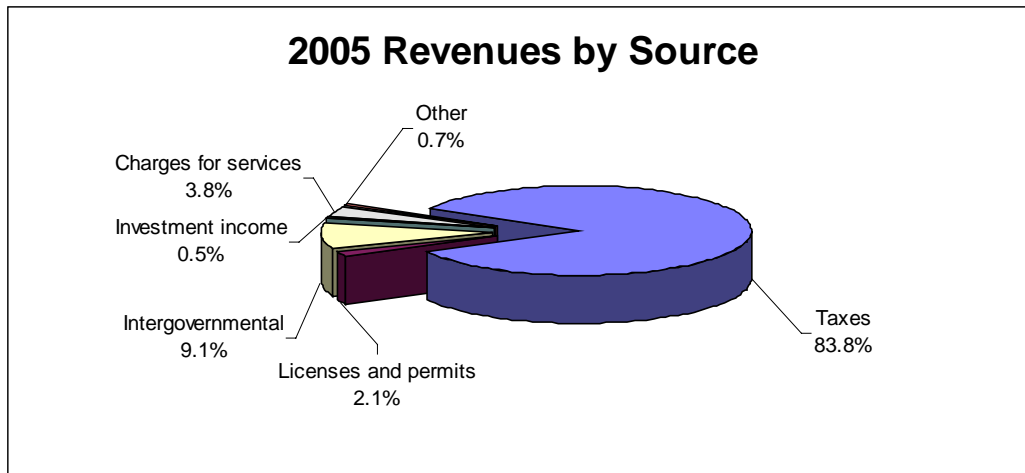
The Town's Funds

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 2005 revenues by source for the General Fund with the 2004 information for comparison while the pie chart summaries the 2005 revenues by source. Information is from Statement 4.

	<u>2005</u>	<u>2004</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenues by source				
Taxes	19,353,785	18,405,739	948,046	5.2%
Licenses and permits	478,148	403,479	74,669	18.5%
Intergovernmental	2,102,286	1,889,027	213,259	11.3%
Investment income	110,166	45,782	64,384	140.6%
Charges for services	885,825	948,434	(62,609)	-6.6%
Other	167,569	200,863	(33,294)	-16.6%
Total revenue	23,097,779	21,893,324	1,204,455	5.5%



General Fund revenues increased 5.5% over the fiscal year 2004 amount. Below are some of the reasons for the higher revenues.

Taxes: The net appropriation or local tax requirement for FY2005 increased 6.4% or \$1,041,390 over the FY2004 level, with the primary increase due to the Education budget, which increased 7.9% or \$924,007.

Licenses and permits: The building permits revenue was \$134,600 more than the FY05 estimate. As mentioned in the Introductory Section, the building activity in Gorham continues at a brisk pace.

Intergovernmental: During fiscal year 2005, four snowstorms were approved for Federal Emergency Management funds. The \$162,216 represents the funds received or anticipated to be received from the federal government. Another revenue source, State Revenue Sharing, came in higher than anticipated contributing \$87,000 towards the higher revenue collections.

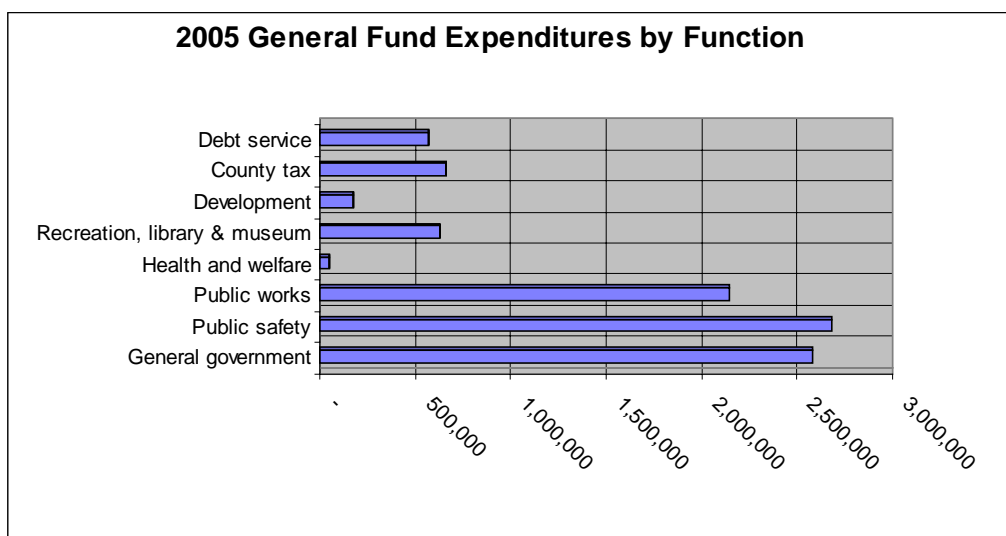
Interest income: During fiscal year 2005, interest rates started to increase. The average interest rate for fiscal year 2005 was 1.76%, while it was 0.89% for fiscal year 2004. Also, the actual amount invested during the year was approximately 20% or \$4,950,000 higher than the amount invested during fiscal year 2004.

Charges for services: The major decrease in this category is the fire and rescue fees. During fiscal year 2005, the Fire Department personnel dealt with “cleaning up” very old rescue bills. Many of these had been turned over to a collection agency a while ago and they were unable to collect on them. Therefore, our write offs during fiscal year 2005 were greater than the allowance for uncollected rescue fees and at year-end we needed to increase the allowance, which impacted the revenue.

Other: The 16.6% decrease in this revenue category can be contributed to the recreation reimbursement revenues.

The following table summarizes the General Fund expenditures by function for fiscal year 2005 with 2004 information for comparison while the graph displays the General Fund expenditures by function for fiscal year 2005. Information is from Statement 4.

	<u>2005</u>	<u>2004</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditure by function				
General government	2,579,082	2,532,185	46,897	1.9%
Public safety	2,680,546	2,528,566	151,980	6.0%
Public works	2,146,064	1,763,986	382,078	21.7%
Health and welfare	52,199	57,263	(5,064)	-8.8%
Recreation, library & museum	626,606	613,591	13,015	2.1%
Development	180,108	218,559	(38,451)	-17.6%
County tax	659,977	645,663	14,314	2.2%
Debt service	570,573	369,733	200,840	54.3%
Total expenditures	9,495,155	8,729,546	765,609	8.8%



The General Fund expenditures increased by 8.8% over fiscal year 2004 levels. The following information identifies some of the causes for the increase.

Public Safety: In the Police Department, the impact of wage increases for the patrol officers as well as being fully staffed in fiscal year 2005 account for \$28,000 of the increase. Also, the part-time secretary added during fiscal year 2004 went to full-time in fiscal year 2005 accounting for \$11,000 of the increase. The cost for fuel in fiscal year 2005 was approximately \$22,500 higher than fiscal year 2004 for the police, fire and rescue departments. Also the vehicle maintenance costs were up by \$26,000. Finally, during fiscal year 2005 there were changes in the Communication department. The Head Dispatch Supervisor left and was replaced by a police officer. The impact of this change was \$12,600. Also, an additional dispatch position was approved in the fiscal year 2005 budget. However, with vacancies throughout the year, the impact was only \$10,000.

Public Works: During fiscal year 2005 the State of Maine had four snowstorms that the federal government declared disasters and provided federal emergency management funds to cover. Because of these snowstorms, the departments' overtime, salt, sand, gravel, cutting edges, and fuel costs were higher than the previous year. The impact of these items is approximately \$148,000. A new position, part-time inspection/compliance officer, was added during fiscal year 2005. The impact on the fiscal year 2005 expenditures was \$11,000. The solid waste budget saw a substantial increase in its disposal fees from Regional Waste Systems. The impact on the fiscal year 2005 expenditures was \$169,000.

Development: The Town Council during the fiscal year 2005 budget hearings, decided to eliminate all funding for outside social service agencies. The impact of this decision was a reduction in expenditures of \$33,750.

Debt service: The increase is due to the impact of the first principal and interest payments for the general obligation bonds issued in February 2004. The bond proceeds were used to help renovate the old Shaw School and fund the Town's share of a new fire truck, which was jointly purchased with the Town of Windham.

The following table summarizes the fiscal year 2005 revenues by source for the Special Revenue Fund's School Operations Fund with 2004 information for comparison while the pie chart summaries the 2005 revenues by source. The information is from Statement 4.

	<u>2005</u>	<u>2004</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenues by source				
Intergovernmental	14,283,346	13,903,266	380,080	2.7%
Charges for services	21,132	-	21,132	n/a
Other	168,037	294,320	(126,283)	-42.9%
Total revenue	14,472,515	14,197,586	274,929	1.9%

The 2% increase in School Operation Fund revenues is primarily from increased state aid to education and state construction aid, which amounted to an increase of \$266,000.

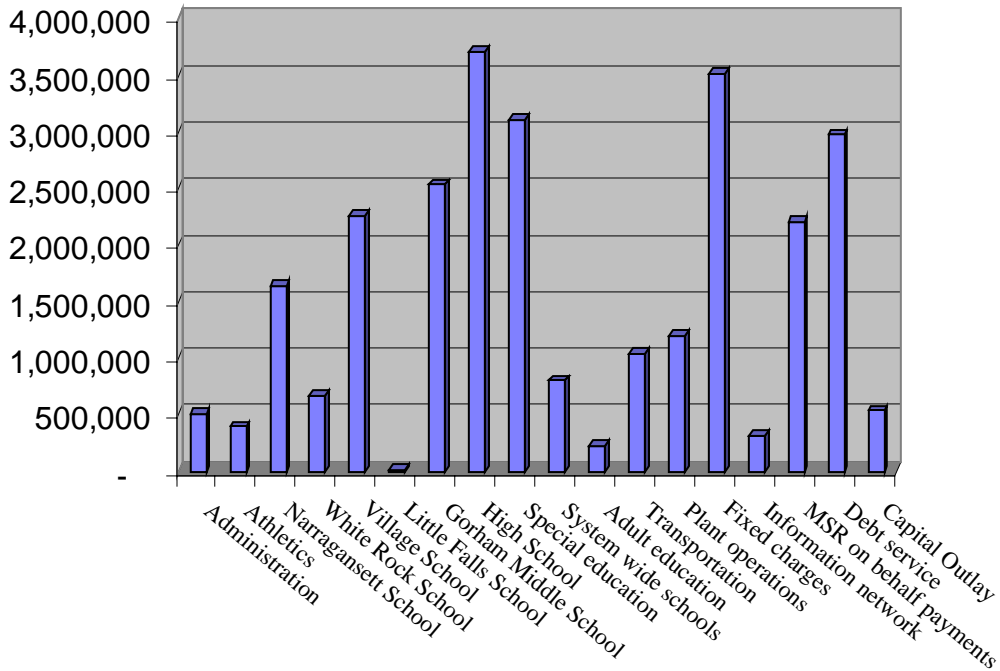
The 42.9% reduction in Other is the result of the Middle School Impact Fee going from \$250,000 in fiscal year 2004 to \$150,000 in fiscal year 2005.

The School Operations Fund's expenditures are 4.68% higher than fiscal year 2004. The four functions that saw the greatest increases are as follows. The capital outlay was up \$217,618 or 69.5% due primarily to a number of much needed capital improvement projects that the School Department was able to fund through higher revenues and lower expenditures in other functions. The fixed charges function was up \$380,776 or 12.2% primarily due to health insurance costs. The Gorham High School function was up \$328,182 or 9.7% and the Gorham Middle School function was up \$249,266 or 10.9% and both of these functions higher costs were primarily due to the teachers salaries.

The following table summarizes the School Operations Fund expenditures by function for fiscal year 2005 with 2004 information for comparison while the graph displays the expenditures by function for fiscal year 2005. Information is from Statement 4.

	<u>2005</u>	<u>2004</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenses by function				
Administration	509,260	468,096	41,164	8.79%
Athletics	393,708	368,030	25,678	6.98%
Narragansett school	1,635,006	1,853,626	(218,620)	-11.79%
White Rock school	666,154	714,339	(48,185)	-6.75%
Village school	2,254,177	2,184,525	69,652	3.19%
Little Falls school	12,302	11,176	1,126	10.08%
Gorham Middle school	2,531,221	2,281,955	249,266	10.92%
High school	3,704,281	3,376,099	328,182	9.72%
Special education	3,107,455	3,009,999	97,456	3.24%
System wide schools	798,248	779,770	18,478	2.37%
Adult education	226,168	189,543	36,625	19.32%
Transportation	1,039,720	993,489	46,231	4.65%
Plant operations	1,199,031	1,193,570	5,461	0.46%
Fixed charges	3,508,064	3,127,288	380,776	12.18%
Information network	309,829	360,290	(50,461)	-14.01%
MSR on behalf payments	2,205,447	2,183,495	21,952	1.01%
Debt service	2,972,767	2,960,503	12,264	0.41%
Capital outlay	530,573	312,955	217,618	69.54%
Total expenses	27,603,411	26,368,748	1,234,663	4.68%

2005 School Fund Expenditures by Function



The following table summarizes the fiscal year 2005 revenues by source for the Special Revenue Fund's Capital Reserve Fund with 2004 information for comparison. The information is from Statement 4.

	<u>2005</u>	<u>2004</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenue by source				
Investment income	80,750	29,063	51,687	177.8%
Unclassified	472,938	397,217	75,721	19.1%
Total revenues	553,688	426,280	127,408	29.9%

The major increase was in the unclassified revenue source. The Town pulled a developers' performance bond of \$125,000 since the developer refused to build a required sidewalk as a condition of a subdivision plan. The Town plans on building the sidewalk using these funds.

The investment income category was up as well and this is due not only to the higher interest rates received on investments during fiscal year 2005, but also the interest earned on the unspent Shaw Community/Municipal Center bond proceeds.

The following table summarizes the Capital Reserve Fund expenditures by function for fiscal year 2005 with 2004 information for comparison. Information is from Statement 4.

	<u>2005</u>	<u>2004</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenses by function				
Roads and road projects	249,278	496,510	(247,232)	-49.8%
Library and museum	29,106	152,326	(123,220)	-80.9%
Public works facilities	43,890	5,830	38,060	652.8%
Community center	483,769	249,464	234,305	93.9%
All other	301,616	644,176	(342,560)	-53.2%
Total expenses	1,107,659	1,548,306	(440,647)	-28.5%

As you can see from the above table, the Special Revenue Fund's Capital Reserve Fund expenses for fiscal year 2005 were down 28.5% or (\$440,647) from fiscal year 2004. The decrease can be seen in various functions – roads and road projects, library and museum, and all other. The fiscal year 2005 budget reduced the amount of funds available to perform road projects resulting in the decrease of (\$247,232) or (49.8%). The library project has pretty much been completed but a few residual issues have been addressed during fiscal year 2005. And finally, in fiscal year 2004, the Town jointly purchased a fire truck with the Town of Windham at a cost of \$347,500, which was reflected in the all other function's expenses.

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 \$692,701, while actual expenditures were under budgeted appropriations by \$227,022. This resulted in a positive net effect of \$919,723. However, after transfers and changes in encumbrances, and prior period adjustment for accrued compensated absences, the change in fund balance was a positive \$814,712.

The undesignated fund balance at \$4,881,372 is still a healthy figure and represents 13.1% of the total general fund and school operations fund budgeted appropriations for FY2006. 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 (\$1,716,277) is factored in the percentage drops to 8.50%. The Town's management anticipates that during the FY2007 budget process, the Council will utilize the undesignated fund balance in excess of the 8% for the Town's Capital Budget Part II.

The original (or adopted) budget for fiscal year 2004-2005 amount of \$34,966,630 (expenditures of \$34,623,188 plus transfers of \$343,442), compared to the final budget amount of \$34,836,168 (expenditures of \$34,483,726 plus transfers of \$352,442) reflects a change of \$130,462. The change is the result of an accounting change in how the school bus maintenance charges from the Town's public works department to the School Department is reflected. In previous fiscal years, the Town recognized the expenditures associated with the school bus maintenance work with offsetting revenues, while the School Department's

Transportation Department recognized the expenditures. In fiscal year 2005, the Town is not recognizing the expenditures associated with the school bus maintenance work in the Public Works function but in the Special Revenue Funds' School Operations fund.

During fiscal year 2005, the Town Council authorized the transfer of \$9,000 from the Town's contingency account to the Special Revenue Funds' Capital Project Reserve fund to help fund the Fire Department Master Plan study. The fiscal year 2005 budget had \$15,000 appropriated for this study but the actual proposal received required additional funding.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2005, the Town had invested \$2,474,311 in a broad range of capital assets. The following chart identifies the assets that were added during fiscal year 2005, but does not include the construction in progress projects – renovation of the old Shaw School into a community/municipal center.

Category	Description of Capital Asset		Category Total	
Historical Treasurers/Artwork				
Baxter Museum	1815 Federal Period Secretary Desk	6,500	6,500	
Land improvements				
Education	Shot Put Area and Track Extension at GHS	20,010	98,159	
	Chain Link Fence at Narragansett School	6,995		
	Roadway Gates at White Rock School	3,655		
	Chain Link Fence and Gates at GHS	27,574		
Public Works	Pavement - Parking Lot	39,925		
Buildings and building improvements				
Education	Metal Roof at Narragansett School	222,978		
	Water Heater at Gorham High School (GHS)	26,770		
	Arsenic Removal System at White Rock School	25,602		
	Air Conditioning System at GHS Library	40,183		
	Swap Pumps at Gorham Middle School (GMS)	10,212		
Public Safety	White Rock Fire Station Roof Replacement	12,548		
	White Rock Fire Station Siding	5,500		
Genl Govt	Re-roof gymnasium at Shaw Municipal/Comm Ctr	124,000		
	Re-roof over Dispatch area at Municipal Center	13,198		
				480,991
Machinery and equipment				
Education	Security System at Gorham High School	46,143		
	Power Hoists for Basketball Backboards (GMS)	6,175		
	TV Monitors	10,000		

Category	Description of Capital Asset	Category Total
Machinery and equipment		
Public Safety	(2) EVAC Command Base for T-Pass System	13,990
	Card Access System at No Gorham Fire Station	6,340
	Card Access System at White Rock Fire Station	6,290
	Card Access System at W Gorham Fire Station	6,439
	(5) Digital Eyewitness Units	28,900
	Digital Recorder	8,126
Public Works	Bale Chopper	5,350
	(2) Lawn Tractors	8,864
	Power Line Striper	4,260
		<u>150,877</u>
Vehicles		
	Public Safety, Police vehicles	62,607
	Public Safety, Fire vehicles	23,053
	Public Works vehicles	120,961
	School vehicles	221,680
		<u>428,301</u>
Infrastructure		
	Roads	1,309,483
		<u>1,309,483</u>
Total Assets Added During FY2005		<u>2,474,311</u>

During fiscal year 2005, 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, Little Falls Portable Classroom	(45,000)
	Recreation, Little Falls Portable Classroom	45,000
	Education, Shaw Jr High Portable Classroom	(45,000)
	Recreation, Shaw Jr High Portable Classroom	45,000
Vehicles		
	General Govt (Code), 1996 Chevy Caprice	(19,000)
	Public Works, 1996 Chevy Caprice	19,000
	Public Safety (Police), 1996 Jeep Cherokee	(20,308)
	General Govt (Code), 1996 Jeep Cherokee	20,308
	Public Safety (Police), 2001 Chevy Impala	(19,888)
	Public Works, 2001 Chevy Impala	19,888
	Transportation (School), 1989 Blue Bird Bus	(42,399)
	Public Safety (Fire), 1989 Blue Bird Bus	42,399
	Public Safety (Police), 2001 Chevy Impala	(19,689)
	Public Works, 2001 Chevy Impala	19,689

The depreciation expense for 2005 was \$2,502,512. 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 \$206,417 or 0.4%, over last fiscal year.

Capital Assets (net of depreciation)				
Governmental Activities				
	<u>2005</u>	<u>2004</u>	\$ Change	% Chg
Land	1,579,159	1,579,159	-	0.0%
Books/Historical Treasures/Artwork	1,090,274	1,083,774	6,500	0.6%
Construction in Progress	642,850	398,609	244,241	61.3%
Land improvements	3,863,000	3,925,611	(62,611)	-1.6%
Buildings and building improvements	29,752,879	30,417,492	(664,613)	-2.2%
Machinery and equipment	889,748	845,654	44,094	5.2%
Furniture and office equipment	1,392,345	1,629,509	(237,164)	-14.6%
Computer equipment	73,633	120,823	(47,190)	-39.1%
Vehicles	2,719,211	2,777,017	(57,806)	-2.1%
Infrastructure	<u>5,461,365</u>	<u>4,480,399</u>	<u>980,966</u>	<u>21.9%</u>
Totals	47,464,464	47,258,047	206,417	0.4%

The Town has appropriated \$563,565 in fiscal year 2006 for the following capital expenditures: three police cruisers, pickup truck and dump truck lease payment, a six wheel dump truck, a tandem axle plow truck, various road projects, and funds to continue the implementation of the federally mandated program to control storm water runoff. Additionally, the Council allocated \$308,071 in undesignated fund balance, which was in excess of the 8% fund balance policy to fund road projects.

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

Debt Administration

As of June 30, 2005, the Town had a total of \$30,427,896 of outstanding general obligation debt, and \$5,000,000 in authorized but unissued debt. The Town's outstanding general obligation bonds as of June 30, 2005 is \$2,474,646 less than last fiscal year -- a decrease of 7.5%.

The Town of Gorham currently has an A1 rating from Moody's on its general obligation bond issues. The Town's outstanding indebtedness is only 2.8% of the State's equalized value.

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

Economic Factors and Next Year's Budget and Tax Rates

In November 2004, the citizens of Maine failed to approve the tax reform referendum question put forth by the Maine Tax Payers Action Network. However, the State legislature felt that tax reform was the number one issue they needed to address. As a result, in January 2005 the Maine legislature adopted and the governor signed into law a tax reform package known as LD1. The goal of LD1 was to increase the State's share of education costs and reduce overall property tax burden in the state. The portions of the law that impacted municipalities and school districts the most are:

1. School subsidy funding is to be based on an Essential Programs and Services (EPS) Funding Model with the State working towards the goal of funding 55% of EPS over the next five years. Note: Gorham Schools benefited from this change to the tune of an additional \$2,000,000 in state aid to education.
2. Established a municipal spending limitation system with the goal of limiting a municipalities' property tax levy. The limit is increased on an annual basis by an index based on statewide personal income growth and growth in local taxable values. There is an override feature in the law. Note: The Gorham Town Council passed an override for the 2006 budget due to the impact of the new debt service for the renovation of the old Shaw School to a Community/Municipal Center.
3. Change the existing homestead exemption program from a 3-tiered exemption with 100% reimbursement by the State to a municipality, to a flat \$13,000 with 50% reimbursement to the municipality by the State. With only a 50% reimbursement from the State, municipalities needed to cover the remaining 50% exemption amount by shifting the tax burden to commercial and other properties not eligible or not participating in the homestead exemption program.

On May 10, 2005, the Town Council approved a total gross appropriation of \$37,226,212 to fund municipal and education operations, and the county tax. This is an increase of \$2,259,582 or 6.5% over the FY2005 appropriation. After applying non-property tax revenues, transfers and use of fund balance the FY2006 net appropriation is \$17,339,657, a decrease of \$395,035 or -2.23%. This decrease is primarily due to the additional state aid to education the Gorham School Department will receive during fiscal year 2006.

The assessed valuation for the Town went from \$886,734,600 to \$889,213,200, a .28% increase. Although it appears that the Town's assessed valuation only grew \$2,478,600, it should be noted that as indicated above, the Town needed to "absorb" 50% of the increased homestead exemption, which accounted for \$19,468,800 of "lost" value.

The Town of Gorham's tax rate went from \$20.00 to \$19.50, a decrease of 2.5%.

The Town's municipal appropriation is \$10,432,290, a 10.8% increase over the FY2005 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 – from the \$5,000,000 bond issue, \$168,000 in additional funding for road projects over the FY2005 appropriation, and \$176,000 to fund the purchase of a six wheel dump and tandem axle plow truck. An increase in non-property tax revenues, primarily vehicle excise taxes, of \$257,967 or 4.9%, transfers from the TIF Fund and Capital Reserve Fund, have resulted in a net appropriation of \$4,663,023, an increase of 14.9% or \$604,046. The municipal tax rate will go from \$5.06 to \$5.76.

The Town's education budget is \$26,116,451, a 4.9% or \$1,227,008 increase over the FY2005 budget. The major components of the budget increase included:

- 3.9% for existing programs (mainly increases in salary and benefits)
- 0.5% for needed new positions
- 0.5% for previously grant funded positions

Although the School Department saw a reduction in their use of fund balance with a slight increase in the middle school impact fees (these are used to help pay the debt service on the new middle school), and a substantial increase in State Aid to Education funding, the net education appropriation is \$11,540,653, a decrease of \$1,047,633 or –8.3% from FY2005. The results is an education tax rate decrease of \$1.22 or 8.57%, and will go from \$14.20 per thousand to \$12.98 per thousand.

The county tax assessment was up 2.65% or \$17,494, resulting in a slight increase in the tax rate for the County Tax. The rate went from \$0.74 to \$0.76.

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, 2005

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 236,996
Investments	14,461,441
Receivables:	
Accounts	317,756
Intergovernmental	138,786
Rescue receivable (net of allowance of \$70,000)	76,582
Taxes receivable - current year	551,386
Taxes receivable - prior year	2,627
Tax liens	208,803
Notes	12,561
Inventory	31,187
Other	2,443,561
Non-depreciable capital assets	3,312,283
Depreciable capital assets, net	44,152,181
Total assets	65,946,150
LIABILITIES	
Accounts payable and other current liabilities	909,850
Accrued wages and benefits	2,124,382
Performance bond deposits	2,443,561
Middle School impact fees	244,703
Noncurrent liabilities	
Due within one year	2,633,352
Due in more than one year	29,125,085
Total liabilities	37,480,933
NET ASSETS	
Invested in capital assets, net of related debt	16,377,091
Restricted for:	
Nonexpendable trust principal	352,781
Unrestricted	11,735,345
Total net assets	\$ 28,465,217

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Statement of Activities
For the Year Ended June 30, 2005

					Net (expense) revenue and changes in net assets
		Program Revenues			Primary Governmental activities
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,718,015	553,250	-	101,216	(2,063,549)
Public safety	2,896,737	265,997	29,780	31,340	(2,569,620)
Public works	1,894,758	1,205,385	392,718	150,187	(146,468)
Health & welfare	52,415	12,186	10,221	-	(30,008)
Recreation	893,350	54,764	13,795	207,870	(616,921)
Development	377,263	99,721	-	-	(277,542)
County tax	659,977	-	-	-	(659,977)
Education	27,961,877	660,199	15,792,072	-	(11,509,606)
Interest on debt	1,306,889	-	-	-	(1,306,889)
Total governmental activities	38,761,281	2,851,502	16,238,586	490,613	(19,180,580)
Total primary government	\$ 38,761,281	2,851,502	16,238,586	490,613	(19,180,580)
General revenues:					
Property taxes, levied for general purposes					17,234,005
Payment in lieu of taxes					51,083
Motor vehicle and boat excise taxes					2,359,645
Grants and contributions not restricted to specific programs:					
Homestead exemption					369,434
Other State aid					27,807
State Revenue Sharing					1,302,053
Unrestricted investment earnings					273,500
Miscellaneous revenues					245,789
Special item - bond refunding					-
Transfers					-
Total general revenues and transfers					21,863,316
Change in net assets					2,682,736
Net assets - beginning					25,782,481
Net assets - ending					28,465,217

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2005

	General	School Operations Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash	\$ 5,000	-	-	231,996	236,996
Investments	8,382,316	-	4,548,921	1,530,204	14,461,441
Receivables:					
Accounts	167,221	721	-	149,814	317,756
Rescue receivable (net of allowance of \$60,000)	76,582	-	-	-	76,582
Taxes receivable - current year	551,386	-	-	-	551,386
Taxes receivable - prior year	2,627	-	-	-	2,627
Tax liens	208,803	-	-	-	208,803
Notes	-	-	12,561	-	12,561
Due from other governments	-	72,626	-	66,160	138,786
Interfund loans receivable	-	1,170,257	86,584	1,574,939	2,831,780
Other assets - performance bonds & impact fees	2,443,561	-	-	-	2,443,561
Inventory	11,187	-	-	20,000	31,187
Total assets	\$ 11,848,683	1,243,604	4,648,066	3,573,113	21,313,466
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	420,227	48,837	157,822	6,346	633,232
Accrued wages and benefits	160,670	1,963,712	-	-	2,124,382
Compensated absences payable	-	-	-	-	-
Interfund loans	2,299,591	104,261	7,972	419,956	2,831,780
Deferred tax revenues	480,000	-	-	-	480,000
Performance bond deposits	2,443,561	-	-	-	2,443,561
Middle school impact fees	244,703	-	-	-	244,703
Total liabilities	6,048,752	2,116,810	165,794	426,302	8,757,658
Fund balances:					
Reserved for:					
Noncurrent receivables/encumbrances	379,300	561,390	12,561	-	953,251
Nonexpendable trust principal	-	-	-	352,781	352,781
Inventory	11,187	-	-	20,000	31,187
Unreserved:					
Designated	528,072	281,681	4,331,257	-	5,141,010
Undesignated, reported in:					
General fund	4,881,372	-	-	-	4,881,372
Special revenue funds	-	(1,716,277)	138,454	1,883,238	305,415
Capital projects funds	-	-	-	674,738	674,738
Permanent funds	-	-	-	216,054	216,054
Total fund balances	5,799,931	(873,206)	4,482,272	3,146,811	12,555,808
Total liabilities and fund balances	\$ 11,848,683	1,243,604	4,648,066	3,573,113	

See accompanying notes to financial statements.

Continued

TOWN OF GORHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2005

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

Total fund balances - total governmental funds, Statement 3	\$ 12,555,808
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Amounts reported for governmental activities in the statement of
net assets (Statement 1) are different because:

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

Non-depreciable capital assets	\$ 3,312,283	
Depreciable capital assets, net	<u>44,152,181</u>	47,464,464

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

General obligation bonds	\$ 30,427,896	
Capital leases	659,477	
Compensated absences	671,064	
Accrued interest payable	<u>276,618</u>	(32,035,055)

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

480,000

Net assets of governmental activities	\$ 28,465,217
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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, 2005

	General	School Operations Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 19,353,785	-	-	251,748	19,605,533
Licenses and permits	478,148	-	-	-	478,148
Intergovernmental	2,102,286	14,283,346	-	1,503,726	17,889,358
Investment income	110,166	-	80,750	28,701	219,617
Charges for services	885,825	21,132	-	803,113	1,710,070
Unclassified	167,569	168,037	472,938	690,747	1,499,291
Total revenues	23,097,779	14,472,515	553,688	3,278,035	41,402,017
Expenditures:					
Current:					
General government	2,579,082	-	-	-	2,579,082
Public safety	2,680,546	-	-	-	2,680,546
Public works	2,146,064	-	-	534,636	2,680,700
Health & welfare	52,199	-	-	-	52,199
Recreation	626,606	-	-	-	626,606
Development	180,108	-	-	-	180,108
County tax	659,977	-	-	-	659,977
Unclassified	-	-	-	1,120,904	1,120,904
Education	-	24,100,071	-	1,372,392	25,472,463
Debt service					
Principal	368,140	1,910,148	-	196,358	2,474,646
Interest and other charges	202,433	1,062,619	-	56,671	1,321,723
Capital maintenance	-	530,573	383,506	-	914,079
Capital improvements	-	-	724,153	188,477	912,630
Total expenditures	9,495,155	27,603,411	1,107,659	3,469,438	41,675,663
Excess (deficiency) of revenues over (under) expenditures	13,602,624	(13,130,896)	(553,971)	(191,403)	(273,646)
Other financing sources (uses):					
Capital lease proceeds	-	221,680	122,628	-	344,308
Long-term debt issued	-	-	-	-	-
Transfers in	125,232	12,588,286	507,726	58,299	13,279,543
Transfers out	(13,154,311)	-	(66,933)	(58,299)	(13,279,543)
Total other financing sources (uses)	(13,029,079)	12,809,966	563,421	-	344,308
Net change in fund balances	573,545	(320,930)	9,450	(191,403)	70,662
Fund balances (deficit), beginning of year	4,985,219	(552,276)	4,472,822	3,338,214	12,243,979
Prior period adjustment - accrued compensated absences	241,167	-	-	-	241,167
Fund balances (deficit), beginning of year (as restated)	5,226,386	(552,276)	4,472,822	3,338,214	12,485,146
Fund balances (deficit), end of year	\$ 5,799,931	(873,206)	4,482,272	3,146,811	12,555,808

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, 2005

Net change in fund balances - total governmental funds (from Statement 4)	\$ 70,662
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 (\$2,708,929) exceeded depreciation expense (\$2,502,512) in the current period.	
	206,417
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	42,000
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 of repayments. (Note 10)	
	2,474,646
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in long term accrued compensated absences. (Note 10)	
	(8,917)
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)	
	(124,806)
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.	
	22,734
Change in net assets of governmental activities (see Statement 2)	\$ 2,682,736

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, 2005

	General Fund				Budgeted Special Revenue Funds School Operations Fund			
	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 19,163,706	19,163,706	19,353,785	190,079	-	-	-	-
Licenses and permits	300,750	300,750	478,148	177,398	-	-	-	-
Intergovernmental	1,822,534	1,822,534	2,102,286	279,752	11,748,225	11,748,225	12,077,899	329,674
Investment income	100,000	100,000	110,166	10,166	-	-	-	-
Charges for services	1,022,631	892,169	885,825	(6,344)	17,000	17,000	21,132	4,132
Other revenues	125,919	125,919	167,569	41,650	165,000	165,000	168,037	3,037
Total revenues	22,535,540	22,405,078	23,097,779	692,701	11,930,225	11,930,225	12,267,068	336,843
Expenditures:								
Current:								
General government	1,010,504	992,524	974,946	17,578	-	-	-	-
Public safety	2,696,132	2,696,132	2,685,773	10,359	-	-	-	-
Public works	1,987,633	1,882,131	1,959,597	(77,466)	-	-	-	-
Health & welfare	67,218	67,218	52,199	15,019	-	-	-	-
Recreation	628,482	628,482	633,109	(4,627)	-	-	-	-
Development	198,025	198,025	193,520	4,505	-	-	-	-
Insurances and employee benefits	1,743,793	1,739,833	1,507,344	232,489	-	-	-	-
Education	-	-	-	-	24,889,443	24,889,443	25,207,799	(318,356)
County tax	659,977	659,977	659,977	-	-	-	-	-
Unclassified	146,809	134,789	122,323	12,466	-	-	-	-
Debt service	595,172	595,172	578,473	16,699	-	-	-	-
Total expenditures	9,733,745	9,594,283	9,367,261	227,022	24,889,443	24,889,443	25,207,799	(318,356)
Excess (deficiency) of revenues over (under) expenditures	12,801,795	12,810,795	13,730,518	919,723	(12,959,218)	(12,959,218)	(12,940,731)	18,487
Other financing sources (uses):								
Utilization of prior year surplus	-	-	-	-	370,932	370,932	-	(370,932)
Transfers to school fund	(12,588,286)	(12,588,286)	(12,588,286)	-	12,588,286	12,588,286	12,588,286	-
Transfers to special revenue - economic development	(63,000)	(63,000)	(58,299)	4,701	-	-	-	-
Transfers to special revenue - capital reserve	(280,442)	(289,442)	(507,726)	(218,284)	-	-	-	-
Transfers in special revenue - TIF and capital reserve	129,933	129,933	125,232	(4,701)	-	-	-	-
Total other financing sources (uses)	(12,801,795)	(12,810,795)	(13,029,079)	(218,284)	12,959,218	12,959,218	12,588,286	(370,932)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	701,439	701,439	-	-	(352,445)	(352,445)
Reconciliation to GAAP basis:								
Change in accrued payroll				-			(38,123)	
Change in encumbrances				(127,894)			69,638	
Net change in fund balance			573,545				(320,930)	
Fund balance (deficit), beginning of year, as previously reported			4,985,219				(552,276)	
Prior period adjustment - accrued compensated absences			241,167				-	
Fund balance (deficit), beginning of year, as restated			5,226,386				(552,276)	
Fund balance (deficit), end of year	\$		5,799,931				(873,206)	

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

		Agency Fund (School Activity)	Private Purpose Trust Fund (Scholarships)	Total
ASSETS				
Cash	\$	215,361	-	215,361
Investments		-	30,349	30,349
Total assets		215,361	30,349	245,710
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to student groups		215,361	-	215,361
Accounts payable		-	450	450
Total liabilities		215,361	450	215,811
Net assets:				
Held in trust	\$	-	29,899	29,899

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, 2005

	Private Purpose Trust Fund (Scholarships)
Additions:	
Donations	\$ 500
Investment income	472
Total additions	972
Deductions:	
Scholarships awarded	450
Total deductions	450
Change in net assets	522
Net assets, beginning of year	29,377
Net assets, end of year	\$ 29,899

See accompanying notes to financial statements.